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Communications of sustainability practices in the banking sector: Evidence from cross-country analysis

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Abstract

This paper aims to empirically explore the content and the extent of sustainability disclosure in the banking sector in the European Union (EU) and the United States. We empirically examine the implications of institutional theory within the banking sector context and provide classification of our sampled banks. In addition, a tailored sustainability index has been developed and content analysis has been employed to examine the current sustainability disclosure in the EU and the US banking sector. Using a sample of 483 report-year observations, the results reveal that the EU banks have carried out more sustainability disclosure compared with US banks, and banks in both regions are mostly interested in how their operations influence the society that banks operate in (direct social impact), followed by the indirect environmental impact of their products and services. We find evidence of the applicability of institutional theory in sustainability communications within our sample. Therefore, our findings provide a clearer breakdown of sustainability disclosure in the banking sector using a cross-country context. Finally, we update our sample to include 67 EU banks matched by 67 US banks for the period from 2013 to 2021 and use ESG scores to reflect the sustainability dimension and we report that EU banks outperform the US banks in three dimensions (the direct social, the direct environmental and the indirect social scores), while the US banks have the lead in the indirect environmental sustainability scores.

KEYWORDS

banking sector, content analysis, corporate social responsibility, CSR communication, ESG, institutional theory, sustainability, sustainability communication

1 | INTRODUCTION

Over the last three decades, sustainability in the banking sector has gained a considerable attention of businesses, academics, and even in the press (e.g., Brooks & Oikonomou, 2018; Governance and Accountability Institute Research, 2020; Schubert & Lang, 2005). Banks employ sustainability disclosure in their annual reports

or stand-alone sustainability reports to demonstrate and communicate their social and environmental influence alongside their profits. However, despite the increasing interest shown in various aspects of sustainability by academics, previous research (e.g., Carnevale & Mazzuca, 2014; Sethi et al., 2017) has pointed out that few studies are conducted in the financial sector, in general, and in the banking sector, in particular. Therefore, our study aims to bridge this gap in the literature and provides additional evidence on sustainability disclosure using the banking sector within Europe and the United States.

Financial institutions have a great influence on the economy due to their size and their ability to influence monetary markets and since they provide external finance to industries with significant environmental impact. In the increasingly competitive financial sector, banks need to remain competitive by achieving financial sustainability. Nevertheless, banks have responded more slowly, compared with other sectors, to sustainability challenges as they consider themselves to operate in an environmentally friendly industry (in terms of emissions and pollution) (Jeucken, 2001). At the same time, banks are under pressure from their stakeholders to enhance their performance and as a result of this pressure, banks have started to report social and environmental information in order to maintain their position within the society (Gray et al., 1995; Walden & Schwartz, 1997).

More attention has been paid to sustainability in the literature since the publication of the Brundtland Report by the World Commission on Environment and Development in 1987. Various aspects of sustainability and sustainable development have been addressed, cited and debated by many businesses, academics and the press. This interest is evidenced by the attention paid by academic research (e.g., Brooks & Oikonomou, 2018; Buhr & Freedman, 2001; Gray et al., 1995; Hackston & Milne, 1996; Malik, 2015; Parker, 2005). A similar interest revealed by businesses is evidenced by the number of companies producing stand-alone sustainability reports. For example, among S&P 500 companies, sustainability reporting increased from 20% in 2011 to 75% in 2014 and to 90% in 2019 (Governance and Accountability Institute Research, 2020). Nevertheless, in spite of the significant position of the banking sector in the global economy, and despite the enormous interest shown in various aspects of sustainability by academics, it was only until the late 1990s that the sector started attracting academic attention (Jeucken, 2001). Sustainability disclosure in the banking sector can be classified into two main categories. First, those with the aim of exploring the association between sustainability and financial performance (e.g., Chih et al., 2010; Cornett et al., 2016; Simpson & Kohers, 2002; Soana, 2011; Wu & Shen, 2013) and second, those interested in sustainability reporting practices or disclosure mainly using content analysis (e.g., Branco & Rodrigues, 2008; Cuesta-González et al., 2006; Douglas et al., 2004; Grassa et al., 2020; Peterson & Hermans, 2004). In line with the second types of studies, some scholars investigated the effects of some internal and external factors (e.g., size, leverage, laws and regulations, culture, corporate governance) on sustainability disclosure (e.g., Branco & Rodrigues, 2008; Carnevale & Mazzuca, 2014; Jizi et al., 2014; Kiliç et al., 2015).

One pitfall facing these studies is the measurement of environmental and social sustainability disclosure. Most of these studies have employed annual reports to explore sustainability activities (see among others, Gray et al., 1995). In addition, sustainability measurements are focused on a single dimension, and hence ignoring the multi-dimensional nature of sustainability (highlighted by many studies such as: Griffin & Mahon, 1997; Waddock & Graves, 1997; Belu & Manescu, 2013; Cavaco & Crifo, 2014; Malik, 2015). Moreover, most previous studies, in the financial sector, concentrated on corporate social responsibility (CSR) behaviour in a particular country or region (e.g., Peterson & Hermans, 2004 in the United States; Douglas et al., 2004 in Ireland; Cuesta-González et al., 2006 in Spain; Branco & Rodrigues, 2008 in Portugal; Sobhani et al., 2012 in Bangladesh; Raut et al., 2017 in India; Kiliç, 2016 and Aras et al., 2018 in Turkey) Thus, we argue, unlike these studies, our paper provides a comprehensive view on the sustainability reporting disclosure. Furthermore, most of the previous empirical sustainability studies have been devoted to one country or region (mainly the US market), with limited attention to other countries and cross-county analysis (Van der Laan Smith et al., 2005; Sethi et al., 2017). This motivates us to conduct our research to fill in this gap in the literature.

Accordingly, our paper advances the extant literature in sustainability in different ways. First, we provide a cross-country analysis of the banking sector operating in both European Union (EU) and US markets. Our sample contains 483 published reports of EU and US banks over the period from 2006 to 2012. According to Matten and Moon (2008), the United States and EU have two different approaches to CSR as it is explicit in the United States and implicit in the EU. Therefore, our evidence reflects two interesting and different institutional settings which are related to Europe and the United States that, to our knowledge, have not been examined before within our context. Second, and equally important, we developed a novel framework to empirically examine the extent and the dimensions of banks' sustainability disclosure practices by examining the institutional theoretical framework within the banking sector.

Unlike previous studies, we classify sustainability into two pillars, environmental and social,[1] and each pillar is broken down with respect to direct impact (operation impact) and indirect impact (product and service impact). In so doing, this study improves the understanding of EU and US banks' sustainability disclosure practices and provides evidence of the significance of the multi-dimensional sustainability measures and the importance of exploring different dimensions of sustainability disclosure activities. Third, we further contribute to the literature by using actual data collected from bank reports (rather than using their websites, Maignan & Ralston, 2002 and Kiliç, 2016; or using a third-party reputation index, Waddock & Graves, 1997; Preston & O'Bannon, 1997; McWilliams & Siegel, 2001), with the hope to be more objective. Accordingly, while our study focuses on in-depth analysis of sustainability reports and building a unique sustainability index, we believe such an index and analysis are both beneficial to the business (banks) and the society they operate in. Finally, we provide a new classification of banks based on their sustainability reporting and communications.

The reminder of this paper is organized as follows. Section 2 discusses sustainability in banks, Section 3 explores sustainability sources and index and Section 4 outlines banks' journey to sustainability. Then, Section 4 provides the theoretical background. Section 6 highlights the research design. Section 7 demonstrates the results and discussions, while Section 8 concludes the paper.

2 | SUSTAINABILITY IN THE BANKING SECTOR: EVIDENCE FROM THE LITERATURE

In the banking sector, the way in which bank customers manage the impact of their business activities might pose risks to the bank's reputation and assets. Nevertheless, banks were falling behind in examining the social and environmental impact of their clients and they attributed this to clients' privacy (Jeucken & Bouma, 1999). It has been reported that, in terms of managing environmental and social impacts, the financial sector is still behind other sectors (Earhart et al., 2009). However, this situation is changing as attention is now increasingly being turned to the financial sector's social and environmental performance (risks and opportunities). It was noted that bankers have started to realize that the operations of the banking sector both affect and are affected by the environment (Thompson, 1998). The environment presents significant direct, indirect and reputational risks to banks (Cuesta-González et al., 2006; Thompson, 1998). In some (especially developed) countries, a bank may be forced to pay for the cleaning-up costs of contamination that has been caused by a bankrupt borrower (Thompson, 1998). Indirect risk arises when a borrower's activities damage the environment and has to pay this cost, thereby reducing the borrower's ability to repay the loan, and in turn increasing the risk to the lender (i.e., the bank) (Thompson, 1998).

Another type of sustainability-related risk is 'reputational risk'. If a bank is seen to finance projects or borrowers with environmental and social negative impacts, then its reputation could be adversely affected (Jeucken, 2001; Thompson, 1998). Therefore, banks should invest in companies that act in a socially responsible way (i.e., they are not involved in certain businesses, such as nuclear power) (Schwind, 2007). Consequently, banks will have to investigate the sustainability risk of borrowers before agreeing to finance them (Thompson, 1998) and many banks have started to integrate environmental concerns into their credit decision process (Branco & Rodrigues, 2008; Schwind, 2007; Thompson, 1998). Moreover, sustainability-related products and services bring advantages to financial institutions, such as improving their reputation among customers and stakeholders, meeting the needs of major stakeholders, expanding their portfolios, differentiating them from competitors, reducing risk in their credit portfolio, and strengthening their brand and trust (Gordon & Lacy, 2011). This was established during the last financial crisis as some banks proved to be resistant and banks such as Triodos were able to grow, while others simply vanished altogether (Earhart et al., 2009). Banks that were able to avoid the impact of the financial crisis and continued to grow were sustainable banks that focused on sustainable businesses that delivered social, environmental and cultural benefits (Earhart et al., 2009). Therefore, in order for sustainable development to happen, banks must focus on both the economic value-added, and on the environmental and social value-added (or destroyed).

According to Branco and Rodrigues (2008) some attention has been paid to the sustainability practices of companies belonging to industries with little direct environmental impact, such as banking. As mentioned earlier, despite a large amount of attention sustainability has received, there are only a few studies that have investigated sustainability practices in the banking sector (Carnevale & Mazzuca, 2014; Sethi et al., 2017).

This study is interested in the sustainability reporting practices in the banking sector in the EU and United States. Most previous studies, in the financial sector, concentrated on CSR behaviour in a particular country or region. For example, Peterson and Hermans (2004) employed content analysis to examine CSR in US banks advertising and found that CSR communication has

increased by 7% over the studied period. Comparing the CSR in annual reports of six Irish banks with four European financial institutions, Douglas et al. (2004) found that Irish banks is still lagging behind the European 'best practices' CSR. Similarly, Cuesta-González et al. (2006) only analysed the social performance (internal and external) of the four main Spanish financial companies and found that interest in banks social impact is relatively new, external social issues did not receive enough attention, while the internal social issues were addressed by some of the banks. Likewise, Branco and Rodrigues (2008) used content analysis to examine the presence or absence of social responsibility disclosure in 12 Portuguese banks and concluded that Portuguese banks disclose more in the annual reports compared with the internet.

On the international level, Scholtens (2009) conducted a comparative study on CSR among 34 international banks in three regions (Europe, North America and the Pacific) and found significant differences among individual banks and countries. Carnevale and Mazzuca (2014) have conducted a cross-country analysis of a sample of European banks and found that the value relevance of sustainability reports varies across European countries and is influenced by different institutional contexts. Using a sample of 520 financial firms in 34 countries, Chih et al. (2010) have examined the determinants of CSR in financial firms from several dimensions and found that larger firms and firms in countries with stronger legal systems engage in more CSR activities, while firms in shareholder-oriented countries engage in less CSR activities. Some authors studied CSR disclosure in Islamic banks (e.g., Aribi & Gao, 2012) and reported that the disclosure is influenced by Islamic laws and CSR is not of major concern for most Islamic banks.

Some studies have examined the CSR communication and reporting practices differences between the United States and the EU in other sectors (e.g., Maignan & Ralston, 2002 in United States, France, the Netherlands and the United Kingdom; Fernandez-Feijoo et al., 2014 in EU, United States, Brazil and Asia; Brammer & Pavelin, 2005 in EU and United States; Chen & Bouvain, 2009 in United States, United Kingdom, Australia and Germany) and have concluded that European firms in general pay more attention to sustainability practices and reporting compared with US firms. However, to the best of our knowledge, this area has not been examined before in the banking context and hence we bridge the gap in the literature.

Previous studies have several limitations, such as small sample size, concentrating on one country or region, studying only one dimension of sustainability (social or environment), ignoring the multidimensionality of sustainability (Capelle-Blancard & Petit, 2017), and using deficient methods to evaluate the social and/or environmental performance. Some of the previous studies (e.g., Branco & Rodrigues, 2008; Scholtens, 2009) have used content analysis to detect the presence or absence of CSR information in the disclosure (i.e., 0 if not mentioned or 1 if mentioned) ignoring the extent or intensity of the disclosure. Moreover, despite the large amount of research and sustainability disclosure practices, research results are still conflicting, fragmented and disconnected from true business (Mahoney et al., 2013; Morhardt, 2010; Russo-Spena et al., 2018). Therefore, 'disclosure issues remain a highly dynamic and controversial knowledge domain' (Russo-Spena et al., 2018, p. 564). Consequently, this study examines the extent and dimensions of sustainability disclosure in the European and American banks. We aim to answer the following research questions: (i) To what extent do banks in Europe and the United States discuss sustainability in their reports? (ii) Which sustainability dimension (and sub-dimension) received the most attention in the banks' reports in the two regions? (iii) Is there any difference in the sustainability disclosure between 2006 and 2012 in the two regions? (iv) What does the observed sustainability communication tell us about the banks' stages towards sustainability in the two regions. To do so, we first compare and discuss the differences between the two regions in the four main sustainability groups, then we compare the differences across the sub-themes between the two groups and finally we compare the sustainability disclosure of 2006 with 2012 to see if any improvements happened across the years. Then, we categorize the banks into three categories depending on the degree of sustainability communication in their reports and compared the stages for the two regions. Moreover, we compare 2006 banks stages with 2012 to explore if any improvements have taken place. We employ the institutional and neo-institutional theoretical lens to explain the cross-national differences in sustainability disclosure between the United States and EU. Finally, we updated our sample and period of analysis to include the period from 2013 to 2021 and employed ESG scores to shed further light on our findings.

3 | SUSTAINABILITY SOURCE AND INDEXES

From sustainability reporting perspectives, it is argued that traditional financial reporting proved to be incomplete,[2] and has been criticized as it does not facilitate the inclusion of external environmental and social factors (Accounting for Sustainability, 2006, part 1). In addition, such traditional reporting provides an incomplete account of

business activities (Yongvanich & Guthrie, 2006) and only provides a view of past financial performance. Therefore, sustainability reporting becomes an essential part of the process towards corporate sustainability (Gao & Zhang, 2006). Moreover, sustainability reporting is a mechanism to communicate with stakeholders regarding the bank's economic, environmental and social practices, policies and/or the impacts of the bank's activities (Owen et al., 2001; Preston et al., 1999). According to Perez and del Bosque (2012), the banking sector has named sustainability reports as the most common tool for communicating CSR issues. Sustainability reporting practices, hence, are seen as a proxy of companies' sustainability practises.

In the last few years, there has been a growing interest in sustainability accounting. For banks and insurance companies listed in the Fortune Global 250 companies, the percentage producing sustainability reports grew from 15% in 1998 to 24% in 2001 (Kolk, 2003). International surveys of environmental reporting show that among the 250 largest companies in the world (G250 companies), 45% produced separate environmental reports in 2002 and it has been stable at between 90% and 95% for the years between 2011 and 2017 (KPMG, 2017). It is noticeable that the focus of sustainability reports was mainly on environmental issues (Sharma & Ruud, 2003); however, banks have also started to report on the social component of sustainability. Comparing the EU with the United States, the authors found that EU companies publish more sustainability reports than the United States. For example, Kolk (2008) found that 90% of the European companies in the Fortune Global 250 publish sustainability reports compared with only 35% of US companies. Similarly, Hartman et al. (2007) reported that EU firms in the Fortune Global 100 Accountability List scored an average of 40 compared with a 24 average score for US firms.

As regards sustainability framework, there are, indeed, many frameworks[3] for sustainability evaluation and performance (Dias-Sardinha & Reijnders, 2001), but most of the previous sustainability databases do not incorporate stakeholders' issues (Mishra & Suar, 2010). In order for companies 'to communicate clearly and openly about sustainability, a globally shared framework of concepts, consistent language, and metrics is required' (GRI Sustainability Reporting Guidelines, 2006, p. 2), there are calls from authors (e.g., Harrison & Freeman, 1999; Mishra & Suar, 2010) to develop new sustainability databases and not to depend on those that are currently available. Thus, we have developed a new framework and sustainability index to measure sustainability practices within the banking sector that incorporate stakeholder issues.

The sustainability impact of banks can be divided into internal and external (Jeucken & Bouma, 1999). The internal issues (direct impact) are associated with the business processes within banks, such as the bank's water, paper, energy use, labour practices and human rights practices. Compared with other sectors, banks have a lower direct environmental impact (Branco & Rodrigues, 2008). Thus, this could have a significant environmental impact as the overall size of the banking sector is sufficiently large. Although the direct environmental impact of banks' activities matters from an economic viewpoint, it is considerably limited compared with the indirectly significant impact caused by their clients. The external issues (indirect impacts) are associated with the banks' products and services. However, while they themselves do not pollute, it is the users of these products and services who impact on the society and environment (Jeucken & Bouma, 1999). Thus, social impacts have not received the same attention as environmental ones in sustainability debates and practices, especially in European organizations (see among others, Zadek, 1999). Therefore, this study develops a tailored index made to address different dimensions of bank sustainability, namely: direct environmental impact, indirect environmental impact, direct social impact and indirect social impact.[4]

4 | BANKS' JOURNEY TO SUSTAINABILITY

Scholars (Baumgartner & Ebner, 2010; Carroll, 1979; Cleene & Wood, 2004; Jeucken & Bouma, 1999) have described how businesses actively respond to sustainability issues on a continuum of sustainability strategies. For example, Carroll (1979) summarized them into four stages on the responsiveness continuum, ranging from 'do nothing' to 'do much'. Most banks in their journey towards sustainability will pass through four stages of awareness and response towards sustainability. These are: Defensive banking: the bank ignores all sustainability issues (Cleene & Wood, 2004; Jeucken & Bouma, 1999) and may even try to oppose or delay new environmental regulations because it may, directly or indirectly, damage the interests of the bank (Jeucken & Bouma, 1999). Banks follow a risk mitigation strategy and try to avoid environmental and social risks by focusing only on the legal and external standards relating to environmental and social aspects (Baumgartner & Ebner, 2010). Preventative or protective banking: where environmental and social risks are more systematically managed (Cleene & Wood, 2004). According to Jeucken and Bouma (1999), and as a result of legislation or social pressures, potential revenues, costs and risks will be integrated into the day-to-day business of preventative banks.

However, they will only consider their internal processes. Banks focus on external relationships to acquire a licence to operate (Baumgartner & Ebner, 2010). Offensive banking: such banks strategically manage environmental and social risk and narrow environmental and social value-added (Cleene & Wood, 2004). According to Jeucken and Bouma (1999), offensive banks consider the effects of their internal and external activities, and they are continuously looking for win–win solutions. The banks focus on cleaner production and eco-efficiency (Baumgartner & Ebner, 2010). Sustainable banking: embraces win–win solutions. However, the banks in this stage are aiming to reach the highest sustainable rate of return alongside the highest financial rate of return, while being profitable in the long term (Jeucken & Bouma, 1999). In this stage, the strategy is no longer limited to risk avoidance; it has started to integrate the triple bottom line approach. In addition, sustainability-related issues drive the development of new products and services (Cleene & Wood, 2004). Banks focus on sustainability issues within all corporate activities (Baumgartner & Ebner, 2010).

In accordance with the previous arguments, this study groups banks into three[5] categories reflecting the level of their sustainability reporting practices. Group one 'beginner', including banks with a minimum amount of disclosure. Group two 'considerate', including banks with an average level of commitment to sustainability disclosure. Finally, group three 'leader', including banks that disclose a high amount of sustainability information.

5 | THEORETICAL BACKGROUND

It has been established that institutional forces influence CSR practices of companies (e.g., Campbell, 2007; DiMaggio & Powell, 1991; Doh & Guay, 2006; Matten & Moon, 2008). Institutional theory would view firms from formal rules (such as regulations or even laws) and informal constraints such as traditions (see among others, North, 1991). The neo-institutional theory is linked to sustainability and CSR as it is mainly attentive to how institutions put pressure on firms and how firms behave in response to such pressure (Scott, 1995). According to institutional theory, institutions create pressures on companies to adopt certain practices in order to enhance their legitimacy (DiMaggio & Powell, 1983; Scott, 1995). The neo-institutional theory explains the global diffusion of corporate practices (such as sustainability) and the adoption of these by organizations (Brammer et al., 2012). Accordingly, institutional theory offers a proper and useful platform to explain the pressure and the sources of such pressure that influence firms' sustainability activities. Different researchers have discussed this theory, such as Matten and Moon (2008) and Campbell (2007).

According to the neo-institutional theory, there are three types of institutional forces (coercive, mimetic and normative) that could affect sustainability practices by companies (DiMaggio & Powell, 1983). The 'mimetic isomorphism' comes mainly from the organizational field or industry, where organizations imitate the best practices, procedures and structures of successful organizations; the 'coercive isomorphism' is imposed by those who have the power and authority to force the organization to implement certain practices; and the 'normative isomorphism' is driven by the pressure from the professionalization of organizational members, their values and norms (DiMaggio & Powell, 1983, 1991).

Firms, based on this theory, are not passive players and can provide proper responses to pressure from the surrounding environment, including repositioning and reshaping these pressures (see e.g., Scott, 2008). Institutional theory, hence, is used in the literature to explain how firms can obtain their legitimacy within their organizational fields, or even environmental aspects and competition levels. Previous studies have argued that institutional theory can bridge the gap in the CSR literature as it can explain the pressure from different institutions that might shape firms' socially responsible activities (see among others, Basu & Palazzo, 2008). Having said so, the institutional theory argues that the business environment has a direct impact on exerting pressure on firms and such pressure will create responses from firms to seek legitimacy to survive or even to prosper in their societies or environments they operate in. Therefore, the institutional context in which companies operate influences their sustainability practices (Campbell, 2007). Scholars (e.g., Campbell, 2007; Deeg & Jackson, 2007; Maignan & Ralston, 2002) have pointed out that as a result of differences in institutional contexts between countries, corporate socially responsible behaviour tends to vary across nations.

Different coercive and normative pressures at the country level (such as the country's economic, political, cultural and social contexts) have been confirmed to be the reason why sustainability practices differ between countries (Baughn et al., 2007; Campbell, 2007; Chen & Bouvain, 2009; Doh & Guay, 2006; Jackson & Apostolakou, 2010; Matten & Moon, 2008; Orij, 2010; Ortas et al., 2015). For example, Matten and Moon (2008) argued that different national business systems such as political, cultural, financial and control systems explain the differences in CSR systems across countries. In the banking sector, Carnevale and Mazzuca (2014) reported that the value relevance of the banks' sustainability

reports is influenced by different institutional contexts and varies across European countries. Thus, according to Campbell (2007), few studies have compared CSR in a cross-national context.

One of the main differences between the United States and the EU, according to Matten and Moon (2008), is the approach towards CSR as it is explicit in the United States and implicit in Europe. In the United States, there are more voluntary strategies to address companies' social responsibility issues, leaving more opportunities for companies to take a comparatively explicit approach to responsibility. The explicit approach rests on corporate discretion to undertake responsible activities (voluntarily) and is motivated by core stakeholder pressure rather than responding to authority (Matten & Moon, 2020). While in the EU, corporations are faced with more mandatory and customary requirements to address stakeholder issues deemed necessary at a wider level. This has resulted in a more implicit approach towards CSR with fewer incentives for corporations to take explicit responsibility. Therefore, in response to regulations and wider values, companies tend to take the implicit approach to responsibility motivated by broad institutional forces (Matten & Moon, 2020). Thus, EU firms have moved from the implicit form of sustainability disclosure to a relatively more explicit approach as a result of internationalization and 'coercive, mimetic and normative' pressures (Maon et al., 2017; Matten & Moon, 2008).

Similarly, Maignan and Ralston (2002) attributed the differences between United States and EU sustainability practices to the traditional role of institutions. In Europe, the state has traditionally been in charge of social welfare, while in the United States, businesses have played a leadership role in their local communities. Likewise, Doh and Guay (2006) referred to the power of the European parliamentary systems in influencing public policy, compared with the US decentralized political system structure with no influence of the interest groups over the public policy process. However, according to Maignan and Ralston (2002), this is now changing and the role of the Welfare State in Europe has been demised and businesses are pressurized to play a greater role in society. Matten and Moon (2020) have supported this change and stated that stakeholders are putting pressure on the implicit norms and regulations to become more explicit. In addition, the new wave of CSR regulations, especially in Europe, is creating a further isomorphic pressure on companies to comply with their CSR reports (Matten & Moon, 2020).

In this study, institutional theory is used as the theoretical lens to explain the cross-national differences in sustainability disclosure (how and why) between banks in the United States and the EU. Therefore, institutional theory provides us with a significant theoretical lens that will help in explaining the differences between US and EU banks' sustainability disclosure practices based on the different institutional factors (legal, social, and historical) between the two regions.

6 | RESEARCH DESIGN

6.1 | Data collection

There have been some changes in the way companies report sustainability. As mentioned before, companies are moving from using a section in the annual report to issuing stand-alone sustainability reports (KPMG, 2008). When companies produce a separate report, this signals that they consider sustainability as important as financial reporting (Holland & Boon Foo, 2003). Nowadays, there is an increase in companies producing separate sustainability reports and this may affect the amount and type of disclosure (Holland & Boon Foo, 2003). Previous research on sustainability reporting studied mainly the disclosure in the annual report. Thus, nowadays, companies are relying more heavily on other methods to disclose sustainability information, such as discrete reports and the internet (Branco & Rodrigues, 2008; Frost et al., 2005). As a result of the use and availability of those other methods of disclosure, questions about the significance of the annual report as the main method for reporting on sustainability issues have been raised (Frost et al., 2005). When organizations employ alternative media for reporting, less information about sustainability will be provided in the annual report. Therefore, focusing only on annual reports when studying sustainability might ignore important disclosure elsewhere and would be likely to give incomplete or incorrect conclusions about the amount of social responsibility companies are engaging in, as well as reporting practices (Holland & Boon Foo, 2003; Michelon & Parbonetti, 2012; Roberts, 1991). Thus, in this paper, stand-alone sustainability reports are mainly used and, when not available, annual reports are used. Thus, we provide a comprehensive view of the investigated banks in our sample.

The sample is based on the BankScope database and banks that were publicly listed and operated in the 15-European countries as commercial banks or bank holding companies are selected (Bankscope Database, 2013). The same criteria have been adopted for US banks. Then, we require sustainability reports to be available for some or all of the years during the investigation period (2006–2012). This leads to a final sample of 71 banks,[6] 43 from the EU and 28[7] from the United States.

Therefore, a final total of 483 bank report-year observations have been used (295 from the EU and 188 from the United States). The total sample is an unbalanced panel comprised of 340 sustainability reports and 143 annual reports. It is, indeed, not surprising that European banks provide more stand-alone sustainability reports, if compared with their US counterparts (see among others, Holland & Boon Foo, 2003; KPMG, 2011). This lag between EU and United States sustainability reporting is also evidenced in the 2020 Corporate Knights' global 100 ranking index of the world's most sustainable corporations (Corporate Knights, 2020), with European firms comprising almost 50% of the list, while US firms forming only 17%.

6.2 | Data analysis

We adopt content analysis to collect data about sustainability disclosure. Different authors (see among others, Beck et al., 2010; Michelon & Parbonetti, 2012) have used content analysis as a technique to examine sustainability disclosure in reports. Content analysis allows quantitative analysis to be carried out on qualitative data (Morgan, 1993). Content analysis, as a quantitative research method, is defined as coding text data into defined groups and then describing these using statistics. In doing so, we are able to examine messages in a rigorous and in a systematic manner. As in other sustainability studies (see, e.g., Branco & Rodrigues, 2008), the entire report (whether annual or sustainability) is used as our 'sampling unit'. 'Sentence' is used as the 'measurement unit' since we argue that it provides more reliable measure of inter-rater coding than words (see among others, Hackston & Milne, 1996; Michelon & Parbonetti, 2012).

We developed a four-pillar sustainability index (discussed in the next section) to be used as the 'coding schedule' for sustainability. The index considers the content (areas and sub-areas of disclosure) and the extent (amount of disclosure) of sustainability activities. Next, the 'coding manual', which is used to determine the coding schedule for each category, is developed by randomly selecting 28 reports (14 from each region) and examining them for any additional phrases that could express the coding schedule category. We continued this process until no further additional phrases were available. NVivo 10 (64 bits) computer software was used to code the reports. Finally, to prepare the data for the analysis and to get a more truthful view of each category and allow for comparison, the coding outcomes were divided by the number of pages in each report to get the relative weight of the variable in the report rather than an abstract number. This offered a more objective comparison of our variables.

Using the outcome of the content analysis, we first compare and discuss the differences between the EU and United States in the four main sustainability categories, then we compare the differences across the sub-themes between the two groups and finally we compare the sustainability disclosure of 2006 with 2012 to see if any improvement happened across the years. We use a *t* test and a paired *t* test to examine if these differences are significant.[8] The *t* test (Student's two-sample *t* test), is generally used to compare the means of two independent samples to determine whether there is a statistically significant difference between the means in the two unrelated groups. The paired *t* test is generally used to compare two samples with matching cases (e.g., before and after an experiment). After that, to categorize the banks in our sample into the three stages of sustainability (beginner, considerate and leader), we define the 'beginners' category as containing banks with a disclosure score below the 'mean minus 25%', the 'considerate' category as containing banks between the 'mean minus 25%' and the 'mean plus 25%', and the 'leader' category containing banks above the 'mean plus 25%'. Finally, we updated our sample to include 134 banks (equal split between the EU and the United States) and employed ESG scores to reflect our identified four sustainability dimensions for the period from 2013 to 2021.

6.2.1 | The sustainability index

Researchers have used a wide range of sustainability measures over time. Some studies have employed a third-party evaluation or reputation index, such as the Fortune Corporate Reputation Index and the Kinder, Lydenberg and Domini (KLD) index (e.g., McWilliams & Siegel, 2001; Preston & O'Bannon, 1997; Waddock & Graves, 1997). A second and different range of research has considered sustainability from the point of view of company disclosures (Hackston & Milne, 1996; Scholtens, 2009).

Even though there are many indexes and analytical frameworks to evaluate sustainability performance, most of the previous sustainability databases exclude stakeholders' issues (Mishra & Suar, 2010). Calls appeared in the literature (e.g. Harrison & Freeman, 1999; Mishra & Suar, 2010) to develop new sustainability databases and not to depend on those that are currently available. Thus, we have developed a new framework and sustainability index to measure sustainability disclosure practices within the banking sector that incorporate all stakeholders' issues. This index is unique and tailored to our sampled banks. Our index is based on: The Global Reporting Initiative's (GRI), 2011; Version 3.1 of the Sustainability Reporting Guidelines; and Version 3 of the

Sustainability Reporting Guidelines and Financial Services Sector Supplement (GRI3/FSSS, 2011). Our framework classifies sustainability practices into two pillars, one environmental and the other social. Each pillar is broken down with respect to direct impact (operational impact) and indirect impact (product and service impact), which resulted in four major sustainability dimensions: direct environmental impact, indirect environmental impact, direct social impact and indirect social impact. The four dimensions were broken down into 44 sustainability performance indicators (sub-categories) that are equally weighted in the index.

As regards the 'environmental pillar', it has two categories: direct environmental impact and indirect environmental impact. Direct environmental impact indicates the environmental effects caused by business operations in the main buildings and branches, while indirect environmental impact is the environmental effects of banks' services and products and the way in which the bank delivers those products and services. Similarly, the 'social pillar' has two categories: direct social impact (i.e., social aspects resulted from business operations in branches and the main administrative buildings) and indirect social impact (social effects resulted from banks' services and products).[9]

To sum up, our index is unique and aims at capturing the content (i.e., the areas and sub-areas of disclosure) and the extent (i.e., the amount of disclosure in the different areas and sub-areas) of the sustainability disclosure of banks. The extent of disclosure can be taken as an indication of the importance of a sustainability topic to the bank (Campbell et al., 2003; Krippendorff, 2004). As Chapple & Moon (2005, p. 424) stated, 'the greater the extent of the reporting, the more engaged the company is with CSR and the more seriously it is taken therein'. Thus, it has been tailored specifically for banks and could be used in future studies.

7 | RESULTS AND DISCUSSION

The sample consists of 483 reports. Over 70% of the reports used are sustainability reports, which are almost equally distributed across the 7 years. The reports that belong to European banks comprized more than 61% of the total sample with the rest coming from the United States. We first compared and discussed the differences between the two regions in the four main sustainability groups, then we compared the differences across the sub-themes between the two groups. After that, we compared the sustainability disclosure of 2006 with 2012 to see if any improvement happened across the years, and finally we categorized the banks into three sustainability stages.

7.1 | The main four sustainability dimensions

Table 1 provides a comparison between the four main groups; these are also presented in Figure 1. The results show that banks in our sample cared mostly about the direct consequence of their operations on society (direct social impact) and least about the direct effect of their operations on the environment. These results are not surprising as banks, to a great extent, do not have much direct environmental impact.

Table 1 also shows that both European and US banks were most interested in *the direct impacts of their operations on society* (m = 2.51, *SD* = 1.01 for the total sample, m = 2.67, *SD* = 1.1 in the EU and m = 2.25, *SD* = 0.78 in the United States) followed by the *indirect environmental impacts* of their products and services (m = 1.58, *SD* = 0.65 for the total sample, m = 1.64, *SD* = 0.68 in the EU and m = 1.48, *SD* = 0.6 in the United States) and then the *indirect social impacts* of their products and services (m = 1.43, *SD* = 0.59 for the total sample, m = 1.45, *SD* = 0.6 in the EU and m = 1.40, *SD* = 0.57 in the United States). *The direct impact on the environment* came last for both European and US banks (m = 0.81, *SD* = 0.36 for the total sample, m = 0.90, *SD* = 0.39 in the EU and m = 0.68, *SD* = 0.26 in the United States). This is consistent with the institutional theory of 'normative isomorphism', where organizations belonging to a specific industry are expected to be affected by the same norms that drive their behaviour (DiMaggio & Powell, 1991). It is normal for *direct impacts on the environment* to come last because banks consider themselves to operate in an environmentally friendly industry. Hence, they would not have enough emphasis on this dimension. Additionally, compared with other sectors, banks have lower direct environmental impacts (Branco & Rodrigues, 2008). Banks' operations might not directly pollute to any great extent, while the major effect on the environment comes from their clients' business activities. Such impacts are considered as *products and services indirect environmental impacts and products and services indirect social impacts*.

Previous studies have stated that environmental issues were the main focus of sustainability reports published by financial institutions (Sharma & Ruud, 2003), while social issues did not receive the same attention as environmental issues (Zadek, 1999). However, some studies have concluded that banks report more on social issues and environmental disclosure is still weak. The contradictory findings might be as a result of different approaches used to study the disclosure. All previous studies have not distinguished between the 'direct' and 'indirect' aspects of social and environmental practices.

TABLE 1 Sustainability statistics and independent sample test

	Total			European Union			United States			*t* test for equality of means	
	Mean (*SD*)	Min	Max	Mean (*SD*)	Min	Max	Mean (*SD*)	Min	Max	*t*(*df*)	*p* (two-tailed)
Panel A: Direct environmental[a]	**0.81 (0.36)**	**0.10**	**3.18**	**0.9 (0.39)**	**0.20**	**3.18**	**0.68 (0.26)**	**0.10**	**1.76**	**−3.46 (481)**	**0.00***
Emissions[a]	1.74 (1.00)	0.11	7.80	2.01 (1.05)	0.23	7.80	1.32 (0.75)	0.11	3.60	8.38 (473.62)	0.00*
Transport[a]	1.46 (0.78)	0.00	5.50	1.58 (0.86)	0.00	4.10	1.27 (0.60)	0.00	3.08	4.75 (477.21)	0.00*
Energy used[a]	1.17 (0.70)	0.08	4.83	1.32 (0.71)	0.08	4.40	0.93 (0.62)	0.13	4.83	6.4 (438.64)	0.00*
Compliance with operating environmental laws and regulations[a]	0.74 (0.51)	0.00	2.67	0.87 (0.49)	0.00	2.67	0.53 (0.48)	0.00	2.33	7.47 (403.86)	0.00*
Waste[a]	0.59 (0.44)	0.00	3.00	0.58 (0.04)	0.00	3.00	0.60 (0.49)	0.00	2.65	−0.49 (343.29)	0.63
Materials used	0.57 (0.33)	0.00	2.80	0.57 (0.34)	0.00	2.80	0.57 (0.30)	0.00	1.60	−0.02 (481)	0.98
Water used	0.22 (0.22)	0.00	2.80	0.24 (0.24)	0.00	2.80	0.20 (0.20)	0.00	1.50	1.85 (481)	0.07
Biodiversity[a]	0.03 (0.05)	0.00	0.43	0.02 (0.03)	0.00	0.19	0.03 (0.06)	0.00	0.43	−2.79 (246.29)	0.01*
Panel B: Direct social[a]	**2.51 (1.01)**	**0.76**	**7.92**	**2.67 (1.1)**	0.79	7.92	**2.25 (0.78)**	0.76	5.60	**−0.46 (413.51)**	**0.65**
Labour health and safety	7.02 (2.98)	1.48	20.80	6.31 (2.77)	1.48	20.80	8.13 (2.97)	2.26	20.57	−6.82 (481)	0.00*
Impacts of operations on communities	6.34 (2.99)	1.04	20.79	6.40 (3.17)	1.04	20.00	6.23 (2.69)	1.44	17.73	0.63 (481)	0.53
Labour diversity and equal opportunity[a]	5.20 (2.62)	0.65	17.63	6.06 (2.78)	0.65	16.20	3.84 (1.61)	0.83	9.29	11.13 (477.03)	0.00*
Employee benefits[a]	2.93 (1.44)	0.65	12.60	3.23 (1.53)	0.65	12.60	2.46 (1.15)	0.72	8.86	6.3 (467.71)	0.00*
Employee information[a]	2.77 (1.36)	0.33	9.14	3.22 (1.45)	0.65	6.85	2.06 (0.81)	0.33	5.00	11.25 (474.34)	0.00*
Labour/management relations[a]	2.12 (0.93)	0.41	7.00	2.26 (0.98)	0.41	5.20	1.90 (0.81)	0.50	4.93	4.41 (451.02)	0.00*
Labour training and education[a]	1.94 (1.22)	0.17	6.25	2.40 (1.24)	0.33	6.25	1.22 (0.74)	0.17	3.91	13.1 (479.21)	0.00*
Compliance with operating social laws and regulations	0.74 (0.51)	0.00	2.67	0.87 (0.49)	0.00	2.67	0.53 (0.48)	0.00	2.35	7.38 (481)	0.00*
Human rights policies[a]	0.41 (0.29)	0.00	2.48	0.39 (0.27)	0.00	1.30	0.45 (0.32)	0.00	2.13	−2.23 (355.04)	0.03*
Employee training and security practices on human rights[a]	0.29 (0.34)	0.00	3.00	0.47 (0.33)	0.00	3.00	0.02 (0.03)	0.00	0.20	23.04 (304.26)	0.00*
Human rights assessment and remediation[a]	0.23 (0.27)	0.00	2.43	0.31 (0.27)	0.00	1.38	0.1 (0.23)	0.00	2.43	9.4 (440.5)	0.00*
Child and compulsory labour	0.12 (0.17)	0.00	2.43	0.13 (0.12)	0.00	0.67	0.1 (0.23)	0.00	2.43	2.27 (481)	0.02*
Panel C: Indirect environmental	**1.58 (0.65)**	**0.25**	**4.40**	**1.64 (0.68)**	0.50	4.40	**1.48 (0.6)**	0.25	3.70	**1.21 (481)**	**0.23**
Products and services environment policies	3.23 (1.64)	0.13	10.87	3.59 (1.68)	0.68	9.08	2.67 (1.41)	0.13	7.36	6.28 (481)	0.00*
Special products and services[a]	2.73 (1.58)	0.33	9.80	2.48 (1.38)	0.33	6.15	3.11 (1.79)	0.39	9.33	- 4.09 (325.59)	0.00*
Environmental staff competency[a]	2.61 (1.44)	0.21	8.80	2.86 (1.35)	0.35	8.00	2.21 (1.49)	0.21	8.80	4.83 (369.68)	0.00*
Active environmental ownership[a]	2.25 (1.12)	0.10	7.31	2.41 (1.17)	0.50	5.59	1.99 (0.99)	0.10	4.97	4.27 (445.31)	0.00*
Environmental risks in business lines	0.84 (0.49)	0.00	3.97	0.89 (0.48)	0.00	2.48	0.76 (0.48)	0.00	3.31	2.88 (481)	0.00*
Products and service labelling environment information	0.47 (0.28)	0.00	1.64	0.48 (0.29)	0.00	1.64	0.44 (0.26)	0.00	1.29	1.72 (481)	0.09

TABLE 1 (Continued)

	Total			European Union			United States			*t* test for equality of means	
	Mean (*SD*)	Min	Max	Mean (*SD*)	Min	Max	Mean (*SD*)	Min	Max	*t*(*df*)	*p* (two-tailed)
Clients' environment risk[a]	0.43 (0.43)	0.00	2.67	0.32 (0.24)	0.00	1.35	0.61 (0.59)	0.00	2.67	−6.45 (226.36)	0.00*
Products and service compliance with environmental laws and regulations	0.09 (0.09)	0.00	0.96	0.1 (0.09)	0.00	0.96	0.08 (0.08)	0.00	0.38	1.67 (481)	0.09
Panel D: Indirect social[a]	**1.43 (0.59)**	**0.32**	**3.86**	**1.45 (0.6)**	0.49	3.67	**1.4 (0.57)**	0.32	3.86	**5.14(429.28)**	**0.00***
Social policies	4.28 (2.03)	0.50	12.55	4.58 (2.07)	1.27	10.50	3.8 (1.89)	0.50	12.39	4.21 (481)	0.00*
Accessibility of financial services	4.03 (2.00)	0.00	13.03	3.89 (1.98)	0.00	8.04	4.26 (2.05)	0.53	13.03	−2.01 (481)	0.05*
Customer satisfaction and privacy[a]	3.21 (2.32)	0.52	21.00	3.48 (2.75)	0.58	21.00	2.78 (1.29)	0.52	6.75	3.79 (448.6)	0.00*
Social risks of business lines	2.32 (1.39)	0.00	10.75	2.42 (1.35)	0.00	5.70	2.17 (1.43)	0.10	6.97	1.9 (481)	0.06
Marketing communications[a]	2.10 (1.29)	0.11	7.93	1.91 (1.11)	0.49	4.80	2.42 (1.48)	0.11	7.43	−4.07 (318.49)	0.00*
Social staff competency[a]	1.81 (1.14)	0.16	7.20	1.73 (0.93)	0.16	7.20	1.95 (1.39)	0.21	6.80	−1.98 (293.42)	0.05*
Active social ownership	1.73 (0.90)	0.00	6.94	1.82 (0.91)	0.00	4.31	1.59 (0.87)	0.13	4.75	2.74 (481)	0.01*
Public policy[a]	1.19 (0.72)	0.00	5.00	1.35 (0.77)	0.13	5.00	0.95 (0.54)	0.00	2.51	6.76 (477.07)	0.00*
Special social products[a]	0.96 (0.56)	0.10	3.52	0.85 (0.48)	0.10	2.33	1.12 (0.63)	0.10	3.52	−4.99 (321.68)	0.00*
Labelling social information	0.47 (0.28)	0.00	1.64	0.48 (0.29)	0.00	1.64	0.44 (0.26)	0.00	1.29	1.72 (481)	0.09
Clients' social risk[a]	0.41 (0.38)	0.00	2.47	0.34 (0.24)	0.00	5.62	0.51 (0.51)	0.00	2.47	−4.5 (241.6)	0.00*
Anti -competitive behaviour[a]	0.22 (0.30)	0.00	2.46	0.17 (0.20)	0.00	1.18	0.3 (0.41)	0.00	2.46	−4.18 (244.51)	0.00*
Products and service compliance with social laws and regulations	0.09 (0.09)	0.00	0.96	0.1 (0.09)	0.00	0.96	0.08 (0.08)	0.00	0.38	1.67 (481)	0.09
Financial literacy	0.04 (0.06)	0.00	0.53	0.03 (0.05)	0.00	0.21	0.04 (0.06)	0.00	0.42	−1.85 (481)	0.05*
Corruption[a]	0.01 (0.03)	0.00	0.26	0.01 (0.03)	0.00	0.26	0.01 (0.01)	0.00	0.06	3.51 (386.92)	0.00*
Human rights investment agreements	0.00 (0.01)	0.00	0.04	0.00 (0.01)	0.00	0.04	0.00 (0.00)	0.00	0.04	0.08 (481)	0.93

Note: Shaded entry: When the differences are significant and the US sample has a higher mean, they are highlighted/shaded in the table.

[a]Equal variances not assumed.

*Significant at 0.05 level.

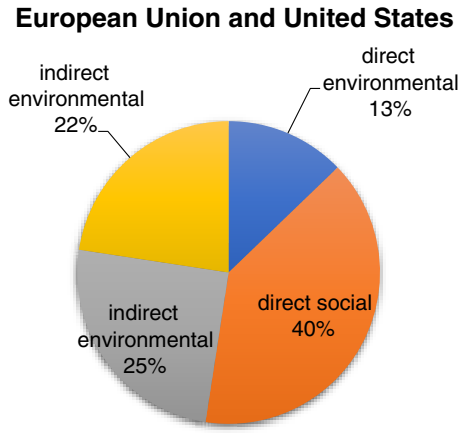

FIGURE 1 Distribution of the main sustainability groups in the whole sample [Colour figure can be viewed at wileyonlinelibrary.com]

Instead, they considered only two groups: 'social' and 'environmental'. Therefore, they have tested limited aspects of sustainability and these measures do not truly represent sustainability. Moreover, the orientation towards sustainable development is relatively new and the majority of previous empirical studies examined corporate social or/and environmental responsibility (Chang & Kuo, 2008). To support this, in 2005, Parker surveyed social and environmental accountability research published in six accounting journals between 1988 and 2003. The author found that environmental issues were the focus of 66% of the papers, 25% of papers discussed social responsibility issues, and only 9% addressed both. Finally, most of the previous sustainability databases do not incorporate stakeholders' issues (Mishra & Suar, 2010). The index proposed in this study to measure sustainability practices considers the different groups of stakeholders with different social and environmental needs.

Since our sustainability index consists of four main themes, it is possible for the disclosure in each category to differ according to the region (EU or United States). Looking at the results, the table also shows that, in all the main sustainability groups, the EU banks had higher averages than the banks from the United States. However, these results might (or might not) imply that EU banks carry out more sustainability disclosure (or activities) than banks in the United States. To investigate this, and to assess the difference in sustainability means between the two groups (EU and US), the independent sample-test was used (see Table 1). The results were significant for direct environmental impact and indirect social impact, which indicates that European banks disclosed more information in those two groups than the US banks. While no significant difference was found for the two other groups (i.e., direct social impact and indirect environmental impact). This implies that both EU and US banks engage in almost the same amount of sustainability disclosure in terms of the indirect effects of their products and services on the environment and the direct impact of their operations on society. This is consistent with the results of prior studies (e.g., Campbell, 2007; Carnevale & Mazzuca, 2014; Deeg & Jackson, 2007; Maignan & Ralston, 2002) that sustainability disclosure significantly varies across regions.

Many authors (e.g., Campbell, 2007; Fernandez-Feijoo et al., 2014; Hartman et al., 2007; Kolk & Perego, 2010; Marimon et al., 2012; Matten & Moon, 2008; Van der Laan Smith et al., 2005) have concluded that European firms in general pay more attention to sustainability practices and reporting compared with US firms. The reasons for EU superiority are: the well-established institutional environment (Campbell, 2007); influence of governments or legislators (Chih et al., 2010; Marimon et al., 2012); EU efforts and policies (Fernandez-Feijoo et al., 2014) and belonging to stakeholder-oriented countries or civil law as opposite to shareholder-oriented countries or common law (Van der Lann Smith et al., 2005; Smith et al., 2005; Kolk & Perego, 2010). This is in line with institutional theory where institutional contexts tend to differ across countries and that different coercive and normative pressures at the country level have been confirmed to be the reason why sustainability practices differ between countries.

7.2 | Sustainability sub-dimensions

Differences in the level of sustainability practices could vary across the different sub-themes between the two groups. Table 1 presents the results for the sub-themes in each sustainability group and provides an overview of the sustainability sub-sections in the total sample and, in the two regions, divided into its four main sections (Panels A-B-C-D). The analysis reveals that the sub-themes did not receive the same level of attention, since two or three sub-themes in each category received around 50% or more of the total attention in that category. In addition, the results reveal that EU banks outperformed US banks in most of the sustainability sub-themes. To examine if there were any significant differences between European and US banks' sustainability practices, the independent sample t-test was performed (the results are presented in Table 1).[10] The overall results show 34 significant differences across all the sub-themes; in 13 of these, the US banks surpassed those of the EU and in the remaining 21, the EU surpassed the United States.

Panel A shows that three out of the eight sub-themes of direct environmental impact have a mean of over 1.0. Those are: emission (m = 1.74, *SD* = 1), transport (m = 1.46,

SD = 0.78), and energy used (m = 1.17, *SD* = 0.7). Comparing the two regions revealed that they both cared most about their emissions (in the EU: m = 2.1, *SD* = 1.5; in the United States: m = 1.32, *SD* = 0.75), followed by transport (in the EU: m = 1.58, *SD* = 0.86; in the United States: m = 1.27, *SD* = 0.60), and then energy used (in the EU: m = 1.32, *SD* = 0.71; in the United States: m = 0.93, *SD* = 0.62). Each of those three sub-themes (i.e., emission, transport and energy used) had a mean of at least double the other five sub-themes.

These results are explained by the increased attention to global warming and climate change issues and impacts. Climate change threat has been widely recognized as a major environmental problem and has been addressed by the United Nations Framework Convention on Climate Change (UNFCCC). Every bank report includes a reference or more to this issue. For example, Wells Fargo bank in the United States was listed as receiving one of the 2012 awards and accolades as 'Carbon Disclosure Project: named in Leadership Indexes for greenhouse gas emissions reduction and disclosure' (Sustainability report, 2012, p. 3). Also, the Deutsch bank (2012) stated: 'We set a target to make our operations carbon neutral by the end of 2012... Our broad basket of climate-change-related activities earned Deutsche Bank a place in the Carbon Disclosure Leadership Index as one of 33 companies worldwide for the first time' (Sustainability report, 2012, p. 8). The United Nations Secretary General said; 'It is the major, overriding environmental issue of our time, and the single greatest challenge facing environmental regulators. It is a growing crisis with economic, health and safety, food production, security, and other dimensions' (UNEP, 2009).

The comparison also shows that US banks cared (slightly) more about biodiversity than banks in the EU. However, European banks surpassed US banks in terms of energy used, emissions, transport, and with regard to compliance with operation laws & regulations. To examine if these differences were significant, an independent sample *t* test was performed. The results were significant for all the differences. This is consistent with previous literature comparing the United States with the EU. Authors (e.g., Doh & Guay, 2006; Maignan & Ralston, 2002) found that Europe is usually 'greener' than the United States and they have higher level of environmental CSR. This could be attributed to the political environment influence in the two regions and the environmental movement and regulations at the EU (Maignan & Ralston, 2002); US refusal to ratify Kyoto agreement for greenhouse gas emission reductions (Chen & Bouvain, 2009); EU efforts to promote global warming issues (Doh & Guay, 2006); and EU publication of the Green Paper in 2001 promoting a European framework for CSR (Hartman et al., 2007).

It is clear from Table 1 (Panel B) that seven out of the twelve sub-themes in the direct social impact have a mean of around 2.0 and higher, compared with less than 1.0 for the remaining five. However, labour health and safety is what banks in the sample are mainly concerned about in their direct social impact (m = 7.02, *SD* = 2.98 for the total sample); followed by their impact on the community (m = 6.34, *SD* = 2.99) and labour diversity and equal opportunity (m = 5.2, *SD* = 2.62). In the United States, health and safety of the labour force (m = 8.13, *SD* = 2.97) was the most important sub-operation in the direct social theme, followed by the impacts of operations on communities (m = 6.23, *SD* = 2.69) and labour diversity and equal opportunity (m = 3.84, *SD* = 1.61). In the EU, the impacts of operations on communities came first (m = 6.40, *SD* = 3.17) among the direct social impact sub-themes, closely followed by the health and safety of the labour force (m = 6.31, *SD* = 2.77) and labour diversity and equal opportunity (m = 6.06, *SD* = 2.78). Thus, EU banks outperformed US banks in almost every aspect (except labour health and safety).

To examine if these differences are significant, the independent sample *t* test has been employed. The results revealed 11 significant differences; that the US has significantly higher mean in two sub-themes (i.e., labour health and safety and human rights policies). This is in line with the findings of Holder-Webb et al. (2009) study of the CSR disclosure practices of 50 publicly traded US firms in 2004. Holder-Webb et al. (2009) concluded that US firms' CSR disclosure places a particular emphasis on environmental programs and employee health/safety issues (with over 15% frequency). European banks have significantly higher mean in nine sub-themes (i.e., labour diversity and equal opportunity; employee benefits; employee information; labour/management relations; labour training and education; compliance with operating social laws and regulations; employee training and security practices on human rights; human rights assessment and remediation; and child and compulsory labour). This is consistent with the findings of Weaver (2001) who stated that codes of ethics in European firms tend to focus more on employees' responsibilities towards them than the American codes. Those differences were attributed to the historical role of businesses in the United States and EU (Maignan & Ralston, 2002); cultural and institutional differences between the EU and United States (Weaver, 2001); the historical aim of the reports, as in the EU they were used as an internal communication while in the United States they were developed to manage external pressure groups. Institutional theory provides a lens to understand and explain differences in sustainability disclosure across regions, which could be attributed to institutional contexts such as cultural (beliefs and social norms and rules) differences.

In terms of banks' indirect environmental impact (Panel C), products and services environmental policies occupy the first priority for banks (m = 3.23, *SD* = 1.64); followed by special products and services (m = 2.73, *SD* = 1.58), environmental staff competency (m = 2.61, *SD* = 1.44), and active environmental ownership (m = 2.25, *SD* = 1.12). Out of the eight sub-themes, those received over 84% of attention in the total sample and for both regions. In the EU, products and services environment policies (m = 3.59, *SD* = 1.68) came first, then environmental staff competency (m = 2.86, *SD* = 1.35); they were followed by special products and services (m = 2.48, *SD* = 1.38) and active environmental ownership (m = 2.41, *SD* = 1.17). In the United States, special products and services came first (m = 3.11, *SD* = 1.79), followed by products and services environment policies (m = 2.67, *SD* = 1.41), then environmental staff competency (m = 2.21, *SD* = 1.49) and active environmental ownership (m = 1.99, *SD* = 0.99).

The independent sample *t* test shows that in this group, indirect environmental impact, EU banks outperformed US banks in four sub-groups (i.e., products and services environment policies, environmental staff competency, active environmental ownership and environmental risks in business lines) but were outperformed, by US's, in two sub-groups (i.e., clients' environment risk, and special products and services). The results show US banks disclosing significantly more information regarding their clients' environmental risk and the special (environmental) products and services. This is mainly as a result of initiations in the United States in the 1980s making banks responsible for the environmental pollution caused by their clients (i.e., client environmental risk in the indirect environmental dimension in this research), while such restrictions do not exist in the EU. In Europe, the direct environmental issues became more important in the 1990s (Jeucken & Bouma, 1999).

Finally, for the banks' indirect social impact (Panel D), banks pay more attention to their social policies (m = 4.28, *SD* = 2.03), followed by the accessibility of financial services (m = 4.03, *SD* = 2) and then customer privacy and satisfaction (m = 3.21, *SD* = 2.32). It is clear from Table 1 that 8 out of the 16 sub-themes of indirect social impact have a mean higher than 1.0 and 5 out of the 16 sub-themes received around 70% of the banks' attention. The five are: social policy, accessibility of financial services, customer satisfaction and privacy, social risks of business lines, and marketing communications. In the EU, social policies (m = 4.58, *SD* = 2.07) comes first, followed by accessibility of financial service (m = 3.89, *SD* = 1.98) and customer satisfaction and privacy (m = 3.48, *SD* = 2.75). In the United States, accessibility of financial services (m = 4.26, *SD* = 2.05) is the most important sub-theme, followed by social policies (m = 3.8, *SD* = 1.89) and customer satisfaction and privacy (m = 2.78, *SD* = 1.29).

The independent sample *t* test revealed that the sub-themes of this group are the exception to EU superiority. Where the United States was better on 7 sub-themes (i.e., accessibility of financial services, marketing communications, social staff competency, special social products, clients' social risk, anti-competitive behaviour, and financial literacy) and equal on 4, while the EU outperformed the United States in 5 sub-themes (i.e., social policies, customer satisfaction and privacy, public policy, active social ownership and corruption). Previous literature supports our findings as US companies are regarded more philanthropic (ethical) than companies in the EU (Brammer & Pavelin, 2005; Maignan & Ralston, 2002; Matten & Moon, 2008; Ortas et al., 2015; Sethi et al., 2017; Weaver, 2001). This is in line with institutional theory, as firms' practices (such as sustainability) are affected by institutional forces (such as economic, political and social values and norms) (DiMaggio & Powell, 1991; Spence, 2007). Also, our results are similar to Sethi et al. (2017) findings that bribery and corruption are reported at a higher quality by European financial institutions compared with American's; and to Maignan and Ralston (2002) findings that the most discussed sustainability issues by US firms were linked to the community (such as quality of life, education). Our results are consistent with the findings of Holder-Webb et al. (2009) that US firms report mostly on community relations and humanitarian initiative variables in their CSR disclosure (frequency of 24%).

Moreover, the public in Europe is more sceptical about the companies' true motive for engaging in and publishing social activities (see e.g., Maignan & Ralston, 2002). As a result, banks in Europe hesitate to publicize their social activities. In the United States, companies play an important role in setting the norms and standards and are expected to demonstrate that they meet these social expectations by advertising (through disclosure) their social commitment (Maignan & Ralston, 2002).

To recap, the findings of this research are in line with and could be explained by the institutional and neo-institutional theory. Institutional factors that differ between the United States and Europe could explain the differences in the sustainability practices between the two regions (DiMaggio & Powell, 1991; Matten & Moon, 2008). For example, the government has a more prominent role in European countries (Matten & Moon, 2008) and, according to Tschopp et al. (2011), governments could be considered as the most significant institutional driver of sustainability reporting (coercive isomorphism). It is not surprising to find out that European countries

are leading ahead of the United States in sustainability reporting in general. As in the EU, governments and the EU Commission offer support for companies to adopt sustainability practices (Hartman et al., 2007). While fear of litigation could be the reason for US companies' reluctance towards sustainability transparency, according to Hartman et al. (2007). According to Ntim and Soobaroyen (2013), this is consistent with neo-institutional theory that emphasizes the effect of legitimation on sustainability practices.

When it comes to the selection of sustainability information disseminated (sub-sustainability themes), institutional theory supports the differences in practices among regions as companies aim to direct attention to different desirable factors (Holder-Webb et al., 2009). This was evident in the results of this research as European firms tend to focus more on ethical responsibilities (Sethi et al., 2017), incorporating both financial and sustainability elements in justifying their sustainability practices (Hartman et al., 2007). Thus, they tend to focus more on the direct impact of their core activities (Maon et al., 2017). While US companies (common law regime) put more emphasis on shareholders (Sethi et al., 2017) and seem more concerned with long-term profitability (Hartman et al., 2007).

The difference could be explained by the differences in responsibility interests between the two regions as according to Matten and Moon (2020), companies in the United States are showing more interest in some stakeholders, particularly employees, consumers, and community members. This interest is supported by the US government as, for example, the government is creating incentives, via negative tax expenditures, for companies to provide social benefits (Matten & Moon, 2008). These results are supported by the 'normative isomorphism' force proposed by the neo-institutional theory that could affect sustainability practices and choices by companies. Campbell (2007, p. 948) stated that 'firms are embedded in a broad set of political and economic institutions that affect their behaviour'.

7.3 | Years comparison

Next, we compare the four main themes of sustainability between 2006 and 2012 to see if any improvements have happened across the years (reported in Table 2). A paired *t* test is employed as it is generally used to compare two samples with matching cases (for example, before and after an experiment). To be able to perform this test, a match between the banks in 2006 and 2012 was made which leaves only 62 matched cases (39 in the EU and 23 in the United States). The statistics showed some improvement in the direct environmental impact (2006: m = 0.78, *SD* = 0.45; 2012: m = 0.81, *SD* = 0.33) and direct social impact (2006: m = 2.39, *SD* = 1.11; 2012: m = 2.55, *SD* = 0.92). Thus, when performing the t-test, our results showed no significant differences between 2006 and 2012 for the four themes in the whole sample (Panel A), which means that the sustainability disclosure of these banks did not improve within the investigated period.

This test is repeated for only European banks (39 banks), to see if the results differ (Panel B). However, no significant difference was found in all the variables. Similarly, for US banks (Panel C) in the investigated period (23 banks), no significant difference was reported for all the variables. Hence, we argue that banks involved in sustainability activities continue at the same level without proper improvements in such engagement, hence the constant level of overall disclosure. This result may be because the sustainability practices have improved in some sub-themes but declined in others with negative results offsetting the positive ones. Moreover, the sample is relatively small (39 banks in the EU and 29 banks in the United States), which might give imprecise results.

Accordingly, our findings indicate that there are some differences in terms of the types of themes disclosed by EU and US banks. The results show that the differences are statistically significant in two out of the four sustainability groups, with EU banks in general carrying out more sustainability disclosure than US banks (direct environmental impact and indirect social impact), and both the EU and the United States engaged in almost the same amount of sustainability practices in terms of the indirect effects of their products and services on the environment and the direct impact of their operation on the society. The results also revealed that EU banks outperformed US banks in almost all the sub-themes. According to KPMG (2011), the EU has always been ahead of other countries and regions in reporting on sustainability; however, the United States is catching up. In accordance with the proposed 'coercive, mimetic and normative' pressures of the neo-institutional theory (DiMaggio & Powell, 1983, 1991).

7.4 | Banks sustainability stages

Finally, Table 3 provides the results related to the three categories of banks' sustainability stages (i.e., beginner, considerate and leader).

The results in Panel A categorize the whole sample (EU and US banks), considering the four main sustainability categories and the total sustainability score.

TABLE 2 The paired samples statistics and paired *t* test between 2006 and 2012

The paired samples statistics of the four sustainability dimensions in 2006 and 2012				
	2006		**2012**	
	Mean (*SD*)	***SEM***	**Mean (*SD*)**	***SEM***
Pair 1: Direct environmental impact	0.78 (0.45)	0.06	0.81 (0.33)	0.04
Pair 2: Direct social impact	2.39 (1.11)	0.14	2.55 (0.92)	0.12
Pair 3: Indirect environmental	1.56 (0.59)	0.07	1.55 (0.67)	0.09
Pair 4: Indirect social impact	1.44 (0.58)	0.07	1.38 (0.55)	0.07
The paired *t* test comparing the four sustainability dimensions between 2006 and 2012				
	Paired differences		**Paired *t* test**	
	Mean	***SD***	**t(*df*)**	**Sig. (two-tailed)**
Panel A: The whole sample				
Pair 1: Direct environmental impact	−0.04	0.51	−0.56 (61)	0.58
Pair 2: Direct social impact	−0.16	1.28	−0.98 (61)	0.33
Pair 3: Indirect environmental impact	0.01	0.82	0.10 (61)	0.92
Pair 4: Indirect social impact	0.07	0.76	0.68 (61)	0.50
Panel B: European banks				
Pair 1: Direct environmental impact	−0.05	0.54	−0.55 (38)	0.59
Pair 2: Direct social impact	−0.15	1.48	−0.64 (38)	0.53
Pair 3: Indirect environmental impact	−0.08	0.81	−0.64 (38)	0.53
Pair 4: Indirect social impact	0.01	0.73	0.04 (38)	0.97
Panel C: US banks				
Pair 1: Direct environmental impact	−0.02	0.45	−0.17 (22)	0.87
Pair 2: Direct social impact	−0.17	0.88	−0.94 (22)	0.36
Pair 3: Indirect environmental impact	0.17	0.83	0.98 (22)	0.34
Pair 4: Indirect social impact	0.17	0.82	0.99 (22)	0.33

Regarding the total sustainability score, the results show that 57% of the banks are in the 'considerate' stage towards sustainability. Similar patterns are revealed regarding the four main sustainability categories, as in all four categories, around 50% of the banks are in the 'considerate' stage compared with around 20% in the 'leader' stage and around 25% in the 'beginner' stage. These results show that around half the banks in our sample have an average amount of sustainability reporting and only a quarter of the banks in the sample go the extra mile and report more information regarding their sustainability activities. It is clear from the results that banks are trying to show that they care about sustainability. Previous studies concluded that the financial sector is still behind other sectors (Earhart et al., 2009; Jeucken & Bouma, 1999). However, as our study focused specifically on the banking sector, we could not compare the results to other sectors.

To compare the EU with the United States, Table 3 separates European banks (Panel B) from US banks (Panel C). The results show that, for the total sustainability score, 63% of US banks are at the 'considerate' stage compared with 47% of Europeans; while 23% of the European banks have reached the 'leader' stage compared with only 18% of the United States'. This indicates that US banks are clustered in the 'considerate' stage and to some extent are uniform in their level of disclosure, which could be as a result of the 'mimetic isomorphism' of institutional theory. While European banks are more diverse regarding their sustainability disclosure levels, 23% of them are in the leading position. To understand in which dimension the difference occurs in the level of the disclosure, we looked at the bank's stages of disclosure in the four sustainability dimensions. Comparing the direct dimensions of sustainability revealed that, in the direct environmental dimension, 47% of the EU banks are in the 'considerate' category and 25% are classified as 'leader', compared with 61% and 19% in the United States respectively. The same type of trend is revealed in the direct social category with the 'leader'

TABLE 3 Banks sustainability stages

	Direct env. %	Direct social %	Indirect env. %	Indirect social %	Sustainability (all)
Panel A: The whole sample					
Beginner	27.74%	29.19%	25.88%	27.74%	22.36%
Considerate	50.52%	51.76%	51.35%	50.31%	57.56%
Leader	21.74%	19.05%	22.77%	21.95%	20.08%
	100.00%	100.00%	100.00%	100.00%	100.00%
Panel B: European banks					
Beginner	28.14%	30.17%	31.86%	32.20%	29.83%
Considerate	46.78%	46.44%	44.41%	46.10%	46.78%
Leader	25.08%	23.39%	23.73%	21.69%	23.39%
	100.00%	100.00%	100.00%	100.00%	100.00%
Panel C: US banks					
Beginner	19.68%	24.47%	25.53%	26.06%	19.15%
Considerate	61.17%	56.91%	50.53%	50.53%	63.30%
Leader	19.15%	18.62%	23.94%	23.40%	17.55%
	100.00%	100.00%	100.00%	100.00%	100.00%

category having 24% of the European banks and 19% of the United States; while the 'considerate' stage had 47% of the European banks and 57% of the United States. In the indirect dimensions of sustainability, the indirect environmental dimension revealed that both regions have similar percentage of banks in the 'leader' stage (24%), while more US banks were in the 'considerate' stage (51% compared with 44% in EU). Finally, regarding the indirect social category, the same sort of trend can be found as slightly more US banks reached the 'leader' stage (23% compared with 22% in the EU) and US banks were more represented in the 'considerate' stage as well (51% in the United States and 46% in the EU). The previous results show that, on average, 50% of the banks in our sample are in the 'considerate' stage of sustainability compared with 20%, leading the way towards more sustainability disclosure. US banks seem to be doing (disclosing) more in the indirect dimensions of sustainability (particularly the indirect social), while European banks are leading the way in the direct disclosure dimensions. Those findings are consistent with the previous literature, as US companies are regarded more philanthropic (ethical) than companies in the EU (Brammer & Pavelin, 2005; Maignan & Ralston, 2002; Matten & Moon, 2008; Ortas et al., 2015) and that US firms are ahead of other countries in formalizing ethical (social) practices (Weaver, 2001). Maignan and Ralston (2002) found that European firms pay more attention to sustainability issues in general, while US firms are more concerned with issues not related directly to their activities (than issues related to their operations). This result can be explained by the neo-institutional approach, as corporations from different countries might follow different management procedures. Hence, the result might indicate possible cultural differences such as religious aspects and traditions between US and European banks. For example, Maignan and Ralston (2002) argue that European firms are not keen on high levels of moral standards.

Next, we compare the banks' sustainability stages between 2006 and 2012 for the 62 matching cases (Table 4). Panel A reveals that there is no improvement in the banks' journey towards sustainability, as under the total sustainability disclosure score there is a drop in the banks belonging to the 'considerate' stage from 63% in 2006 to 57% in 2012, with the 'leader' category remaining constant at 19%. Between 2006 and 2012, banks have moved towards the 'leader' stage in the direct environment (16% to 22%) and indirect social (19% to 25%), while moving away from this stage in the indirect environment (26% to 24%) and direct social (19% to 16%). To see whether those changes are coming from the EU or the United States, we compared the stages for the two regions separately and found that the European banks (Panel B) sustainability process is slightly improving in all categories (apart from the indirect environment). In the indirect environment dimension, it seems that some banks have moved back from the 'considerate' stage to the 'beginner' between 2006 and 2012.

US banks (Panel C), show a reduction in sustainability disclosure between 2006 and 2012 in general. Under the total sustainability score, fewer banks are in the 'leader' position in 2012 (13%) compared with 2006 (26%) and more banks have moved back to the 'beginner' stage (22% in 2006 to 30% in 2012). In the four sustainability

TABLE 4 Banks sustainability stages between 2006 and 2012

	Direct env.		Direct social		Indirect env.		Indirect social		Sustainability (all)	
	2006	2012	2006	2012	2006	2012	2006	2012	2006	2012
Panel A: The whole sample										
Beginner	31%	29%	29%	24%	24%	25%	26%	27%	18%	24%
Considerate	53%	49%	52%	60%	50%	51%	55%	48%	63%	57%
Leader	16%	22%	19%	16%	26%	24%	19%	25%	19%	19%
	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Panel B: European banks										
Beginner	29%	18%	29%	24%	29%	34%	32%	24%	24%	21%
Considerate	53%	61%	53%	58%	47%	42%	53%	53%	58%	58%
Leader	18%	21%	18%	18%	24%	24%	16%	24%	18%	21%
	100%	100%	100%	100%	100%	100%	101%	100%	100%	100%
Panel C: US banks										
Beginner	30%	22%	22%	26%	26%	39%	22%	35%	22%	30%
Considerate	48%	48%	57%	61%	52%	35%	48%	43%	52%	57%
Leader	22%	30%	22%	13%	22%	26%	30%	22%	26%	13%
	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

categories, this trend is present in the social dimension (direct and indirect), while the environmental dimension witnessed some improvement in disclosure. The Neo-institutional approach, might explain such differences between US and European banks and relate this to geographical diversifications and national differences that managers might behave in different ways regarding the sustainability categories depending on their cultural, social or legal aspects (Ortas et al., 2015).

To sum up, our overall findings provide evidence of different attitudes in relation to sustainability between US and EU banks. Mainly, US banks are found to disclose more indirect social dimensions of sustainability, while EU banks are keener on the direct disclosure dimensions. This shows the importance of the institutional setting for banks that would shape their sustainability disclosure practices. Our results contradict the findings in some of the previous literature (e.g., Scholtens, 2009). However, those studies have used a very small sample size and collected the data using a dichotomous content analysis approach (1 if disclosed and 0 otherwise) which detects the presence or absence of sustainability information. Thus, it does not allow the extent of information disclosure to be measured (Branco & Rodrigues, 2008).

7.5 | Further analysis

To have a further view into our main results, we updated our dataset and sample. Firstly, we have matched our four main sustainability themes with the seven main sustainability scores provided by Thomson Refinitiv ESG (Environment, Social and Governance) scores as the following: (i) Emissions Score and Resource Use Score: these reflect how effective firms are in managing their environmental issues related to emissions and resource (the average score reflects our first theme; the direct environment impact); (ii) Human Rights Score and Workforce Score: these scores measure how effective management is in dealing with aspects related to labour and human rights within the firm (the average score reflects our second theme; the direct social impact); (iii) Product Responsibility Score and Community Score: these scores reflect management effectiveness in dealing with customers and producing responsible eco-efficient products or services (the average score reflects our third theme; the indirect social impact); finally, (iv) we employ Environmental Innovation Score to reflect our final theme; the indirect environmental impact, which reflects how firms are environmentally innovative in producing better products or services.

To examine if our previous findings are valid within such a new context, we updated our sample to include 67 banks operated in Europe and matched these banks with 67 banks operated in the US and listed on the S&P 500 and the S&P 1000. Our sample period for this further analysis covers the period from 2013 to 2021. The European banks operate in Austria, Denmark, France, Germany, Italy, Norway, Sweden, Switzerland and the UK. We provide yearly sample statistics in Table 5. It is

TABLE 5 Sustainability statistics—updated sample (2013–2021)

		European Union			United States		
	Variable	**Mean (*SD*)**	**Min**	**Max**	**Mean (*SD*)**	**Min**	**Max**
2021							
	INDENV	52.30 (37.23)	0	96.59	61.95 (18.65)	25.41	90.82
	DIRSOC	61.86 (27.52)	1.41	96.82	30.51 (19.58)	4.60	90.36
	DIRENV	61.24 (28.57)	0	99.04	19.64 (27.54)	0	90.42
	INDSOC	45.81 (27.43)	0.53	97.41	25.99 (27.40)	0	92.45
2020							
	INDENV	49.22 (39.38)	0	97.17	60.32 (19.73)	20.73	95.23
	DIRSOC	56.64 (32.39)	0	97.20	26.91 (20.12)	1.616	89.07
	DIRENV	55.50 (32.77)	0	98.98	18.07 (27.08)	0	93.24
	INDSOC	42.06 (30.21)	0	97.42	19.71 (27.70)	0	92.52
2019							
	INDENV	44.81 (40.41)	0	97.55	56.87 (19.51)	20.73	95.79
	DIRSOC	50.48 (35.97)	0	96.68	24.97 (19.41)	3.98	86.85
	DIRENV	46.88 (34.73)	0	99.10	13.09 (24.72)	0	93.96
	INDSOC	39.27 (32.55)	0	97.88	14.86 (27.58)	0	92.45
2018							
	INDENV	36.99 (40.28)	0	98.70	55.74 (19.33)	21.47	92.60
	DIRSOC	45.00 (36.47)	0	98.43	23.94 (19.90)	1.70	94.24
	DIRENV	40.19 (36.26)	0	98.67	11.19 (23.75)	0	96.52
	INDSOC	35.83 (33.51)	0	97.76	13.47 (27.41)	0	92.06
2017							
	INDENV	32.78 (38.39)	0	87.62	47.80 (25.67)	0	93.90
	DIRSOC	38.80 (36.38)	0	98.04	18.60 (18.14)	0	91.56
	DIRENV	35.24 (35.99)	0	97.49	8.52 (21.45)	0	87.62
	INDSOC	30.76 (31.63)	0	97.63	11.64 (25.80)	0	94.18
2016							
	INDENV	30.46 (37.69)	0	89.01	34.04 (30.54)	0	96.51
	DIRSOC	35.35 (35.64)	0	98.39	13.81 (17.80)	0	84.59
	DIRENV	33.33 (36.32)	0	97.75	8.91 (21.23)	0	89.01
	INDSOC	28.99 (31.94)	0	96.86	10.52 (25.07)	0	95.55
2015							
	INDENV	28.59 (36.83)	0	89.20	21.78 (32.02)	0	95.47
	DIRSOC	31.27 (34.55)	0	93.55	8.91 (16.57)	0	82.41
	DIRENV	32.04 (37.88)	0	97.97	7.27 (19.49)	0	89.20
	INDSOC	24.90 (29.28)	0	95.78	9.70 (24.99)	0	97.14
2014							
	INDENV	28.01 (36.89)	0	89.20	17.70 (30.57)	0	79.38
	DIRSOC	30.06 (34.95)	0	91.62	7.16 (15.88)	0	75.73
	DIRENV	32.65 (38.79)	0	97.58	7.15 (19.87)	0	87.21
	INDSOC	22.86 (29.10)	0	95.69	9.89 (24.84)	0	95.28

(Continues)

TABLE 5 (Continued)

		European Union			United States		
	Variable	Mean (*SD*)	Min	Max	Mean (*SD*)	Min	Max
2013							
	INDENV	28.16 (36.37)	0	87.21	28.11 (33.49)	0	88.61
	DIRSOC	29.09 (34.65)	0	94.20	11.73 (17.77)	0	77.74
	DIRENV	32.57 (39.08)	0	96.50	8.17 (20.27)	0	85.93
	INDSOC	22.91 (29.36)	0	94.99	12.37 (25.14)	0	94.16

TABLE 6 Independent sample test (*t* test)—updated sample (2013–2021)

		European Union			United States			*t* test for equality of means	
Variable	Obs	Mean (*SD*)	Min	Max	Mean (*SD*)	Min	Max	*t* test (*df*)	*p*
INDENV	603	36.75 (38.99)	0	98.7	42.71 (30.73)	0	96.51	−2.95 (602)	0.00*
DIRSOC	603	41.99 (36.01)	0	98.43	18.5 (19.94)	0	94.24	14.03 (602)	0.00*
DIRENV	603	41 (36.99)	0	99.13	11.36 (23.26)	0	96.52	16.7 (602)	0.00*
INDSOC	603	32.54 (31.45)	0	97.88	14.26 (26.54)	0	97.14	10.94 (602)	0.00*

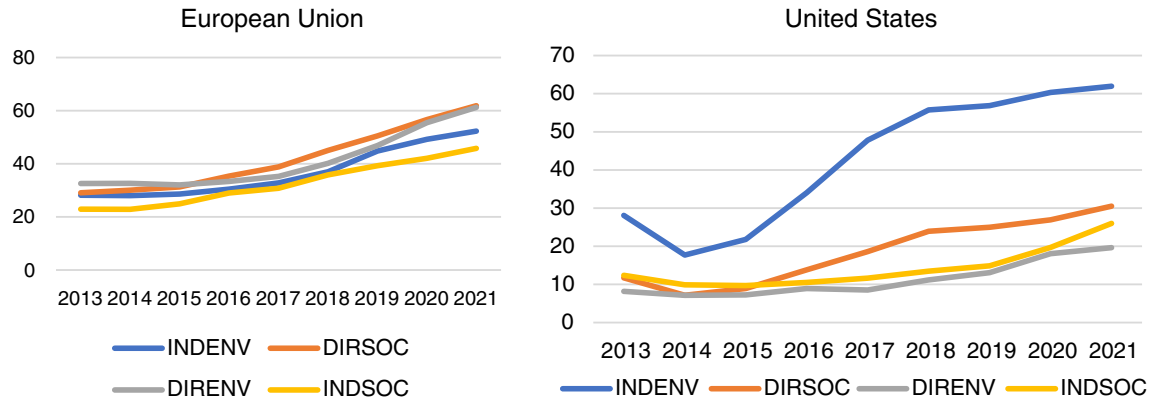

FIGURE 2 European Union–United States comparison—updated sample (2013–2021) [Colour figure can be viewed at wileyonlinelibrary.com]

noticeable that banks in our sample (both operating in Europe and the United States) have relatively low averages for environmental and social scores, with the highest averages, around 60, for direct environmental scores and direct social scores in 2021 and 2020. This might indicate that banks in our sample are engaged less effectively with both social and environmental activities, but we report high scores around 90 (at maximum), which indicates some banks in our sample have high environmental and social scores. There is also evidence that until 2015 European banks were more engaged in all four sustainability themes if compared with their US counterparts. After 2015, there is one noticeable exception to this finding related to the indirect environmental score, where the US banks clearly outperformed the European banks between 2016 and 2021.

To assess the difference in sustainability means between the two groups (EU and US), the independent sample *t* test was used. Our results provided in Table 6 confirm our findings in the cross-year analysis. There is clear evidence that there is a difference between European banks and US's. The *t* tests employed to compare the European and US banks confirm that European banks outperform the US banks as the *t* test shows a significantly higher mean of the EU banks in direct social score, direct environmental score, and indirect social score. US banks outperform the European banks in the indirect environmental scores. Figure 2 also confirms our findings and shows that there is

TABLE 7 The paired samples statistics and paired *t* test between 2013 and 2021

The paired samples statistics of the four sustainability dimensions in 2013 and 2021				
	2013		2021	
	Mean (*SD*)	*SEM*	Mean (*SD*)	*SEM*
Pair 1: Direct environmental impact	19.97 (33.3)	2.88	40.84 (34.69)	3.00
Pair 2: Direct social impact	18.51 (29.15)	2.52	46.30 (28.49)	2.46
Pair 3: Indirect environmental	23.02 (34)	2.94	57.52 (29.79)	2.57
Pair 4: Indirect social impact	16.66 (27.81)	2.40	36.66 (28.59)	2.47

The paired *t* test comparing the four sustainability dimensions between 2013 and 2021				
	Paired differences		Paired *t* test	
	Mean	*SD*	t(*df*)	Sig. (two-tailed)
Panel A: the whole sample				
Pair 1: Direct environmental impact	−20.86	27.71	−8.72 (133)	0.00
Pair 2: Direct social impact	−27.78	21.85	−14.72 (133)	0.00
Pair 3: Indirect environmental impact	−34.50	31.97	−12.49 (133)	0.00
Pair 4: Indirect social impact	−20.20	20.21	−11.75 (133)	0.00
Panel B: European banks				
Pair 1: Direct environmental impact	−28.67	31.60	−7.43 (66)	0.00
Pair 2: Direct social impact	−32.77	26.90	−9.97 (66)	0.00
Pair 3: Indirect environmental impact	−24.13	33.73	−5.86 (66)	0.00
Pair 4: Indirect social impact	−22.89	23.45	7.99 (66)	0.00
Panel C: US banks				
Pair 1: Direct environmental impact	−13.05	20.5935	−5.19 (66)	0.00
Pair 2: Direct social impact	−22.80	13.71	−13.61 (66)	0.00
Pair 3: Indirect environmental impact	−44.86	26.5299	−13.84 (66)	0.00
Pair 4: Indirect social impact	−17.50	16.083	8.91 (66)	0.00

a clear years' fluctuation in the scores as well as the trend of these scores between European and US banks.

Next, we employed a Paired *t* test to compare the four main themes of sustainability between 2013 and 2021 to see if any improvements have happened across the years (reported in Table 7). The statistics showed improvement in all four dimensions. These differences were significant according to the *t* test which means that sustainability scores did improve for these banks between 2013 and 2021.

The paired *t* test was repeated for only European banks (Panel B) and US banks (Panel C), to see if the results differed. The results were significant to all four dimensions in both regions, which might indicate that banks in both areas improved their sustainability scores between 2013 and 2021. Those results were not surprising as the ESG scores in 2013 were zero for a large number of banks in the sample (which indicated that they did not have any scores or activities), then in 2021 most banks have scores.

Overall, the further analysis findings provide additional evidence of different attitudes in relation to sustainability between US and European banks. Mainly, European banks are keener on the direct disclosure dimensions and the indirect social scores, while US banks are found to be more engaged in indirect environmental dimensions of sustainability. This is, to some extent, in line with our previous findings that have shown a different attitude between European and US banks.

8 | CONCLUSIONS

There is a paucity of research regarding sustainability practices in a comparative cross-national context (Campbell, 2007; Jackson & Apostolakou, 2010; Maon

et al., 2017; Williams & Aguilera, 2008). For example, Williams and Aguilera (2008, p. 452) stated that 'comparative studies of CSR are relatively rare'. Those studies are even scarcer in a single industry, particularly financial services companies (e.g., Sethi et al., 2017). Sustainability reporting practices in the banking sector have received little attention and have only been addressed in recent years. Most previous studies focussed on only one dimension of sustainability (social or environmental), and used deficient methods to evaluate social and/or environmental performance. Moreover, according to Branco and Rodrigues (2008), little attention has been paid to the sustainability practices of companies belonging to industries with little direct environmental impact, such as banking. Consequently, this study examines the current sustainability practices in European and US banks. This research contributes to the existing literature in the area of sustainability practices and disclosure by focusing the analysis on a single industry (banking) in a comparative cross-national context.

This study identifies the current sustainability reporting practices in EU and US banks by investigating to what extent, and in which dimensions, banks report on their sustainability practices. In order to obtain information concerning the sustainability practices of banks in the sample, an index was developed for measuring sustainability. The developed sustainability index consists mainly of four categories: 'direct environmental impact', 'direct social impact' (the internal effects), 'indirect environmental impact', and 'indirect social impact' (the external effects), together with many sub-categories. This index helped in capturing the content (the areas and sub-areas of disclosure) and extent (the amount of disclosure in the different areas and sub-areas) of sustainability practices in different categories. In addition, a comparison of the sustainability practices of EU and US banks was made to see if there were any differences.

Our results provide evidence that the differences are statistically significant in two out of the four sustainability groups (direct environmental impact and indirect social impact), with EU banks having more sustainability practices if compared with US banks, and both the EU and the United States are engaged in almost the same amount of sustainability practices in terms of the indirect effects of their products and services on the environment and in the direct effect of their operations on the society. The results also show that EU banks have more sustainability practices if compared with US banks in almost all the sub-themes. Finally, it was demonstrated from the results that a large percentage (50%–60%) of the banks studied were in the 'considerate' stage of sustainability with a small percentage (20%) of them trying to lead the way into more sustainability disclosure practices.

For our further analysis, we employed data from Thomson Refinitiv ESG scores and matched these to our main sustainability dimensions. We also updated our sampled banks by examining 67 European banks and matching them with 67 US banks. We also updated our sample period to include 2013–2021 and reported that, in general, European banks overperformed US banks in three sustainability themes and US banks outperformed their European counterparts in the indirect environmental impact. In addition, sustainability scores displayed significant improvement between 2013 and 2021 for both regions in our study. These findings confirm that there is a different suitability attitude between European banks and US banks.

Our research provides a broad picture of how sustainability practices differ between the EU and the United States and adds to the understanding of those differences between the two regions. Therefore, we conclude that different institutional structures in the United States and EU are important factors in explaining differences in sustainability disclosure practices. Also, despite the differences, there is a chance that banks in the two regions could learn from each other's experiences and this 'mimetic isomorphism' behaviour could lead to better sustainability disclosure practice. Hence, our findings provide important practical implications for practitioners, policy makers and regulators in the EU and US. Policymakers are encouraged to find suitable ways to motivate banks to adopt a more 'leader' approach to sustainability disclosure in both regions (EU and United States). A more proactive sustainability disclosure by banks could also be encouraged by government initiatives (such as tax relief). Finally, policymakers in both regions need to continue providing the right environment for banks to lead on sustainability activities by encouraging banks to engage in more suitable activities and they should be able to identify sustainability areas that need improvement to set up suitable guidance and policies to foster sustainability development.

For practitioners, EU banks are encouraged to follow the lead of the United States banks since they are disclosing more indirect social dimensions of sustainability (more ethical), while US banks are encouraged to follow their European counterparts, who lead in the direct disclosure dimensions. Bank managers, also, need to be aware of the social and environmental issues commonly reported in their region as well as by other international banks. They should be aware of the importance of communicating their sustainability practices. There is an increasing pressure on companies to communicate more sustainability information and banks will have to embrace this trend and start to move from the 'beginner' stage of communication to a more 'leader' position. In

addition, this study holds some implications for scholars, as explaining the differences between the two regions using the institutional theory lens opens the debate on sustainability disclosure practices and the trends in sustainability disclosure in the various dimensions and subdimensions. Finally, our study has an important theoretical implication as it supports the importance of institutional theory and mainly the importance of the neo-institutional framework in a sustainability context. We report the significance of cultural differences between the United States and EU banks and attribute this to different ethical and cultural aspects within the neo-institutional framework.

Similar to other sustainability studies, this paper has few limitations. Firstly, we investigated publicly listed commercial banks, bank holdings and holding companies which produce sustainability reports, and hence our study did not include other types of banks such as investment banks, cooperative banks and Islamic banks. Further research should seek to examine the sustainability practices of those banks. In addition, a comparison between the sustainability practices of different bank types is desirable. Moreover, this study does not examine the actual sustainability practices (activities) of the banks, but rather the banks' communications about sustainability. This may be viewed as a limitation as, according to Russo-Spena et al. (2018), companies report their intention more than their actual performance. Therefore, further studies are needed to extend the analysis and check on the banks' intentions and current sustainability performance from other sources (such as interviews). Furthermore, the 15 EU member states are not a unified unit from an institutional or sustainability perspective. Different social, cultural, political, regulatory and economic backgrounds exist among the member states, which may lead to unique sustainability-related policies and practices. Hence, future studies could examine the institutional settings of each European country to enhance our understanding of the differences. Additionally, this study used data collected between 2006 and 2012, which leaves opportunities for future studies to repeat the study using more up-to-date data. Finally, the developed sustainability index measures only the content and extent of sustainability disclosure made by the banks. Thus, there is a need to measure the adverse social and environmental effects of the banks, as well as to explore the true motive of undertaking and communicating sustainability activities.

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DATA AVAILABILITY STATEMENT

The data that support the findings of this study are available from Bankscope database. Bankscope database is replaced by fitchconnect (available at subscription). Financial reports for the selected banks are publicly available from banks' websites. Further analysis data can be obtained from Thomson Refinitiv ESG database.

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ENDNOTES

[1] Outside the banking sector the majority of previous empirical sustainability studies have also examined only one-dimension—mostly the environmental dimension (e.g., Chen & Metcalf, 1980)—or used a third-party evaluation or reputation index (e.g., McWilliams & Siegel, 2001; Preston & O'Bannon, 1997).

[2] Especially after the last corporate failures and accounting scandals of Ansett, Enron, WorldCom, British Petroleum and Parmalat, HIH, One-Tel, Worldcom.

[3] The two most common indices used in this area are the Fortune Corporate Reputation Index and the Kinder, Lydenberg and Domini (KLD) index.

[4] See Appendix A for more details.

[5] The first stage where banks ignore all sustainability issues, does not apply to our sample (as one of the criteria for including the bank in the sample is to have a sustainability report) and hence, was excluded.

[6] The relatively small sample size could be a result of the post-financial crisis concentration in the financial market.

[7] Five additional banks that match all criteria were added from the list of banks regulated by the Federal Reserve Banks in the United States.

[8] This was done after checking for normality.

[9] See Appendix A for details.

[10] When the differences are significant and the US sample has a higher mean, they are highlighted in the table.

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APPENDIX A

A.1 | SUSTAINABILITY INDEX

This index was developed to capturing the content (i.e., the areas and sub-areas of disclosure) and the extent (i.e., the amount of disclosure in the different areas and sub-areas) of sustainability practices in four main categories and many sub-categories.

Main categories		Sub-categories	
I	**Direct (internal) environmental impact** This measure the internal or the direct environmental effect caused by the business operations in the main buildings and branches.	8 items	Material, energy, water, biodiversity, emissions, waste, transport and compliance with operating environmental laws and regulation.
II	**Direct (internal) social impact** This measure the internal or the direct Social effect caused by business operations in the main buildings and branches.	12 items	**Labour practices** (including: employee information, employee benefits, labour/management relations, labour health and safety, labour training and education and labour diversity and equal opportunity); **Human rights practices** (including: child and compulsory labour, employee training and security practices on human rights, human rights policies and human rights assessment and remediation); **The impacts of operations on communities** and **compliance with operating social laws and regulations**.
III	**Indirect (external) environmental impact** This measure the external or the indirect environmental effect caused by banks' products and services and the way in which the bank delivers those products and services.	8 items	The first six grouped under **Environment risk management related to financial products:** Products and service labelling environment information; clients environment risk; environmental risks in business lines; environmental staff competency; active environmental ownership and products and service compliance with environmental laws and regulations. The last two grouped under **Specific environmental products:** products and services environment polices and special products and services.
IV	**Indirect (external) social impact** This measure the external or the indirect social effect caused by banks' products and services and the way in which the bank delivers those products and services.	16 items	**Community** (including: accessibility of financial service, financial literacy, corruption, anti-competitive behaviour, marketing communications and public policy); **Products and services** (including: social policies, social risks of business line, labelling social information and special social products); **Clients** (including: clients social risk, customer satisfaction and privacy and human rights investment agreements); **Social staff competency; Active social ownership and products and service compliance with social laws and regulations.**