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The Quality of Social Reporting and its Impact on a Company's Corporate Reputation

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Master in International Management

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Resumo

A crescente importância da integração da sustentabilidade nas empresas, do ponto de vista dos consumidores, investidores e governos, obrigou as empresas a implementar diferentes estratégias que têm em conta as questões ambientais, sociais e de governação. Para garantir visibilidade junto aos stakeholders, as empresas também necessitam de desenvolver uma robusta estratégia de comunicação externa sobre suas atividades não financeiras, dada a comprovada influência dessas práticas na reputação corporativa.

O objetivo central da dissertação é analisar a qualidade comparativamente à quantidade de informação não financeira divulgada pelas empresas. O estudo concentra-se nas 100 Empresas e nas 10 Empresas com Maior Reputação Corporativa, dentro do mercado português e espanhol, respetivamente, segundo o Monitor de Reputação Corporativa MERCO, durante o ano de 2021. Será examinada a quantidade e qualidade das informações de Responsabilidade Social Corporativa (CSR) divulgadas por essas empresas ao longo do ano em análise e a correlação entre ambos.

Embora a quantidade de informação não financeira compartilhada seja comumente usada em pesquisas académicas e rankings internacionais para avaliar as estratégias de sustentabilidade das empresas, esta dissertação procura destacar a qualidade da informação compartilhada. Os resultados indicam que a qualidade da informação ainda fica aquém, comparativamente à quantidade de páginas compartilhadas pelas empresas. Os resultados evidenciam, também, que a reputação corporativa está intrinsecamente ligada à qualidade da informação divulgada. Embora haja uma menor correlação no cenário espanhol, pode concluir-se que as empresas estão a desenvolver gradualmente a sua comunicação quanto às práticas de sustentabilidade.

Palavras-chave: Sustentabilidade, Responsabilidade Social Corporativa, Reporte Social, Qualidade da Informação, Reputação Corporativa

Classificação JEL: M14, Q56

Abstract

The growing importance of integrating sustainability into companies from the point of view of consumers, investors, and governments, has forced companies to implement different strategies that take environmental, social, and governance issues into account. To ensure visibility with stakeholders, companies also need to develop a robust external communication strategy about their non-financial activities, given the proven influence of these practices on corporate reputation.

The main aim of the dissertation is to analyse the quality compared to the quantity of non-financial information disclosed by companies. The study focuses on the 100 Companies and the 10 Companies with the Highest Corporate Reputation (within the Portuguese and Spanish markets, respectively), according to the MERCO Corporate Reputation Monitor, during the year of 2021. It will examine the quantity and quality of Corporate Social Responsibility (CSR) information disclosed by these companies throughout the year under analysis and the correlation between the two.

While the amount of non-financial information shared is commonly used in academic research and international rankings to assess companies' sustainability strategies, this dissertation seeks to highlight the quality of the information shared. The results indicate that the quality of the information still remains low compared to the quantity of pages shared by companies. The results also show that corporate reputation is intrinsically linked to the quality of the information disclosed. Although there is a lower correlation in the Spanish scenario, it can be concluded that companies are gradually developing their communication of sustainability practices.

Keywords: Sustainability, Social Corporate Responsibility, Social Reporting, Quality of Information

JEL Classifications: M14, Q56

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List of abbreviations

CSR – Corporate Social Responsibility

CSRD – Corporate Sustainability Reporting Directive

EPRS – European Parliamentary Research Service

ESG – Environmental, Social, and Governance

ESRS – European Sustainability Reporting Standards

GRI – Global Reporting Initiative

MNE – Multinational Enterprise

NFI – Non-Financial Information

NFRD – Non-Financial Reporting Directive

PIEs – Public Interest Entities

SASB – Sustainability Accounting Standards Board

SDGs – Sustainable Development Goals

UN – United Nations

UNGC – United Nations Global Compact

1 Introduction

1.1 Contextualization

Social responsibility has become extremely crucial in today's dynamic and connected society. Businesses, organizations, and people are day after day, considering how their actions may affect society and the environment as they navigate a constantly changing global world. Being socially responsible implies a strong commitment to moral conduct, environmental sustainability, and improving community well-being. In a time when social justice, sustainability, and climate change are major topics of discussion, it is not only morally right to embrace social responsibility but also a strategic requirement to foster long-term success, trust, and sustainability of companies (Heyward, 2020; Yu et al., 2022).

Consumers have been adapting their behaviours, and being socially and environmentally responsible is increasingly becoming a determinant, influencing customers' decision-making when it comes to consuming different goods. Following “The EY Future Consumer Index” (Rogers & Cosgrove, 2021), 84% of consumers affirm that sustainability is important when making purchase decisions.

In accordance with the same index (Rogers & Cosgrove, 2021), 61% of consumers believe companies should share more information to help and make better and more sustainable decisions; 80% agree that companies should provide more information about the environmental impacts of the products and services they produce; and 73% consider that companies have a commitment and responsibility to help and positively change the world.

Considering the Consumer Index by EY (Rogers & Cosgrove, 2021), it is important that industries grow and keep up with consumer needs and promptly create strategies, objectives and take actions, and adopt measures that positively impact the environment and the people (all stakeholders) wellbeing. Research has shown that a company's Corporate Social Responsibility (CSR) strategy is favourably connected with influencing customers' loyalty to the business and its goods.

The increasing significance of a CSR strategy implies that businesses need to start communicating, sharing, and publishing information about their strategy, goals, and non-financial metrics results. On the same note, and following KPMG International, p. (2017, p. 6) findings, “Reporting integration is the new normal and “nonfinancial” is the new financial”, which states the importance of a good CSR communication and reporting strategy. A later study, also carried out by KPMG International (2022) goes beyond the statement and affirms that, with regulations on non-financial reporting coming up, communication is growing at a fast pace, with only 4% of the world's leading 250 companies not reporting on their strategies.

It is essential that companies have a focus on having a clear communication of their CSR, both on the quantity and quality of the information disclosure. As stated by Castilla-Polo & Ruiz-Rodríguez (2021), the quality of CSR communication and social reports is determined by the highly valued information shared, instead of the volume of social reports. Companies' social commitment could be put under criticism if they merely reveal information without providing high-quality disclosure.

1.2 Motivations and Research Aim

The exploration of CSR has garnered significant attention in recent years, with several studies exploring its various aspects. The crucial relevance of CSR is shown by its deep impact on a company's growth and adaptability to future developments, as well as on the decision-making processes of shareholders and stakeholders. While existing research has primarily concentrated on the sheer quantity of data presented in corporate reports related to CSR, the key aspect of reporting quality information has received very little attention. By putting more emphasis on a thorough examination of the quality of Environmental, Social, and Governance (ESG) reporting than on its conventional focus on quantity, this research aims to close the gap around the importance of quality reporting for companies' reputation.

In addition, the study seeks to determine how a company's reputation is affected by the quality of its ESG reporting, shedding light on the mutual link between reporting quality and reputation.

In addition to these factors, the need to encourage responsible consumption and the larger backdrop of worldwide sustainability challenges serve as the driving forces for this study.

This dissertation aims to present a localized approach within the Portuguese and Spanish markets, during the year of 2021. The study will focus on the research of the 100 Companies with the Highest Corporate Reputation in the Portuguese market, following MERCO – Corporate Reputation Business Monitor, the quantity and quality of CSR information that has been disclosed during that year by these companies, including reports, strategies, and commitments, and the correlation between both. Then, a comparison between the 10 best ranked companies in the Portuguese and Spanish markets will be undertaken, which will help understand the effect that Social Reporting may have on the reputation of companies in different markets.

1.3 Research Objectives and Research Questions

To deep dive and get to the objective of the study, a few questions will help in the guiding of the research:

- **RQ1:** Is the quantity of Social Reporting positively correlated to its quality?
- **RQ2:** Do companies with high reputation, utilize Social Reporting as a communication method?
- **RQ3:** Does the quality of Social Reporting have a positive impact on a company's Corporate Reputation?

With this dissertation it is expected to understand the importance of quality of social Reporting, if quantity of reporting is correlated with its quality, and its implications on the company's corporate reputation.

1.4 Structure of the dissertation

The dissertation will be organized into five chapters.

The initial chapter provides an overview of the study, encompassing the contextual background, significance, research aim, questions, objectives, and an outline of the dissertation's structure.

Moving to the second chapter, a comprehensive literature review stage examines previous publications, contextualizing essential concepts for a thorough understanding of the topic. The process of analysing the collection of articles is outlined, considering factors such as databases, keywords, search dates, languages, and research spheres.

Chapter three delves into the detailed methodology employed for data collection and analysis, outlining the procedures for both the definition of the variables included in the database and the indexes defined.

The fourth chapter is dedicated to the empirical analysis of the study, presenting and interpreting results from the database created. During this chapter, it is also discussed the research findings, following the Research Questions made, while also comparing it to the literature review.

Concluding the dissertation, the fifth chapter presents the study's conclusions, limitations, and contributions to academic research are acknowledged, suggestions for future research are proposed, and the contributions to management are highlighted.

2 Literature Review

2.1 Corporate Social Responsibility

With the first Industrial Revolution (from around 1755 to 1850), the first Corporate Social Responsibility (CSR) discussions also started taking place. Industrial smoke, child labour, and working conditions, among others, started being questioned and some early business people attempted to respond to these problems in which they were both immersed and, in some sense, helped to create CSR (Husted, 2015).

However it was not until the 20th century that CSR took a more important role. During the 1930's, was when social responsibilities of companies started being more formally debated. Some of the major highlights of CSR evolution during this century up to nowadays focus on:

1953
- According to Bowen, corporate leaders have a social obligation to make decisions that align with societal ideals.

1970-1971
- The Committee for Economic Development (USA), shared a new perspective, which said that businesses operate with the permission of the public and that their primary goal is to positively and satisfactorily satisfy societal demands.

1970's
- During this decade, the idea of wording Corporate Social Responsibility started growing.

1980
- According to Jones, CSR ought to be viewed as a process for making decisions that will affect how businesses behave.

1991
- During this year, Pyramid of CSR model is created by Carroll.

1994
- Elkington develops the "Triple Bottom Line", also named the three Ps: people, planet and profit helping understand and gather evidence that sustainability can be connected with long-term.

1997
- As a response to the Exxon Valdez oil spill, GRI standards were originated.

2000	• The UN Global Compact was officially launched at UN Headquarters in New York City.
2001	• From this year onwards, CSR starts being seen by different academic authors as a strategic position, helping organisations create share value and gain competitive advantage.
2014	• The Directive 2014/95/EU was enacted, establishing a new framework for what and how corporations must provide non- financial data.
2022	• A new directive was enacted by the EU, with the purpose of increasing comparability and onenness in sustainable reporting - the Corporate Sustainability Reporting Directive (CSRD).

Table 2-1 - Synthesis of CSR Evolution

Source: Own elaboration

CSR is defined as the proactive integration of social and environmental considerations into a company's business operations and engagements with stakeholders on a voluntary basis, as articulated by the Commission of the European Communities (2001). This concept encompasses diverse thematic areas such as business ethics, the social contract, environmental sustainability, and corporate citizenship (Ferreira Neto et al., 2021). It is mainly focused on the responsibilities that organizations undertake to become more responsible within their core activities (Park et al., 2023)

While CSR seeks to hold companies accountable, ESG standards measure their contributions (Gupta, 2020). ESG rests on three fundamental pillars: environmental sustainability, social sustainability, and governance sustainability, (ESG), as outlined by Danciu (2013), and are important pillars that have the capacity to influence, either favourably or unfavourably, a business's financial performance (European Banking Authority, 2021).

Environmental factors include topics such as energy consumption, waste management, biodiversity, pollution, and climate change. They also encompass the condition and operation of the environment as a whole and its systems. Social factors include (in)equality, health, inclusivity, labour relations, workplace health and safety, human capital, and community welfare. It is also related to the rights, well-being, and interests of people and communities. The strategic and operational frameworks of institutions and their equivalents are becoming more and more dependent on these elements. Practices like executive leadership, executive compensation, audits, internal controls, tax laws, board independence, shareholder rights, corruption, bribery, and how businesses incorporate social and environmental considerations into their policies and procedures are all considered governance factors (European Banking Authority, 2021).

CSR encompasses all stakeholders within an organization, both internal and external (Memon et al., 2021). The social sustainability pillar focuses, as shared above, on dimensions such as health and safety, human rights, training and development, workplace diversity, and work-life balance – all of which significantly enhance the performance of internal stakeholders, particularly employees, within the workplace (Adu-Gyamfi et al., 2021).

Conversely, external stakeholders are also increasingly emphasizing on CSR (Tsalis et al., 2020) as it will be discussed later on.

Consequently, companies are facing growing pressure to align and standardize their strategies with different frameworks, certifications, and standards, such as Global Reporting Initiative Standards (GRI Standards), the Sustainability Accounting Standards Board (SASB), and the United Nations´ (UN) Agenda 2030 and its 17 Sustainable Development Goals (SDGs) (Nijhawan, 2022; Tsalis et al., 2020). The 17 SDGs were created by countries belonging to the UN, with the main purpose of building wealth for both the earth and humanity. However, these objectives rely, not only on the support of the countries that united for the achievement of these goals, and nonprofit organizations but also depend on the private business sector to make changes to unsustainable and unworkable practices of production and consumption (Smale, 2018).

2.2 17 Sustainable Development Goals by the United Nations

Between September 25th and 27th of 2015, a Sustainable Development Summit was held, by the United Nations, in New York. The United Nations Summit on Sustainable Development catalysed global enthusiasm for the transformative 2030 Agenda, with Heads of State and leaders from diverse sectors emphasizing its universal, inclusive nature. Discussions centered on national ownership, citizen engagement, and breaking down institutional silos for effective implementation. Key messages highlighted a resolute commitment to the 17 Sustainable

Development Goals (SDGs), recognizing three interlinked factors of sustainable development: economic growth, social inclusion, and environmental sustainability. A call for a revitalized global partnership strengthened means of implementation, and robust follow-up mechanisms underscored the imperative for collective action and institutional reforms within the UN to align with the SDGs and address regional dimensions (United Nations Sustainable Development, 2015).

According to the United Nations Sustainable Development (2022), the SDGs serve as a roadmap for creating a more secure and enduring future for everyone. These goals tackle worldwide issues such as poverty, inequality, climate change, environmental harm, peace, and justice. The 17 interconnected goals need to be accomplished by 2030 to ensure that no one is excluded from the positive outcomes.

The Goals are (United Nations Sustainable Development, 2022):

- SDG 1: No poverty – End poverty in all its forms, everywhere;
- SDG 2: Zero hunger – End hunger, achieve food security and improved nutrition, and promote sustainable agriculture;
- SDG 3: Good health and well-being – Ensure healthy lives and promote well-being for all at all ages;
- SDG 4: Quality education – Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all;
- SDG 5: Gender equality – Achieve gender equality and empower all women and girls;
- SDG 6: Clean water and sanitation – Ensure available and sustainable management of water and sanitation for all;
- SDG 7: Affordable and clean energy – Ensure access to affordable, reliable, sustainable, and modern energy for all;
- SDG 8: Decent work and economic growth – Promote sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for all;
- SDG 9: Industry, innovation and infrastructure – Build resilient infrastructure, promote inclusive and sustainable industrialization, and foster innovation;
- SDG 10: Reduced inequalities – Reduce inequality within and among countries;
- SDG 11: Sustainable cities and communities – Make cities and human settlements inclusive, safe, resilient, and sustainable;

- SDG 12: Responsible consumption and production – Ensure sustainable consumption and production patterns;
- SDG 13: Climate action – Take urgent action to combat climate change and its impacts;
- SDG 14: Life below water – Conserve and sustainably use the oceans, seas, and marine resources for sustainable development;
- SDG 15: Life on land – Protect, restore, and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation, and halt biodiversity loss;
- SDG 16: Peace, justice, and strong institutions – Promote peaceful and inclusive societies for sustainable development, provide access to justice for all, and build effective, accountable, and inclusive institutions at all levels;
- SDG 17: Partnerships for the goals – Strengthen the means of implementation and revitalize the global partnership for sustainable development.

With the aim of improving the assessment of actions linked to the SDGs and their overall impact, UN agencies as well as related organizations are cooperating to provide essential data, indicators, and metrics. Metrics that evaluate business plans and tactics must be developed within the SDG framework, with an emphasis on converting individual efforts into larger, macro-level effects (Van Tulder et al., 2021).

Leading multinational enterprises (MNEs) have been at the forefront of conversations about CSR and actively engage in this process of engagement. Their participation extends beyond setting objectives and goals to provide the project as a whole validity. These trailblazing MNEs are essential to influencing the conversation and making SDG-related projects successful (Van Tulder et al., 2021).

MNEs take the lead into the transformation and adaptation to sustainability, however, all organizations, regardless of size or sector, can make a positive impact on the SDGs. The global goals are unparalleled in their breadth and size, yet there are still fundamental ways that businesses may contribute (UN Global Compact, 2018).

Global issues such as poverty, violence, inequality, and the crises related to water, food, and climate change require answers from the private sector, which offers a huge and expanding opportunity for commercial innovation. Integrity and values will be crucial in the race to modernize corporate models and systems for the future (UN Global Compact, 2018).

However, companies do face some challenges when aligning their strategies with all the 17 SDGs. A study made conducted by (Tsalis et al., 2020) on the challenges that Greek companies come across when adopting the UN 2030 Agenda, concluded that the 17 goals are not equally addressed by companies, making it a challenge to achieve a balanced and holistic approach to sustainable development. On a broader view, and as stated by Spahn (2018), the focus of organizations on the SDGs does not consider the rights of future generations, and the importance of creating ethical frameworks that truly address the goals of sustainable development and environmental stewardship for the benefit of both future generations and the planet. According to Mensah (2019), SDGs cannot be achieved through isolated efforts but requires integrated actions across social, environmental, and economic dimensions. Pursuing these elements in an isolated manner prevents the development of sustainable development.

Over the years, different tools have been created, with the end purpose of helping organizations share the effectiveness of both the implementation of different strategies and their reporting. These instruments work as a guide for companies to prepare strategies with positive outcomes and incorporate important information into their sustainability reporting. As an example, the United Nations Global Compact (UNGC) works as a tool to provide guidelines for the healthy integration of SDG into corporate sustainability practices (UN Global Compact, 2018).

In regards to a healthy communication strategy, and to guarantee that information about environmental, social, and governance initiatives reaches the wider public and has the intended impact on external stakeholders such as investors and customers, companies are increasingly adopting transparent communication strategies. This involves the disclosure of comprehensive information through extensive reports that are made public. The dissemination of this information is crucial for fostering accountability, building trust, and engaging stakeholders in the pursuit of SDGs (Qiu et al., 2016).

2.3 Social Reporting

Social Reporting "is a report published by a company or organization about the economic, environmental, and social impacts caused by its everyday activities. A sustainability report also presents the organization's values and governance model and demonstrates the link between its strategy and its commitment to a sustainable global economy. " (GRI Standards, 2021, p.1).

In an overall view, a social report should always hold details about its internal structure, its strategy, share information on governance, data on workers, share the most important policies and practices around ESG (GRI Standards, 2023).

Social Reporting has witnessed a steady increase, particularly in the last few decades. This surge is notably fuelled by the growing emphasis of responsible investors on evaluating a company's performance based on ESG factors in their investment decisions. Consequently, companies are increasingly adopting stakeholder-oriented strategies to maximize social value (Alsayegh et al., 2020).

In the realm of Social Reporting, various studies offer insights into the impacts of sharing ESG information. According to research conducted by Li et al. (2018), increased stakeholder confidence and greater accountability and transparency are two ways that the disclosure of ESG practices may increase a company's value. Conversely, a study conducted by Fatemi et al. (2018), concludes that, although ESG issues are linked to a decline in company value, ESG strengths help to boost firm value. When ESG strengths and weaknesses are considered in conjunction with ESG disclosure, a more complex picture becomes apparent. High disclosure reduces the favourable value effect in the presence of ESG strengths, which may indicate that higher transparency is interpreted as an attempt to rationalize overinvestment in ESG activities. On the other hand, transparency mitigates the adverse effects of ESG issues on valuation, maybe as a result of helping companies justify their actions or persuade investors of their sincere intentions to fix ESG shortcomings.

The disclosure of such information to the public serves a dual purpose: to engage with key company stakeholders and to gain a competitive edge. By making ESG-related performance and strategies transparent, companies aim to demonstrate their commitment to responsible practices, align with stakeholder expectations, and position themselves favourably in the competitive landscape, as emphasized by Qiu et al. (2016).

It is known that sharing Social Reports with all stakeholders, has an impact on the reputation of the companies. But rather than emphasizing the importance of information quality, this impact is more closely linked to the volume of information that is reported (Axjonow et al., 2018).

However, and as stated by Odriozola & Baraibar-Diez (2017), companies should prioritize not only the disclosure of their ESG initiatives but also ensure the quality of the disclosed information. It is important to recognize that ESG data is different from financial data, which calls for careful analysis. The qualitative character of ESG data, combined with a wider audience of people of interest and more diversity of information, makes it difficult for businesses to formulate and present issues for stakeholders to analyse and verify.

A significant milestone in the trajectory of Social Reporting and its quality occurred in 2014 with the introduction of the EU's Non-Financial Reporting Directive (NFRD). This marked the first instance where major public-interest corporations were legally mandated to report on non-financial information (NFI). The implementation of the NFRD reshaped the sustainability reporting landscape, intensifying the pressure on companies to adhere to standards that accurately disclose their environmental impacts and demonstrate a broader commitment to reducing greenhouse gas emissions, both locally and globally (Kelly, 2022).

2.3.1 Directive 2014/95/EU

The Directive 2014/95/EU of the European Parliament and the Council, adopted on 22 October 2014, amends Directive 2013/34/EU. This Directive brought a new structure on what and how companies must disclose their NFI. It requires large undertakings and groups exceeding an average of 500 employees to disclose non-financial and diversity information in their management reports. This information should cover environmental, social, employee, human rights, anti-corruption, and bribery matters. The directive aims to enhance transparency, comparability, and consistency in reporting and improve CSR. It also addresses diversity policies for administrative, management, and supervisory bodies, and provides guidelines for reporting methodologies. Member States are required to implement this directive by December 2018 and must ensure compliance (Official Journal of the European Union, 2014). As described by Carmo & Ribeiro (2022, p.2), this Directive "represents a shift from a voluntary to a mandatory model of NFI disclosure".

With this Directive, the European Parliament and the Council aim for companies to innovate in their social responsibility focus, as it introduces mandatory provisions for non-financial reporting by European Public Interest Entities (PIEs). Its objective is to play a crucial role in fostering increased commitment and action from the private sector to align both with the United Nations SDGs and the Paris Climate Agreement. (Pizzi et al., 2021).

To meet the European Parliament requirements, and with the aim to promote CSR, increase transparency and disclosure of NFI, and strengthen investor and consumer confidence, both Portugal and Spain transposed the Directive into national law, obligating companies to implement it from 1 January 2017. In Portugal, the Directive was transposed in the Decree-Law 89/2017 of 28 July (Diário da República, 2017), while in Spain, it was the Ley 11/2018, of 28 December (BOE, 2018).

Based on a study conducted by Bigelli et al. (2023), the mandatory non-financial reporting on ESG issues appears to already have had a positive impact on companies, by driving them towards a more robust ESG positioning, regardless of intentional strategic goals, suggesting successful achievement of the directive's objectives.

In 2022, with new standards including limited assurance, digital tagging, and thorough required reporting, the EU introduced another directive, the Corporate Sustainability Reporting Directive (CSRD), sought to further improve comparability and transparency in sustainability reporting. These new rules will have to start being implemented from January 2024, for reporting at the end of the financial year (European Commission, 2023).

The European Parliamentary Research Service (EPRS) developed the CSRD with the goal of improving the disclosure process by providing investors and consumers with more efficient means of understanding and evaluating an organization's ESG initiatives and the impact it brings. Enhancing openness helps stakeholders evaluate the risks, business consequences, and sustainability performance of organizations more effectively. With the CSRD, it is mandatory to report on double materiality, companies have to reveal how their operations affect both people and the environment, as well as the way that sustainability objectives and financial health are mutually correlated (IBM, 2023).

Also, and to ensure accuracy and completeness of reporting, CSRD disclosures need to be of public access and have an independent auditing. With the same finality, the EPSR provided a framework – European Sustainability Reporting Standards (ESRS) – for companies to follow and standardize their reporting. It is made up of twelve standards that address sustainability issues in four different areas: governance, social, environmental, and cross-cutting (IBM, 2023).

2.3.2 GRI Reporting

Established in 1997 as a reaction to the Exxon Valdez oil disaster, the Global Reporting Initiative (GRI) first concentrated on environmental accountability before broadening its purview to encompass social and economic factors. (GRI Standards, 2023). GRI's explicit goal was to integrate different reporting systems, drawing inspiration from the established US financial reporting system (FASBI), and to become more global in scope, covering environmental, social, and economic indicators that could be used in both quantitative and descriptive ways. A wide range of industries, including labour, NGOs, finance, accountancy, and civic society, were among the stakeholders. GRI's creators intended for it to serve as a forum for public discussion on what constitutes sustainable performance (Brown et al., 2009).

Since 2016, the organization has been promoting global sustainability reporting and has changed from guidelines to the GRI Standards, which are constantly being updated, creating a worldwide common language for sustainability disclosure that is widely utilized, enabling informed discussion and decision-making on social, economic, and environmental impacts. (GRI, 2022).

As stated in the Handbook Background to Sustainable Reporting by the United Nations Environment Programme (2019, p.24), “The GRI is the most widely used framework for sustainability reporting (75 percent of the world’s largest 250 companies use), and the GRI disclosure database contains sustainability reports from over 12,500 organizations using the GRI framework”.

According to Marimon et al. (2012) as of today, GRI plays a key role in informing shareholders and stakeholders for wise investment and purchasing decisions. The guidelines are designed to enhance other company reports. GRI acts as a framework for evaluating sustainability records and enables comparisons and benchmarking among diverse organizations. Its performance indicators align directly with Global Compact principles, encompassing economic aspects, environmental impacts, labour practices, human rights, social aspects, and product responsibility in various content sections.

2.4 Corporate Governance

As articulated by Haan (2023), corporate governance represents established and optimal principles concerning board leadership. It provides guidance on managing the overall direction, control, practices, and systems that underpin the collective responsibility of directors. The primary goal is to foster the long-term sustainable success of the company.

In the fast-moving world we live in, Boards of Directors have expanded beyond just looking out for shareholders to include other groups like employees and the community. This is now seen as part of the bigger picture of how companies are managed within a framework: Corporate Governance (Rao & Tilt, 2016).

Corporate Governance refers to the “G” in ESG and, according to Tang (2019), it assesses the effectiveness of a company's managerial frameworks and its capacity to handle long-term risks and opportunities. Additionally, it scrutinizes the mechanisms that guarantee the company is administered in the best interests of its shareholders. This framework is based on determinants, that can be shaped by a combination of external and internal factors. External factors encompass legal, social, and cultural considerations, as well as the influence of stakeholders such as investors and consumers (de Villiers & Dimes, 2021).

When it comes to investors, legal protection of investors as a potentially useful way of thinking about corporate governance. Strong investor protection may be a particularly important manifestation of the greater security of property rights against political interference in some countries (La Porta et al., 2000).

Additionally, media scrutiny and the potential impact of scandals linked to the organization play a crucial role in decoding and shaping corporate governance policies. On the internal front, factors include the size and culture of the company, its industry position, financial performance, and relationships (de Villiers & Dimes, 2021).

To ensure accountability for these determinants, organizations employ various mechanisms to measure strategy, performance, and risk. Their corporate governance policies often outline key aspects such as Board Characteristics, Board Independence, Board Committee Composition, Stakeholder Inclusivity, and Materiality. These mechanisms not only contribute to organizational legitimacy and reputation building but also provide support for decision-making processes and enable transparent communication of performance (de Villiers & Dimes, 2021).

2.5 Code of Ethics

The Code of Ethics functions as a comprehensive guide, indicating the appropriate course of action when faced with decisions, as noted by the Institute of Business Ethics (2023).

It serves as a thorough framework that outlines what is expected from employees in many scenarios and facilitates decision-making. Employees may use the code to ensure that their activities are in line with the company's expected behaviour. In addition to providing internal direction, the Code of Ethics also guarantees the integrity of business transactions to different external stakeholders (Institute of Business Ethics, 2023).

However, the difficulty arises when it's understood that every stakeholder, each with their own identity, nationality, political views, religion, philosophy, and cultural background, is involved in the organization’s Code of Ethics, whether these are implemented locally or globally. Companies aspiring to create a Code of Ethics also face the challenge of establishing common standards that both internal and external stakeholders must adhere to (Schwartz, 2005).

Taking this into consideration, Schwartz (2005) affirms that Codes of Ethics must provide a unified direction for all stakeholders within a company to follow and practice. It is crucial, therefore, to involve employees in the process of establishing an organization's fundamental principles. The ideals expressed in organizations' Code of Ethics signify an agreement reached by workers with diverse political, cultural, and national backgrounds.

Bringing everyone to the conversation and creating a Code of Conduct that aligns the company, is a big step forward for organizations in understanding and promoting social equity. It invites companies to lead conversations on codes, define vocabulary, and offer useful recommendations for putting them into practice (McCandless & Ronquillo, 2020).

As highlighted by Kim Duong et al. (2022), among the reasons stated above, of having a Code of Conduct that aligns the values of employees, managers, and all of the external stakeholders of a company, other reasons include the establishment and implementation of a

Code of Ethics becoming and accessible tool for client businesses to raise the standard of financial reporting.

2.6 Corporate Reputation

Corporate reputation can be defined as “the whole of the perceptions and positive evaluations that occur in time in the minds of all stakeholders as a result of the institution's stable efforts and is an abstract resource that provides the organization with a significant competitive advantage.” (Esenyel, 2020, p.27). As stated by Khan et al., (2022) it is an essential indication of a business's success.

Taking upon a safeguarding reputation strategy has positive behavioural effects (Coombs, 2007), including its ability to attract and retain high-quality intellectual capital, its influence on how stakeholders engage with organizations, including fostering customer loyalty, achieving profitability, and sustaining growth (Coombs, 2007; Qiu et al., 2016)

As the study conducted by Singal & Lee (2021) reveals, involvement in CSR activities can partially alleviate the adverse impacts of difficult economic circumstances or crisis scenarios. Apart from the corporate reputation and marketing advantages, it also encompasses a broader aim of mitigating the repercussions of unforeseen crises. Having stated this, fostering, and sustaining a positive corporate reputation stands as an integral facet of daily organizational efforts. Organizations should not only contemplate their corporate reputation in the aftermath of crises but proactively prioritize it beforehand (Šontaitė-Petkevičienė, 2014).

In the contemporary business landscape, the rising prominence of ESG considerations underscores the importance for companies to not only initiate social and environmental programs but also to adeptly communicate and report on their efforts. This communication plays a pivotal role in shaping how stakeholders perceive the company, serving as a crucial foundation for building and maintaining its reputation (Odriozola & Baraibar-Diez, 2017). As the study conducted by Islam et al., (2021, p. 132) concluded, “CSR is a credible strategy to enhance the corporate reputation of the firm”.

It can be difficult to manage and measure the reputation of a company. Nevertheless, there are three main classifications that can help a company understand how their company is being seen by others, employee engagement, customers satisfaction, and financial return

(Waler, 2022). With this in mind, there are a few benchmarking monitors that evaluate and rank a company’s reputation. As an example, there is RepTrak 100, which is a monitor that ranks the top 100 leading companies on their corporate reputation (RepTrak, 2022). There is also, MERCO – Corporate Reputation Monitor – “mercoEMPRESAS”, ranking that will, later, be utilized in this study (MERCO, 2022b).

2.7 Literature Review Synthesis

The evolution of CSR has been gaining prominence over the last century, emphasizing the proactive integration of ESG considerations into business operations voluntarily.

Over the last few decades, while CSR started gaining a more strategic position, and with the need for a universal call to action to support the sustainable development of the world, global organizations started aligning their strategies and goals with the United Nations' SDGs. In the same order of events, it started being essential that companies reported on these strategies and sustainable actions. With the objective of sharing substantiated information, tools like the UN Global Compact and Global Reporting Initiative were created, which helped guide companies into incorporating important information into their reports and helped Social Reporting witness a surge, impacting stakeholder confidence and accountability. On the same note, and with the growth of CSR, of ESG factors being implemented into companies, and with the importance of relying on correct and useful information, the EU's NFRD was created and mandates companies to disclose NFI, shaping the landscape for transparent and accountable reporting. In this regard, it will enter in place, during the year of 2024, a new directive, the Corporate Sustainability Reporting Directive (CSRD), which aims to better improve companies reporting quality.

With the growth of importance of CSR and Social Reporting and its impact on stakeholders’ confidence and accountability, companies also started putting up work into creating corporate governance policies and codes of ethics, to serve as a guiding framework for employee behaviour.

All of these strategies and reports aim to achieve a good corporate reputation, and organizations that share more information are able to attract stakeholders and foster loyalty. However, it could be difficult to measure corporate reputation, which leads to the creation of different monitors, including MERCO – Corporate Reputation Monitor.

In this context, the author of this dissertation aims to go beyond the quantity of company reports regarding ESG factors, and deep dive into the quality of social reports and their correlation with the corporate reputation of companies.

3 Research Methodology

3.1 Research design

As stated in the introduction, the research design will be based on the 100 largest companies positioned in MERCO - Corporate Reputation Business Monitor, in its Corporate Reputation ranking – “mercoEMPRESAS” (MERCO, 2022b)– (companies with the highest reputation between different stakeholders), in the Portuguese market and the comparison between the 10 highest rating companies in the Portuguese and Spanish market, during the year of 2021. This approach aims to ensure a nuanced understanding of the ESG corporate focus in these countries.

With this research it is intended to firstly and foremost understand if the quantity and quality of the Social Reporting of the companies is positively correlated with their position on this ranking, giving a good overview on the importance given to Corporate Social Responsibility (CSR) by organizations and all the stakeholders that interact with it. From these 100 companies, all ESG information disclosed by the corporate websites of the companies will be analysed.

As indicated, this study seeks to go beyond mere quantity by delving into the quality of ESG initiatives reported. To achieve this, an index will be implemented, combining both quantity and quality aspects. The weighted index proposed by these authors considers the volume of Social Reporting and assesses the reports' reliability and relevance in particular. Castilla-Polo & Ruiz-Rodríguez (2021) prior analysis of the top 100 companies in MERCO Business (Spanish Ranking, between 2014 and 2016), focusing on the Corporate Reputation, serves as the foundation for the methodology.

3.2 MERCO Business

MERCO Business uses a quantitative analysis to rank the 100 top companies in terms of corporate reputation, following a method with six different evaluations, which include: (1) a survey among top management of the most important companies of the country in study; (2) an expert assessment: from Financial analysts, NGOs, consumer associations, trade unions, business journalists, business and economics professors, and university professors specialising in the area of business and government; (3) merits evaluation; (4) MERCO consumer: assesses the reputation of the selected companies by the general population; (5) MERCO Digital: incorporates data collected in the digital environment, with special emphasis on social networks and; (6) the final ranking: calculated after the closure of each of the stages detailed above as the weighted sum of the scores obtained in these stages (MERCO, 2022a).

3.3 Data Collection Method

The primary source of data is the official corporate websites for the top 100 Portuguese companies with the highest reputation, according to MERCO Business ranking. Throughout the analysis of the official platforms, and the corporate information offered, 26 variables have been established to be essential to making a reliable analysis of the information.

The variables utilized for this analysis include:

i. Annual Report without a format 2021 (a) is added to the database when it has information about CSR. The number of pages (b) that refer to this issue and if it has been externally audited (1) is also added;
ii. If any 2021 Sustainability report follows the GRI Standards (c), the number of pages (d) and if it has been audited by an external auditor (2);
iii. If, in 2021, the company follows the "Directive 2014/95/EU"[1] (e), the number of pages of the report (f), and if it has been audited externally (3);
iv. If the company has any 2021 ESG Report available, that doesn't follow the GRI Standards (g), the number of pages of that report (h) and if it has been externally verified (4);
v. If the company has compromised with any SDGs (5) and, if yes, how many/which SDGs (6);
vi. Corporate Governance Report (i) and the number of pages of the report (j);
vii. Code of Ethics (k) and the number of pages of the Code (l);
viii. Any other reports related to sustainability that the company has made public TD (7) and its description (8);
ix. If the company has a Sustainability Committee (9);

[1] In Spain, this report is called "Estado Información no Financiero (EINF)"

x. If the company belongs to a Professional Association of Sustainability Professionals: DIRSE (Asociación Española de Directivos de Sostenibilidad) in Spain; and BCSD (Business Council for Sustainable Development) in Portugal (10);
xi. If the company has a Sustainability Strategy (11) in place and clear sustainable objectives (12);
xii. If the organization has any Official Recognitions and/or Awards regarding Social Sustainability (13), and the number of Official Recognition and/or Awards (14).

All variables labelled with a letter correspond to quantitative variables, while those represented with a number refer to the qualitative values of the study (see Appendix B: Database Variables for more detailed information).

3.4 Data Analysis Method

The method utilized for the following analysis will be an adapted version of Castilla-Polo & Ruiz-Rodríguez (2021) index called the SR Index. These two authors have created an Index based on a formula that combines both quantity and quality considerations in the evaluation of companies' disclosures. For this study, the author of this dissertation will use the same index, however, with the purpose of completing the final formula, it will adapt both the Quantity and Quality Index with more information and variables than the initial study.

The SR Index formula proposed by the authors (2021) and used for this study is as it follows:

➔ SR Index (x) = $\sum_{x=1}^{100} \text{Quantity Index (x)} * \text{Quality Index (x)}$ (1)

x → Company in study

The formula involves assigning a specific value to the quantity of information disclosed and adjusting it based on the quality of that information. For companies that meet all quality variables, the quantity of information they disclose is considered a valid indicator. For companies that do not meet all quality criteria, the quantity of information is adjusted as a percentage based on the detected quality level (Castilla-Polo & Ruiz-Rodríguez, 2021).

To calculate the Quantity Index, the authors created the following formula:

➔ Quantity Index (y) = $\sum_{y=1}^{6} \text{Type of Report (Ry)} * \text{Number of pages (Ey)}$ (2)

x → Company in study

y → number of different reports used

For this Index, is where the first update comes into place. Instead of the 3 types of different reports used as in the previous study, six types of reports will be considered. R1 will be characterized as Annual Reports without a format (variable a); R2 as reports that follow the GRI Standards (variable c); R3 will include companies that follow the "Directive 2014/95/EU (variable e); and R4 represents ESG Reports (variable g). Apart from annual reports, Corporate Governance Reports (variable i) and the Code of Ethics (variable k) will also enter this formula, as R5 and R6 respectively. The variables regarding number of pages are represented by letters b, d, f, h, j, and l as stated in subchapter 3.3, and constitute E1, E2, E3, E4, E5, and E6 respectively.

Lastly, the Quality Index formula will be as Castilla-Polo and Ruiz-Rodríguez stated in 2021:

- ➔ Quality Index (x) =

$$\frac{\sum_{wz=1}^{n} \text{Score from Relevance variables (REw)} + \text{Score from Reliability variables (Lz)}}{\text{Maximum Score}} * 100 \quad (3)$$

x → Company in study

w → Relevance variables

z → Reliability variables

The changes from the original formula come into place inside the Score from Relevance variables, the Score from Reliability variables, and the Maximum Score, as this study involves more variables than the initial study.

Relevance variables will include: RE1 – other reports related to sustainability that the company has made public TD (variable 7); RE2 – its description (variable 8); RE3 – existence of a Sustainable Committee (variable 9); RE4 – if the company belongs to DIRSE/BCSD (variable 10); RE5 and RE6 – if the company has a sustainability strategy (variable 11) and sustainable objectives (variable 12) in place; and RE7 and RE8 – if the company has any Official Recognitions and/or Awards regarding Social Sustainability (variable 13) and the number of those recognitions/awards (variable 14). The relevance score will be calculated by the sum of these variables, so 6 (RE1, RE3, RE4, RE5, RE6, RE7) plus 10 (RE2 and RE8), since these two variables will be calculated based on a Likert

Scale, to ensure it is possible to make a correct analysis based on the number of reports and awards that the company has. The maximum value for the Relevance variables will be 16.

In regards to the reliability variables, it includes if the Annual Reports without a format, the reports that follow the GRI Standards, reports that follow the "Directive 2014/95/EU and ESG Reports have been externally audited or not. In this regard, this score will be composed by variables 1, 2, 3, and 4 – L1, L2, L3, and L4. Apart from being externally audited or not, the score from reliability also includes if the company is compromised with any SDG (variable 5) – L5, and the number of goals that is compromised with (variable 6), which translates to L5.1, L5.2, L5.3, L5.4, L5.5, L5.6, L5.7, L5.8, L5.9, L5.10, L5.11, L5.12, L5.13, L5.14, L5.15, L5.16, L5.17. The maximum score will be 22.

With the matrixes concluded, the maximum score possible for the year and with the variables in analysis is 16 (relevance variables) + 22 (reliability variables) = 38. The final value for this index will be calculated as a percentage.

4 Results and Discussion

As previously shared, the data analysed will be in accordance with the 100 companies with the highest reputation in 2021, following the MERCO classification. Annexed are the 100 companies under study, plus the score awarded according to MERCO (Appendix A: Portugal mercoEMPRESAS Ranking 2021).

The author of the dissertation compiled all the information needed to carry out the research by building an ad hoc database with specifics regarding the 26 variables needed to analyse the companies at the centre of the research, which can be find in annex (appendix B: Database Variables). The analysis that produced the results that are displayed next was done using the Excel program.

4.1 Exploratory Descriptive Analysis within the Portuguese Market

Of the 100 companies in the Portuguese market analysed for this study, only 29 companies have not shared any 2021 report with information regarding sustainability. However, and even though there is no sustainability report for the year in analysis (2021), only 4 of these companies haven´t shared any relevant sustainability information on their corporate websites. For this reason, only 4 out of the 100 companies in the study won’t have any data along the study.

Reports	**nº Reports**	**Average nº Pages**	**Maximum nº Pages**	**Audit**
Annual social report without a format	12	194	482	6
Annual report based on GRI standards	28	90	289	19
Annual report following the Directive 2014/95/EU	16	197	540	16
Annual ESG report	26	84	232	15
Total	**82**	**141**	**540**	**56**

Table 4-1 - 2021 Annual Reporting

Source: Own elaboration

Following the information outputted in Table 4-1, it can be seen that an overall of 82 reports were made by the 71 companies that reported on sustainability information for the year of 2021.

The number of reports is higher than the overall of companies that reported since 11 of the companies have shared two different types of reports with their stakeholders.

It is possible to conclude that, for the year of 2021, 12 out of the 100 companies in study, reported their sustainability information on an annual social report without a format, making this the least used type of report. Of the 12 reports, 6 (50,00%) of them were externally audited and have an average of 194 number of pages.

On the other hand, 28 companies reported their information using per base the GRI standards, with an average of 90 pages per report, making the GRI standards the most utilized report. From these 28 reports, 19 (67,86%) were externally audited.

The EU Directive – Directive 2014/95/EU – was followed by 16 companies, with an average of 197 pages per report. By following this methodology of reporting, all reports must be externally audited, so, accordingly, all reports have been audited.

Lastly, the ESG Reporting had a total of 26 reports during 2021, with 15 of them being externally audited (57,69%) and with an average of 84 pages per report.

Reports	**nº Reports**	**Average nº Pages**
Corporate Governance	56	45
Code of Ethics	71	22

Table 4-2 - Corporate Governance and Code of Ethics

Source: Own elaboration

Concerning the Corporate Governance Report, 56 out of the 100 companies publicly shared that information on their corporate website, in shape of a report, with an average of 45 pages per report. The Code of Ethics is adopted by more companies than Corporate Governance, with a total of 71 codes made public by the companies, and with an average of 22 pages.

Other Sustainability related Reports shared by Companies	
nº Companies that shared other related Reports	64
Average nº reports	3

Table 4-3 - Other Sustainability related Reports shared by Companies

Source: Own elaboration

64 out of 100 companies shared reports related to sustainability, other than the ones described above, during the year of 2021, with an average of 3 reports per each of the 64 companies. These sustainability reports go from different policies regarding any ESG matter, to important social statements such as the Modern Slavery Statement. However, it can be any report dedicated to sustainability.

SDGs	
Nº Companies aligned with SDGs	67
Average SDGs aligned with	10,65

Table 4-4 - SDGs

Source: Own elaboration

As it can be analysed in Table 4-4, out of the 100 companies analysed, 67 are focused on linking their strategies, objectives, and activities with, at least, one of the SDGs. 15 of these companies are aiming to act on the 17 sustainability goals, however, the overall average of the 67 companies is being aligned with 11 SDGs.

SDGs Mentioned	**Number of times mentioned**
SDG 1: No poverty	27
SDG 2: Zero hunger	26
SDG 3: Good health and well-being	48
SDG 4: Quality education	43
SDG 5: Gender equality	49
SDG 6: Clean water and sanitation	34
SDG 7: Affordable and clean energy	46
SDG 8: Decent work and economic growth	52
SDG 9: Industry, innovation and infrastructure	44
SDG 10: Reduced inequalities	40
SDG 11: Sustainable cities and communities	44
SDG 12: Responsible consumption and production	52
SDG 13: Climate action	**56**
SDG 14: Life below water	**25**
SDG 15: Life on land	33
SDG 16: Peace, justice, and strong institutions	33
SDG 17: Partnerships for the goals	49

Colour Legend:
Clear Grey: most mentioned SDG
Dark Grey: least mentioned SDG

Table 4-5 - SDGs mentioned

Source: Own elaboration

As it can be observed in Table 4-5, the most mentioned SDG was number 13 – Climate action – with 56 companies being aligned with this goal. It was followed by SDG 8 and 12 – Decent work and economic growth and Responsible consumption and production, respectively – with 52 mentions. On the other hand, the least common SDG that companies have aligned with is SDG 14 – Life below water – followed by SDG 2 – Zero hunger – with 26 companies aligned with this objective.

Other quality variables – Sustainability matters	
Sustainability Committee	53
Business Associations for Sustainability (BCSD)	37
Sustainability Strategy	82
Sustainability Objectives	84

Table 4-6 - Other quality variables – Sustainability matters

Source: Own elaboration

Concerning the Sustainability Committees and being part of Business Associations for Sustainability, respectively 53 and 37 companies have integrated those into their organisation structure. This implies that half of the companies in analysis have a committee dedicated to sustainability issues. For those that are part of BCSD, it means they are, together, on a journey to sustainability – at an environmental, social, and economic / governance level.

Regarding some of the quality variables and the information collected for the database, almost all the companies have a strategy in place that oversees sustainability (82), along with aligned objectives for achieving it (84). However, some companies have an overall sustainability strategy but do not share specific points on what and how they want to achieve it. Then again, some companies share specific goals they want to achieve but do not have an overall strategy that they are aiming to.

2021 Awards and Recognitions	
nº Companies that received Awards / Recognitions	47
Average of Awards / Recognitions	3,13

Table 4-7 - 2021 Awards and Recognitions

Source: Own elaboration

47 companies have received awards and/or recognitions for their efforts, activities, and commitment to sustainability, during the year of 2021, with an average of 3 awards / recognitions received by each of the 47 companies. The maximum number of awards that a company achieved during this year, was 10[2].

After analysing every variable included in the database, it is possible to determine the significance that businesses are placing when developing strategies, objectives, and activities that have a greater focus on sustainability.

With only 4 out of 100 companies not disclosing any information on sustainability, there is around 80% of them that have strategies and clear objectives in place, 71 that are reporting their annual sustainability information, and have a code of ethics in place. 67 companies are aligning their values, strategies, and/or objectives with the SDGs and 53 already have a

[2] Three companies received 10 awards / recognitions relatively to the year of 2021: IBM, Accenture and Jerónimo Martins

Sustainable Committee in place. During the year of 2021, 47 companies received an average of 3 awards for their commitments with ESG and 37 belong to BCSD.

4.2 SR Index Analysis

The next step will involve calculating the SR Index, described in Chapter 3, to do a more in-depth analysis to evaluate the general quality of information that the companies deliver.

Quantity Index
142,8

Table 4-8 - Quantity Index

Source: Own elaboration

After calculating the Quantity Index for each one of the 100 companies in study, the average was calculated – 142,8. The value represents the average number of pages of the main reports (annual reports, corporate governance, and code of ethics) shared by the companies during the year of 2021.

The following are the 10 companies out of the 100 analysed that exhibit the highest Quantity Index:

Ranking	Company	Quantity Index
1	REN	637
2	CTT - Correios de Portugal	631
3	EDP (Energia de Portugal)	600
4	L'oréal	507
5	Banco BPI	484
6	Metro Lisboa	456
7	NOS	430
8	Novartis	380
9	Repsol	361
10	Caixa Geral de Depósitos	346

Table 4-9 - Ranking of Companies in the Portuguese Market according to the Quantity Index (top 10)

Source: Own elaboration

Of the 10 companies operating in the Portuguese market with the highest value on the Quantity Index, 7 are Portuguese companies (REN, CTT – Correios de Portugal, EDP, Banco BPI, Metro Lisboa, NOS, and Caixa Geral de Depósitos), with REN being the company that shared the most pages on sustainability information during 2021, followed by CTT and EDP. Of the first 3 companies, two operate within the energy sector.

Relevance sub-index	**Reliability sub-index**	**Quality Index**
39,5	37,5	38,4

Table 4-10 - Quality Index

Source: Own elaboration

In terms of the Quality Index, as it was initially mentioned in subchapter 3.4, it is essential to first calculate the sub-index related to the relevance and reliability of the variables. The global result of each sub-index is the average of the 100 companies. The score for both these sub-indexes will be calculated having per basis the weight they hold on the maximum score possible, as it can be seen in Table 4-10. In that sense, relevance variables hold 42% of the index weight, as it included 16 variables. On the other hand, the reliability variables hold 58% of the index weight, since it includes 22 variables.

The total score from the relevance variables was 39,5%, 2% higher than the score regarding the reliability sub-index, which presents a result of 37,5%.

The overall result for the Quality Index, 38,4%, represents the percentage of quality that companies share, based on the quality variables identified as essential for this study.

The 10 companies listed below demonstrate the highest Quality Index:

Ranking	Company	Quality Index
1	Accenture	81,6%
2	IBM	78,9%
3	Mota-Engil	76,3%
4	CTT - Correios de Portugal	76,3%
5	CP - Comboios de Portugal	73,7%
6	Jeronimo Martins	73,7%
7	Inditex	73,7%
8	Repsol	73,7%
9	Banco BPI	73,7%
10	SONY	71,1%

Table 4-11 - Ranking of Companies in the Portuguese Market according to the Quality Index (top 10)

Source: Own elaboration

Of the 10 companies listed above, only three also feature in the Quantity Index, CTT – Correios de Portugal, Repsol, and Banco BPI. There is also a difference in terms of the companies that are Portuguese. In the Quantity Index, 7 companies were Portuguese, however, in the Quality Index, the number drops to 5 (Mota-Engil, CTT – Correios de Portugal, CP – Comboios de Portugal, Jerónimo Martins, Banco BPI). For all the companies mentioned above, the Quality Index means that, of the 32 quality variables, the companies fulfill 70% or more of what was defined as quality information during this study.

Quantity Index	Quality Index	Correlation between Quantity and Quality	SR Index	% SR Index represents
142,8	38,4	0,53	73	51,1%

Table 4-12 - SR Index

Source: Own elaboration

After calculating the Quantity and Quality Index, the SR Index is calculated for each company in the study, thus obtaining the overall SR Index value of 73.

The SR Index result represents the number of pages from the Quantity Index that hold high valued information in terms of non-financial information. 73 (51,1%) out of the average 142,8 pages that are reported can be considered of bringing high quality. The value of the SR Index will increase as reporting quality approaches 100%. For instance, if the Quality Index was exactly 100%, the Quantity Index and the SR Index would have produced the same results, indicating that the quantity and quality of information disclosed are exactly the same.

The correlation between the two metrics – Quantity Index and Quality Index – was also calculated and a correlation of 0,53 was verified between the two. Correlation estimates the strength of a linear relationship between two variables (Curran-Everett, 2010), as it quantifies the level to which variables move in the same/opposite direction when their values change. When the correlation value is closer to -1, it means that the variables are negatively correlated, as one's value increases, the other decreases. On the other hand, as closer as it is to 1, it means that the values are positively correlated meaning that if one variable's value increases, the other also increases (Schober et al., 2018).

Accordingly, the correlation of 0,53 between both the Quality and Quantity Index demonstrates that the two indexes have a moderately positive correlation, indicating that as one index increases, the other index tends to increase as well. However, the value is not sufficiently close to 1 to indicate that there exists a high correlation between both indexes.

The 10 companies with the highest percentage of SR Index are as it follows:

Ranking	**Company**	**SR Index**	**% SR Index represents**
1	Accenture	181,1	81,6%
2	IBM	107,4	78,9%
3	Mota-Engil	141,2	76,3%
4	CTT – Correios de Portugal	481,6	76,3%
5	CP – Comboios de Portugal	133,4	73,7%
6	Jerónimo Martins	184,9	73,7%
7	Inditex	29,5	73,7%
8	Banco BPI	356,6	73,7%
9	Repsol	266,0	73,7%
10	SONY	154,9	71,1%

Table 4-13 - Ranking of Companies in the Portuguese Market according to the SR Index (top 10)

Source: Own elaboration

As can be seen, by comparing the SR Index ranking with the Quality Index ranking, all the companies are unchanged appearing in the same ranking number, with the exception of Repsol and Banco BPI, which appear interchanged. Furthermore, only 3 companies end up ranking in the top 10 for both the Quantity Index and the Quality Index, whilst also appearing in the SR Index ranking.

The results reveal that companies prioritizing the quality of information share significantly more valuable insights than those concentrating solely on the quantity of sustainability-related pages and reports.

In appendix, the ranking of the 100 companies based on the percentage that the SR Index represents of the total number of pages reported can be consulted (appendix C: SR Index 100 companies in the Portuguese Market).

4.3 Comparison between the top 10 Portuguese and Spanish companies

With the aim of having a more complete view of the Index, a comparison between the top 10 highest ranking companies in MERCO Corporate Reputation ranking of Portugal and Spain will be made. The information regarding the Spanish database was produced by Francisca Castilla-Polo and shared with the author of this thesis as to facilitate the following analysis.

4.3.1 Database Comparison

The analysis of the database won't be as thorough as it was for the analysis of the 100 Portuguese companies considering the database information only pertains to 10 companies of each country.

Ranking	Portugal mercoEMPRESAS top 10 Ranking	Spain mercoEMPRESAS top 10 Ranking
1	Delta Cafés	Inditex
2	Sonae	Mercadona
3	Microsoft	Grupo Social Once
4	Jeronimo Martins	Repsol
5	EDP (Energia de Portugal)	Telefónica
6	IKEA	Mapfre
7	Vodafone	Iberdrola
8	Lidl	Ikea
9	Nestlé	Nestlé
10	Galp Energia	Coca Cola

Table 4-14 - Raking mercoEmpresas top 10 - Comparison between Portugal and Spain

Source: Own elaboration

As for the initial comparison of the companies in the database between Portugal and Spain. Only two companies appear in both rankings, Nestle and Ikea, with the former coming 9th in both rankings and Ikea coming 6th in Portugal and 8th in Spain. In the Spanish ranking, 7 of the 10 companies are of Spanish origin, while in Portugal there are 5 such firms.

Reports	Annual social report without a format	Annual report based on GRI standards	Annual report following the Directive 2014/95/EU	Annual ESG report
Portugal	**1**	**1**	**3**	**5**
Average nº pages	43	154	136	58
Audit	1	1	3	3
Spain	**3**	**0**	**8**	**1**
Average nº pages	57	0	259	1
Audit	1	0	8	0

Table 4-15 - 2021 Annual Reporting – Comparison between Portugal and Spain

Source: Own elaboration

Following the table presented above, and taking into consideration this analysis only includes the top 10 companies of both countries, Spain disclosed more reports (12) than Portugal (10) relatively to the year of 2021.

In both the annual report without a format and reporting that follows the latest EU Directive, Spanish companies share more quantity of information with 57 pages compared to 43 (regarding report without a format) and 259 compared with 136 (under the Directive 2014/95/EU).

Reports	**Corporate Governance**	**Code of Ethics**
Portugal	**5**	**7**
Average nº pages	103	30
Spain	**5**	**8**
Average nº pages	131	15

Table 4-16 - Corporate Governance and Code of Ethics – Comparison between Portugal and Spain

Source: Own elaboration

With regards to Corporate Governance, both countries' companies disclosed the same number of reports, however, Spain's companies' average number of pages is higher than Portugal's, by 28 pages. Relatively to the Code of Ethics one more company disclosed this information in Spain than in Portugal, but Portuguese companies have a higher number of pages, by 15.

Country	**Other Sustainability related Reports - Companies**	**Average nº reports**
Portugal	7	4,1
Spain	9	1,3

Table 4-17 - Other Sustainability related Reports – Comparison between Portugal and Spain

Source: Own elaboration

Spain's companies have shared more reports regarding sustainability – 9 compared to 7 – (apart from the ones mentioned above), however, Portugal's companies that shared, ended up disclosing more reports, with an average of 4 reports, compared to 1 in Spain.

Country	nº Companies aligned with SDGs	Average SDGs aligned with
Portugal	8	12,4
Spain	9	8,3

Table 4-18 - SDGs – Comparison between Portugal and Spain

Source: Own elaboration

9 out of 10 companies in Spain are aligned with SDG, while in Portugal is 8 out of 10. Nevertheless, the 8 companies in Portugal are aligned with more SDG (average of 12) than Spain (average of 8).

SDGs Mentioned	Portugal	Spain
SDG 1: No poverty	4	2
SDG 2: Zero hunger	4	**1**
SDG 3: Good health and well-being	5	6
SDG 4: Quality education	**3**	4
SDG 5: Gender equality	4	5
SDG 6: Clean water and sanitation	4	3
SDG 7: Affordable and clean energy	6	6
SDG 8: Decent work and economic growth	6	8
SDG 9: Industry, innovation and infrastructure	6	7
SDG 10: Reduced inequalities	4	3
SDG 11: Sustainable cities and communities	**7**	7
SDG 12: Responsible consumption and production	6	6
SDG 13: Climate action	**7**	**9**
SDG 14: Life below water	4	3
SDG 15: Life on land	6	3
SDG 16: Peace, justice, and strong institutions	5	4
SDG 17: Partnerships for the goals	6	6

Colour Legend:
Clear Grey: most mentioned SDG
Dark Grey: least mentioned SDG

Table 4-19 - SDGs mentioned - Comparison between Portugal and Spain

Source: Own elaboration

All SDGs were mentioned in the 10 highest reputational companies both in Portugal and Spain. The most mentioned SDG was SDG 13 within the Spanish market with 9 companies mentioning it. 4 SDGs were mentioned equally in both countries (SDG 7, SDG 11, SDG 12, SDG 17). On the other hand, the least mentioned SDG was SDG 2, also within the Spanish market.

Country	Sustainability Committee	Business Associations for Sustainability[3]	Sustainability Strategy	Sustainability Objectives
Portugal	4	6	9	10
Spain	5	6	10	10

Table 4-20 - Other quality variables – Sustainability matters – Comparison between Portugal and Spain

Source: Own elaboration

With very similar results, the only two variables that show different results are the existence of a Sustainability Committee and a Sustainability Strategy, where Spain has one more company than Portugal that is focusing on these factors (5 compared to 4; 10 compared to 9, relatively).

Country	Awards / Recognitions in 2021	Average of Awards / Recognitions
Portugal	6	4,4
Spain	7	6,3

Table 4-21 - Awards / Recognitions – Comparison between Portugal and Spain

Source: Own elaboration

Regarding the awards and/or recognitions that companies received for their activities during the year of 2021, Spain's top 10 companies received more awards, with a higher number of companies receiving it and a higher average of awards/recognitions received.

As to conclude this initial analysis, it is possible to recognize that Spain has scored higher in almost all variables. However, and with the purpose of ensuring a full-on analysis of information, an analysis with the SR Index will be concluded next.

[3] BCSD in Portugal and DIRSE in Spain

4.3.2 SR Index Comparison

Country	Quantity Index	Relevance sub-index	Reliability sub-index	Quality Index	SR Index	% SR Index represents
Portugal	162,5	49,4	46,8	47,9	98,9	60,9%
Spain	301,9	50,6	45,9	47,9	150,3	49,8%

Table 4-22 - SR Index – Comparison between Portugal and Spain

Source: Own elaboration

Taking into consideration the SR Index results shared in Table 4-22. for the top 10 Portuguese and Spanish companies, it can be deduced that the top 10 Spain's companies have a higher Quantity Index than Portugal, by almost 100%, which has a great impact on the SR Index. The Quality Index result is exactly the same for both countries (47,9%). The overall SR Index is higher for Spain, with a value of 150,3 pages that represent quality compared to 98,9 pages for Portugal.

However, when making the comparison in percentage, 150,3 pages represent 49,8% of the total of pages and 98,9 pages represent 60,9% of the total pages.

So, even though Spain has reported more pages regarding sustainability during the year of 2021, Portugal SR Index is closer to the Quantity Index, meaning that Portugal's top 10 companies have reported higher quality in terms of sustainability information, during the year of 2021.

Ranking	Company	SR Index	% SR Index represents
1	Jeronimo Martins	191,6	76,3%
2	Galp Energia	158,4	71,1%
3	Sonae	131,4	68,4%
4	Nestlé	48,7	65,8%
5	EDP (Energia de Portugal)	378,9	63,2%
6	IKEA	41,8	60,5%
7	Lidl	0,2	23,7%
8	Microsoft	31,7	18,4%
9	Delta Cafés	6,8	15,8%
10	Vodafone	0,0	N/A

N/A – Not Applicable

Table 4-23 - Top 10 mercoEMPRESAS ranked by SR Index - Portugal

Source: Own elaboration

Ranking	Company	SR Index	% SR Index represents
1	Nestlé	82,1	78,9%
2	Telefónica	450,3	63,2%
3	Grupo Social Once	121,6	57,9%
4	Coca Cola	10,0	52,6%
5	Mercadona	90,9	47,4%
6	Repsol	192,3	47,4%
7	Inditex	296,8	42,1%
8	Iberdrola	136,4	42,1%
9	Mapfre	120,5	36,8%
10	Ikea	2,0	10,5%

Table 4-24 - Top 10 mercoEMPRESAS ranked by SR Index – Spain

Source: Own elaboration

By comparing both SR Indexes percentages, various conclusions can be taken. Even though Nestle and Ikea appear in both rankings, it is to be noted that the information shared on the official websites of the company in each country is different.

Additionally, concerning the Portuguese market, as of the extraction date of information from the website, Vodafone had not released any sustainability reports regarding 2021, rendering the Index inapplicable in this particular instance. Similarly, LIDL, on its official Portuguese website, did not publish any reports for the year 2021. A code of ethics is openly accessible, consisting of a single page, providing the possibility to include the SR Index. However, with an observed SR Index of 0.2, despite the percentage being around 24%, it is evident that LIDL has not extensively shared information pertaining to sustainability.

The overall results within the Portuguese market range from 76,3% with Jerónimo Martins to N/A with Vodafone. Delta Cafés has the lowest percentage, with 15,8%.

Regarding the Spanish market, the results vary from 78,9% with Nestle to 10,5% with Ikea.

4.4 Discussion

Following the results obtained throughout the analysis of the Portuguese database, the SR Index development, and the comparison between Portugal and Spain's top 10 companies, different findings can be drawn, whilst also answering the initial questions of this thesis.

In the making of the SR Index, the author of this thesis calculated the corresponding of quality information in the number of pages shared. The conclusion was that (in the Portuguese database) 51,1% of pages shared relatively to sustainability information hold important and quality information. On the same note, and supporting the evidence found, the correlation between the Quantity and Quality Index was also calculated, identifying a positive correlation of 0,53 among both indexes. Considering the question proposed by the first research question, these results imply that there is a moderate correlation, so as one increases in value, the other would tend to also increase.

After analysing the top 10 Spain's companies, it concludes that the SR Index does not differentiate much from Portugal's SR Index, with a value of 49,8% shared quality information.

When compared to the study conducted by Castilla-Polo & Ruiz-Rodríguez (2021), the SR Index values in this dissertation were higher in percentage. These authors' study relates to the years of 2014 to 2016 (with an average result of quality per number of pages of 36,3%), while the present study relates to the year of 2021, suggesting that companies are working to improve the quality of their communication systems and reporting. However, the quality of information remains low. As shared by Axjonow et al. (2018) and mentioned in the literature review, companies are still relying on the impact that the volume of information has on the stakeholder instead of the quality of the information.

These results go hand in hand with the findings of a study conducted by Maama & Appiah (2019). Their study concluded that despite several companies' efforts to include green and social information into their annual reports, the level of integration and understanding of what true integration entails remains relatively low.

As stated by García-Sánchez et al. (2019), Social Reporting has been used by companies as a communication method for some years, growing especially since stakeholders started questioning the transparency of corporations, in terms of human rights, climate change, and related aspects. This demand caused companies to start disclosing non-financial information and upbringing their communication strategy.

From companies with high reputation, which is part of the main subject of this thesis, Social Reporting is used in 71 of the 100 companies with the highest reputation in Portugal and by, at least, the top 10 companies in Spain with the best reputation scores. Apart from Social Reporting, all top 10 Spain's companies and 96 of the Portugal's companies communicate different information regarding sustainability.

These results help to answer the second research question, as they give some indications on the importance that companies with high reputations put into sustainability communication and how they are aiming to make different commitments to improve their reputation among different stakeholders. It goes hand in hand with the findings during the literature review, where authors identify the importance of social reporting to their own reputation, as Qiu et al. (2016), and Odriozola & Baraibar-Diez (2017).

As found through the SR Index results, the overall SR Index for Portugal results was 73, which represents 51,1% of pages with quality information. When evaluating the 10 Portugal's companies with the highest reputation, the value is higher - 98,9, representing 60,9% - supporting the hypothesis that the quality of Social Reporting has a positive impact the corporate reputation of a company, as the top 10 companies hold more quality than the overall average of the 100. On the same note, the last 10 companies of the Portuguese ranking have, together, a SR Index of 76,2, representing 42,17% of the total of pages with quality. This result also supports the hypothesis.

These results go in conjunction with what was shared in the Literature Review, in subchapter 2.6. "CSR is a credible strategy to enhance the corporate reputation of the firm" Islam et al., p. (2021, p. 132). Social Reporting is part of CSR strategy, and, for the Portuguese market, it has improved the corporate reputation of companies.

Nevertheless, when comparing the 10 highest ranking companies in Portugal and Spain, the results take a different conclusion. Portugal's percentage is higher than Spain's – 60,9% to 49,8%, however, the punctuation given in the mercoEMPRESAS Corporate Reputation Ranking is higher for Spain than Portugal – an average of 8175,1 points in Spain compared to 7790,8 in Portugal (the highest punctuation that can be given is 1000). With these results in hand, it can be compared that Spain highest ranking companies share a higher value of reputation than the Portugal's highest-ranking companies, but share a lower SR Index, supporting the hypothesis that the quality of Social Reporting does still not necessarily have a positive impact on a company's Corporate Reputation. It can be concluded that, for the third research question, the results differ when analysing the Portuguese and Spanish databases.

4.5 Synthesis of Database Analysis and Discussion

The study was conducted having per base the 100 highest ranked companies in the Corporate Reputation MERCO Business Ranking for the Portuguese Market and the 10 highest ranked companies for the Spanish market. In the analysis of the 110 companies, it was found that 29 companies did not share a sustainability report for the year 2021, but only 4 of them did not provide any relevant sustainability information on their corporate websites. This implies that, from all the information retrieved from the companies' websites, only 4 out of the 110 companies lacked relevant data for the conclusion of the study.

In the Portugal demographic, the annual reporting landscape varied, with 82 reports from 71 companies, as some shared multiple types of reports. The least utilized report format was the annual report without a format, with 12 companies using it, while the GRI standards-based report was the most common, with 28 companies adopting it. The SDG alignment was notable, with 67 out of 100 companies aligning their strategies with at least one SDG.

In terms of corporate governance and ethics, 56 companies reported on corporate governance, while 71 companies disclosed their Code of Ethics. Additionally, 64 companies shared sustainability-related reports other than the main categories studied, with an average of 3 reports per company. The analysis revealed that 53 companies had a Sustainability Committee, 37 were part of Business Associations for Sustainability, 82 had a sustainability strategy, and 84 had defined sustainability objectives. Also, in 2021, 47 companies received an average of 3.13 awards or recognitions for their sustainability efforts.

The study utilized a SR Index, initially introduced by Castilla-Polo & Ruiz-Rodríguez (2021), to assess the quality of information provided by companies. The Quantity Index, averaging 142.8 pages, was calculated from the annual reports, plus the Corporate Governance Report and Code of Ethics. The Quality Index considered the relevance and reliability of the information, resulting in a Quality Index of 38.5%. The overall SR Index was 73.5, indicating that 51.4% of the pages contained high-quality information. The SR Index for the top 10

Portuguese and Spanish companies was compared, showing that Spain had a higher Quantity Index but shared the same Quality Index as Portugal. The SR Index for Spain was 150.3, while for Portugal, it was 98.9, however, the Portuguese SR Index represented a higher percentage of high-quality pages than Spain.

During the discussion of the results, the three research questions were addressed.

Initially, the correlation between the quantity and quality of Social Reporting was calculated, and a moderate positive correlation of 0.53 was observed. It was concluded that there is a moderate correlation between quality and quantity of Social Reporting, which has improved since the last study made, by Castilla-Polo & Ruiz-Rodríguez (2021), regarding results of 2014, 2015, and 2016 for the Spanish Market.

In order to answer research question 2, the study also examined whether companies with high reputations prioritize Social Reporting, finding that 71 out of the top 100 Portuguese companies and the top 10 Spanish companies engage in Social Reporting.

The analysis also suggests that the quality of Social Reporting positively impacts the corporate reputation in the Portuguese market. However, and comparing with the 10 highest ranking companies in Portugal, the results of Spain's companies did not confirm the last research question.

5 Conclusions, Limitations and Recommendations

5.1 Conclusion

The main objectives of this study were to understand the quality of ESG disclosures compared to the quantity of information shared. It aimed to fill the gap around the importance of reporting quality for company reputation, to determine how a company's reputation is affected by the quality of its social reporting, shedding more light on the mutual link between the two.

The questions the study aimed to answer are as follows:

- RQ1: Is the quantity of Social Reporting positively correlated to its quality?
- RQ2: Do companies with high reputation, utilize Social Reporting as a communication method?
- RQ3: Does the quality of Social Reporting have a positive impact on a company's Corporate Reputation?

Along the study, and after reviewing the literature on the main topics of CSR and Social Reporting, the methodology that would support the analysis of the study was defined. It is an adapted version of the SR Index firstly designed by Castilla-Polo & Ruiz-Rodríguez (2021), that withholds more variables in both the Quantity and Quality Index.

The study was conducted by combining information from the 100 highest reputable companies in Portugal and the 10 highest reputable companies in Spain, following the MERCO Business Corporate Reputation ranking – "mercoEMPRESAS"(MERCO, 2022b).

The results of the empirical study made it possible to answer the three research questions, while also supporting different studies shared in the literature review, as it was discussed in subchapter 4.4.

For RQ1, the results demonstrated that there is a moderate correlation between the quality of information and the quantity of information disclosed by companies, a value that has grown since 2014-2016, the last period studied by academics – Castilla-Polo & Ruiz-Rodríguez (2021). With the implementation of the new directive "Corporate Sustainability Reporting Directive (CSRD)", mentioned in subchapter 2.3.1., it is to be expected that the correlation between the quantity and quality of reporting will improve in the next few years. This directive will oblige companies to produce high-quality reports for their stakeholders, with different rules supporting adherence to standards that accurately disclose their environmental, social, and governance impacts.

It is to conclude, concerning RQ2, that the majority of companies with high reputation utilize social reporting as a communication and corporate reputation method, as it was observed with 71 out of the 100 Portugal's companies with highest reputation were sharing different reports on sustainability, only 4 did not share any communication on sustainability and all 10 Spain's companies shared various reports and other communications on this regard.

Regarding RQ3, the impact that high-quality reporting has on corporate reputation, it can also be concluded that there are some links in the results that suggest its impact, however, it is not as direct, and some findings can be seen with some conflicting results. Nevertheless, with the importance that is beginning to be given for companies to disclose high-value information based on standards, following guidelines and EU Directives, having strategies that go hand in hand with the SDGs, and having clear objectives that maximise a sustainable return that can be measured, the corporate reputation of companies is already more than ever being impacted by the quality of complying with these criteria and communicating this high-value information to all stakeholders.

To conclude, the study brings some highlights on the growing importance of sustainability and transparency in shaping corporate perceptions and relationships with stakeholders. It also shows how companies are recognising this and are already making an ongoing conscious effort to share more quality information with their stakeholders (by comparing with the results of the SR Index in 2014-2016).

5.2 Limitations of the study

The study was carried out in the European context, where there is a strong commitment to standardising the transparency of companies' sustainability and their reporting. In this sense, the Directive 2014/95/EU has brought some structure to Social Reporting, with specific metrics and regulations for companies to follow. For this reason, the companies under study are already under the influence of this directive, even if they are not directly affected by it (since this directive only applies to companies with more than 500 employees). Furthermore, with the new directive that will be adopted by European countries in 2024 – the CSRD – the gap between the quantity and quality of companies' social reports on the European scene will gradually be closed.

Furthermore, this study focussed mainly on companies with high reputations, both in Portugal and Spain. However, in Portugal, the analysis was carried out on the 100 companies with the highest reputation, while in Spain, only the 10 companies with the highest reputation were studied. Even though it was possible to make a comparison between the two SR Indexes, taking into account only the 10 companies with the best reputation in Portugal, a more complete analysis of the database, the comparison between the two databases, and the evaluation of the RS Index were limited by this factor.

5.3 Contributions to Management

The current study comes to completement the literature gap on the quality of Social Reporting and the impact it has on a company's corporate reputation. As it was discussed throughout the paper, strong literature review can be found on the importance and overall impact of CSR, adopting ESG practices and implementing a communication system to share NFI. However, the majority of studies don't focus on the quality of the information shared with the stakeholders and on the real impact that the company's strategy is having on the environment and people.

This study contributes to International Management in that it provides a better understanding of whether companies are aiming for a real impact and sharing quality information about their actions, and allows for a comparison between different countries, in this instance Portugal and Spain companies with the highest reputations. It also helps to support an Index that can be used to assess and measure the quality of information disclosed - the SR Index - in different contexts, markets and countries. This Index, as can be seen in the discussion of the results, can support the analysis of different aspects of the quality of information and its effect on a company's corporate reputation.

In the European context, and with the creation of directives that directly affect companies' strategies, objectives, and activities in terms of their environmental, social, and governance decisions, this study supports the idea of the growing importance of the quality of reports and their reflection on companies' reputations.

Companies must start to be more aware and prepare more proactive strategies to easily adapt to new directives, challenges, and needs of their stakeholders. Furthermore, it will support companies to adapt to change and gain reputation in their sector more easily.

In conclusion, and mentioning the most important aspects pertaining towards International Management, the present study helps to understand the behaviour of companies in different markets and the importance it can bring to developing benchmarks and improving the ways in which companies can be sustainably managed.

5.4 Suggestions for future research

Firstly, it would be important to carry out a full data analysis comparing Portugal and Spain, using the 100 companies in Spain, for a more reputable analysis and discussion.

Also, with the new European Directive that will begin to be implemented in fiscal year 2024, companies will have to commit to and follow the same standards. In this sense, for future research in this field of study, it would be important to expand the study outside the European Union so as to understand how companies outside the EU are sharing their information in terms of quantity vs. quality. It will help to understand the discrepancy between companies that have to commit to EU directives and those that have to follow other standards/directives or even no criteria at all. As well as helping to understand the discrepancy, it also helps to understand how the EU directive is helping companies to share higher quality NFI and whether this has an impact on companies' reputations.

MERCO Business, respectively in its Corporate Reputation ranking – "*mercoEMPRESAS*" – shares information from different countries outside the EU, specifically from Latin America (LATAM) and, in an effort to continue using the same criteria for choosing the 100 companies with the highest reputation, it could be a starting point for exploration of the data.

In regards to the SR Index itself, it is important to adapt the variables to the context of the country and time in study. For the present study, a few variables were added / adapted, with the purpose of improving the Index and having a better understanding of the real impact of the Index result. As an example, in the present study, it was used the variable regarding the "Directive 2014/95/EU" since it is a credible and important variable for the time and space of the present study. However, for future research within the Portuguese, Spanish, or any EU country paradigm, that would regard to the year 2024 onwards, it would be of great importance that one of the variables would be regarding the new directive – the CSRD. For studies that include countries outside the EU, it would be important to take these variables in their entirety and adapt to different metrics / directives / laws or standards that those countries may recommend or mandate to follow.

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7 Appendix

Appendix A: Portugal mercoEMPRESAS Ranking 2021

Ranking	Companies	MercoScore	Ranking	Companies	MercoScore
1	Delta Cafés	10000	**51**	Tranquilidade	5057
2	Sonae	8390	**52**	Luis Simoes Logística Integrada	5001
3	Microsoft	7979	**53**	Renault	4992
4	Jeronimo Martins	7736	**54**	Johnson & Johnson	4977
5	EDP (Energia de Portugal)	7662	**55**	Radio Renascenca	4975
6	IKEA	7610	**56**	Farfetch	4960
7	Vodafone	7262	**57**	Millenium BCP	4873
8	Lidl	7158	**58**	Repsol	4834
9	Nestlé	7141	**59**	Fidelidade	4822
10	Galp Energia	6970	**60**	The Navigator Company	4782
11	Continente Hipermercados	6929	**61**	Novartis	4776
12	Samsung	6602	**62**	Banco BPI	4772
13	Huawei	6423	**63**	Sociedade Central de Cervejas	4768
14	Super Bock Group	6267	**64**	RTP	4766
15	BMW	6249	**65**	Porcelana Vsta Alegre	4762
16	Amorim Corticeira	6237	**66**	Liberty Seguros	4761
17	Santander	6180	**67**	La Roche Posay	4758
18	FNAC	6158	**68**	Vila Galé	5755
19	El Corte Inglés	6133	**69**	DHL	4745
20	NOS	5922	**70**	IBM	4695
21	Grupo Volkswagen	5916	**71**	MAPFRE	4667
22	Google	5902	**72**	Decathlon	4643
23	SONY	5824	**73**	Unilever	4625
24	Rádio Comercial	5794	**74**	Lactogal	4575
25	Coca-Cola	5752	**75**	Endesa	4487
26	Danone	5706	**76**	Adecco	4451
27	Pestana Hotel Group	5702	**77**	L'oréal	4331
28	Apple	5693	**78**	Accenture	4258
29	Sumol+Compal	5689	**79**	Sogrape Vinhos	4227

30	Grupo Salvador Caetano	5680	**80**	CP - Comboios de Portugal	4200
31	Inditex	5651	**81**	Faurecia	4159
32	Grupo Auchan	5645	**82**	ANA - Aeroportos de Portugal	4124
33	Grupo Impresa (SIC)	5634	**83**	TAP Air Portugal	4117
34	Worten	5632	**84**	Mota-Engil	4111
35	Pfizer	5609	**85**	Egor	3937
36	Siemens	5595	**86**	CTT - Correios de Portugal	3878
37	McDonald's	5568	**87**	Deloitte	3686
38	BIAL	5422	**88**	Continental	3624
39	Caixa Geral de Depósitos	5408	**89**	Ernst & Young	3597
40	MEO (Altice)	5379	**90**	Outsystems	3585
41	BP Portugal	5346	**91**	Altri	2526
42	Mercedes-Benz	5323	**92**	Metro Lisboa	2525
43	Bayer	5303	**93**	Grupo PSA	2463
44	Luz Saúde	5284	**94**	REN	2406
45	Renova	5274	**95**	BSH Eletrodomesticos	3373
46	Porto Editora	5268	**96**	Cisco	3359
47	SIBS	5248	**97**	Hovione	3223
48	Procter & Gamble	5234	**98**	Feedzai	3168
49	Leroy Merlin (BCM Bricolage)	5175	**99**	Bondalti	3106
50	Brisa - Auto-Estradas de Portugal	5109	**100**	Logoplaste	3000

Appendix B: Database Variables

Company					NON-FINANCIAL REPORTS							
Position	MERCO Company (2021)	Punctuation (maximum score of 10000)	Country Spain 1 Portugal 2	Year	Annual Report without a format (1: yes, 0: no)	pages	Audited (1: yes, 0: no)	Global Reporting Initiative (1: yes, 0: no)	pages	Audited (1: yes, 0: no)	Directive 95/2014/EU(1: yes, 0: no)	pages

NON-FINANCIAL REPORTS										
ESG Report (1: yes, 0: no)	pages	Audited (1: yes, 0: no)	SDG (1: yes, 0: no)	SDG Description	Corporate Governance Report (1: yes, 0: no)	pages	Code of Ethics (1: yes, 0: no)	pages	Other reports related to sustainability (1: yes, 0: no)	Description

ORGANIZATIONAL VARIABLES						
Sustainability Committee (1: yes, 0: no)	BCSD / DIRSE (1: yes, 0: no)	Sustainability Strategy (1: yes, 0: no)	Sustainability Objectives (1: yes, 0: no)	Awards / Recognitions (1: yes, 0: no)	Number	Description

Appendix C: SR Index 100 Companies in the Portuguese Market

Companies	SR Index	% SR[4] Index	Companies	SR Index	% SR Index
Delta Cafés	6,8	15,79%	Tranquilidade	57,3	47,37%
Sonae	131,4	68,42%	Luis Simoes Logística Integrada	47,1	26,32%
Microsoft	31,7	18,42%	Renault	1,3	5,26%
Jeronimo Martins	184,9	73,68%	Johnson & Johnson	82,3	55,26%
EDP (Energia de Portugal)	347,4	57,89%	Radio Renascenca	0,0	N/A
IKEA	41,8	60,53%	Farfetch	15,2	21,05%
Vodafone	0,0	N/A	Millenium BCP	98,1	47,37%
Lidl	0,2	23,68%	Repsol	266,0	73,68%
Nestlé	48,7	65,79%	Fidelidade	104,6	36,84%
Galp Energia	146,7	65,79%	The Navigator Company	134,2	65,79%
Continente Hipermercados	14,7	21,05%	Novartis	100,0	26,32%
Samsung	124,3	65,79%	Banco BPI	356,6	73,68%
Huawei	72,6	60,53%	Sociedade Central de Cervejas	0,0	N/A
Super Bock Group	3,8	34,21%	RTP	3,3	13,16%
BMW	23,4	13,16%	Porcelana Vsta Alegre	0,0	N/A
Amorim Corticeira	105,9	60,53%	Liberty Seguros	4,3	7,89%
Santander	70,6	57,89%	La Roche Posay	0,1	5,26%
FNAC	11,1	23,68%	Vila Galé	0,1	13,16%
El Corte Inglés	45,5	50,00%	DHL	108,9	39,47%
NOS	260,3	60,53%	IBM	107,4	78,95%
Grupo Volkswagen	27,0	15,79%	MAPFRE	117,0	47,37%
Google	13,3	28,95%	Decathlon	61,6	68,42%
SONY	154,9	71,05%	Unilever	161,5	68,42%
Rádio Comercial	0,0	N/A	Lactogal	0,0	N/A
Coca-Cola	92,0	60,53%	Endesa	162,1	52,63%

[4] Calculation: SR Index Value / Quantity Index Value * 100

Danone	0,0	N/A
Pestana Hotel Group	7,8	10,53%
Apple	23,2	15,79%
Sumol+Compal	42,2	39,47%
Grupo Salvador Caetano	8,8	5,26%
Inditex	29,5	73,68%
Grupo Auchan	81,6	52,63%
Grupo Impresa (SIC)	13,9	10,53%
Worten	0,0	N/A
Pfizer	67,4	52,63%
Siemens	162,0	71,05%
McDonald's	64,0	34,21%
BIAL	0,9	5,26%
Caixa Geral de Depósitos	154,8	44,74%
MEO (Altice)	34,5	50,00%
BP Portugal	58,8	68,42%
Mercedes-Benz	129,9	39,47%
Bayer	0,0	N/A
Luz Saúde	7,6	31,58%
Renova	0,1	10,53%
Porto Editora	0,1	5,26%
SIBS	5,8	34,21%
Procter & Gamble	3,3	13,16%
Leroy Merlin (BCM Bricolage)	116,2	63,16%
Brisa - Auto-Estradas de Portugal	27,0	50,00%

Adecco	0,1	7,89%
L'oréal	346,9	68,42%
Accenture	181,1	81,58%
Sogrape Vinhos	4,8	34,21%
CP - Comboios de Portugal	133,4	73,68%
Faurecia	54,5	50,00%
ANA - Aeroportos de Portugal	17,7	21,05%
TAP Air Portugal	16,1	10,53%
Mota-Engil	141,2	76,32%
Egor	0,0	N/A
CTT - Correios de Portugal	481,6	76,32%
Deloitte	19,7	18,42%
Continental	113,2	65,79%
Ernst & Young	44,2	42,11%
Outsystems	0,0	N/A
Altri	81,4	44,74%
Metro Lisboa	156,0	34,21%
Grupo PSA	0,1	10,53%
REN	268,2	42,11%
BSH Eletrodomesticos	7,4	13,16%
Cisco	105,4	68,42%
Hovione	1,6	31,58%
Feedzai	0,0	N/A
Bondalti	80,1	47,37%
Logoplaste	61,5	42,11%