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More Than Words? An Analysis of Sustainability Reports

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Abstract

In the past decade, attention to environmental (and most recently, sustainability) reporting has increased, as has the number of companies that publish such reports. This growth has raised questions about the persistence and significance of this largely voluntary corporate activity, especially when placed against the background of a previous, short-lived wave of social reporting and accounting in the 1970s, and discussions about the reliability of disclosure and auditing. This paper addresses the question of what can be ascertained from sustainability reports about actual implementation of sustainability in reporting companies. It introduces the concept of ‘implementation likelihood’, developing an analytical framework to shed more light on the probability that rhetoric is matched by action. Results are presented of an exploratory characterisation of the sustainability reports published by the Global Fortune 250. The implementation likelihood was seen to have advanced more for environmental than for social issues. Whereas companies provide more details on the more traditional social topics (community and employee matters), the external, often international issues, are not comprehensively covered within the reports, except by a few companies. The paper concludes with a discussion of the implications for the institutionalisation of sustainability reporting and auditing, and corporate accountability towards stakeholders.

More Than Words? An Analysis of Sustainability Reports

1. Introduction

Since the publication of the first separate environmental report in the late 1980s, the number of companies that publish information on their environmental, social or sustainability policies and/or impacts has increased substantially. Figures from studies of reporting practices across the decade show that while 13% of the largest 100 companies in 11 countries published an environmental report in 1993, this percentage has risen to 28% in 2002. And,
for the first time in 2002 a substantial number of sustainability reports were included (KPMG, 2002). For the largest, most visible companies, those that belong to the Fortune Global 250, the percentage is even higher, at 45%. There are clear differences between countries and sectors, with much reporting activity in North Western Europe and Japan, and in the industrial, more polluting, industries. In the Fortune Global 250, 24% of the companies in the financial sector published a report in 2002, whereas this was 52% for the other sectors (Kolk, 2003).

However, this growth and spread of sustainability reporting has also given rise to questions with regard to the persistence and significance of this phenomenon. Such questions are all the more understandable when placed against the background of a previous wave of social reporting and accounting in the 1970s which lost momentum in the subsequent decade (see e.g. Dierkes and Antal, 1986; US Department of Commerce, 1979). It turned out that social reporting was not institutionalised, with interest fading both internally, within organisations, and externally, in the realm of wider societal attention and at the level of governments.

A comparison of the current situation with that in the 1970s results in similarities and differences. The absence of much legislation for sustainability reporting is clearly a parallel. Although there are some instances of legally required forms of environmental and/or social reporting, especially in a few European countries, reporting is predominantly voluntary, as it was in the 1970s.2 This means that it is mostly up to individual companies to decide whether to disclose such information or not, and if so, to what extent and in what format. In the 1970s, the social reporting movement was largely initiated by academics, quickly followed by a few accounting professionals, whereas in the 1990s non-governmental organisations (NGOs) started to press for corporate accountability.

The largely voluntary nature of sustainability reporting has been accompanied by a lack of generally agreed international standards, and thus different approaches. In the 1970s, several social accounting models and standards emerged (e.g. Epstein et al., 1976; Dierkes and Antal, 1986). In the 1990s, a much larger number of organisations and government agencies came together to draw up guidelines, formats and standard. This has lead to attempts to arrive at global reporting guidelines (GRI, 2002). However, a wide variety of reports can still be found, with substantial differences in approach, scope, depth and quality, even on the part of those companies that allege to follow the guidelines of the Global Reporting Initiative (GRI) in their reports (KPMG, 2002; Kolk, 2004).

An assessment of the institutionalisation of sustainability reporting (and thus the likely persistence and its significance with regard to furthering accountability) continues to be difficult. It must also be noted that legislation as such does not solve this problem. As a study on the Spanish environmental disclosure standard (Larrinaga et al., 2001) showed, this administrative reform was not accompanied by institutional reform. The possibility of integrating environmental and social reporting into the financial reporting cycle (as a true form of institutionalisation) has been met with scepticism. Owen et al. (2000, p. 91) state that such integrative attempts have, over the past 30 years,
resulted in the ‘inevitable displacement and capture’ of social and environmental accounting, ‘whilst doing little to promote non-financial stakeholder empowerment’. Moreover, there is a general debate about the reliability of disclosure (and auditing), following recent scandals at, for example, Enron and Ahold. These scandals have thrown doubts on a company’s past corporate environmental, social and ethical accountability efforts as well as raised questions about whether such reporting really reflects business practice.

In the context of this spectrum of developments and views, this article focuses on the situation with regard to sustainability reporting. It addresses the question: What can be ascertained from a sustainability report about the actual implementation in the reporting company. It thus has a different focus than either the directly stakeholder-oriented approach or the more assurance-oriented view, both of which have a broader perspective on responsiveness.

The paper introduces the concept of ‘implementation likelihood’, developed out of the notion of ‘compliance likelihood’ to explore what can be concluded from sustainability reports about the chance that words reflect the deeds; that companies practice what they preach. The accompanying analytical scheme is used to examine and characterise sustainability reports as published by the Fortune Global 250. It includes those reports in which companies reported on social issues from a broad perspective (i.e. more than employee matters only), generally combined with reporting on environmental and/or financial topics.

The paper first briefly examines developments with regard to standardisation of sustainability reporting, and clarifies the ‘implementation likelihood’ concept. This is followed by a characterisation of the sustainability reports analysed for the purpose of this paper. The final section draws conclusions concerning the implementation likelihood, and reflects upon the implications.

2. Exploring the Implementation Likelihood of Reports

It is important first to examine recent developments in sustainability reporting to set the context for the analysis. In the past few years, different attempts have been made to increase the implementation likelihood of reports, although implicitly or unconsciously, by building and spreading knowledge about performance measurement, and by standardisation of reporting and accounting, and external verification, auditing and assurance.

A major impetus has been the work of the Global Reporting Initiative, set up to improve the ‘quality, rigour, and utility of sustainability reporting’ (GRI, 2002, p. 1). Building on and using the efforts of accounting, standardisation and business organisations (see e.g. Collison and Slomp, 2000; Verfaillie and Bidwell, 2000), and input from NGOs, the GRI has produced a set of performance indicators – environmental, social, economic, and integrated. In so doing it has spread knowledge about what data should ideally be covered in sustainability reports including, for example, the desirability of presenting normalised data. The guidelines have also increased the availability of measures. It must be noted, however, that
not all so-called ‘performance’ indicators in the GRI-guidelines do really reflect ‘performance’; almost one third merely ask for the existence of a policy and/or procedures, programmes, systems or mechanisms on the topic concerned. It also remains to be seen to what extent the indicators will be used, in view of their relatively large number, and the complexity and effort required to report on them. Nonetheless, it can be argued that with increased inclusion of actual performance indicators, the implementation likelihood of a sustainability report increases.

This also applies to other types of standardisation and measurement of data proposed by other organisations, such as Business in the Community’s Corporate Impact Reporting, AccountAbility (AA1000) and FTSE (FTSE4Good Index), and to those developed by national governments. An interesting example in the latter category concerns the publication of Japanese guidelines on environmental reporting, performance and accounting by the Ministry of the Environment and the Ministry of Economy, Trade and Industry. These guidelines have increased reporting and accounting knowledge on the part of Japanese companies. The impact of the Japanese government guidelines has been substantial, since almost all companies report on environmental costs, benefits and performance (Kolk, 2003). In this way, the guidelines have stimulated the conformity and comparability of reporting on aspects very likely to have been implemented in these companies.

A final development that must be mentioned is the external verification of sustainability reports. According to the latest data available, one third of all reports is checked by a third party: 65% of verifications are carried out by the major accountancy firms (the ‘big four’, formerly the ‘big five’), approximately 20% by technical firms, 10% by certification bodies, and less than 10% by others (including NGOs) (KPMG, 2002, p. 21). As such, verification certainly gives some kind of assurance about the reliability of the report. However, this must also be qualified since generally accepted standards for sustainability reporting and verification are still lacking. However, different organisations (including GRI) have been working on guidelines and principles, with companies and auditors using assurance standards such as AA1000 (AccountAbility, 2003).

These developments might also help to change the situation noted in a 1999 study (KPMG, 1999). That analysis of verification statements included in environmental reports showed that the audit assignments varied widely in content and scope, ranging from assurance on data consolidation, data generation at the local level, completeness of the issues covered, internal compliance with policies, consistency with data in the financial report, to the adequacy of companies’ information or environmental management system. 40% of the audit statements also contained statements that were not fully based on the work performed.

The very fact that a report has been audited does not imply that its data and all its contents have been checked thoroughly and are fully reliable. Readers still have to scrutinise the audit statement to know about the scope of the assignment and its reliability for (parts of) the report. In an audit process that lacks transparency, and where professional and managerial capture can take place, attention also needs to be
paid to the potentially problematic relationship between the auditor and the company (Ball et al., 2000; Gray et al., 1988; Owen et al., 2000; Power, 1991).

This context suggests that recent knowledge and evidence originating from standardisation of reporting, accounting and performance measurement, and external verification contributes to the ability to assess the likelihood that sustainability reports are implemented, but only with the reservations outlined. There is thus no easy, unequivocal way to distinguish ‘window dressing’ from ‘realistic’ reporting that reflects actual performance, with all the shades in between. And an assessment will therefore always be multi-layered, and needs to move beyond ‘scoring’ systems developed in the course of the 1990s. These have tended to stimulate companies to include even more topics, but without necessarily increasing the meaning of the information or their performance (cf. Morhardt, 2001).

Reporting guidelines such as those of the GRI are also not yet fully appropriate for this purpose, since they also prescribe sections on vision and policies.

Building on the knowledge derived from these initiatives, a framework has been constructed to analyse sustainability reports for the likelihood of implementation. This framework has been developed out of the concept of compliance likelihood, introduced in the international business literature, to examine ethical codes of conduct (Van Tulder and Kolk, 2001). Four components relevant to an exploration of the implementation likelihood of a sustainability report are identified in Table 1. The first determines the focus and scope of the report. The nature of the report – environmental, social, economic, or different combinations – cannot always be properly deduced from its title; titles turn out to be deceptive at times. In addition, the scope of the report needs to be determined, and from this, the specificity that might at best be expected. A final aspect in this part concerns the (binding) standards, codes and guidelines to which the company states to adhere.
<table>
<thead>
<tr>
<th>Short elaboration</th>
<th>Classification</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Nature</strong></td>
<td>1) only social; only environmental; environmental &amp; social; environmental &amp; social &amp; economic; 2) also ratio environmental-social (in No. of pages)</td>
</tr>
<tr>
<td><strong>Reporting scope</strong></td>
<td>global; regional; few countries; one country; general with a few selected case studies</td>
</tr>
<tr>
<td><strong>Standards, codes, guidelines, conventions</strong></td>
<td>Reference to conventions of international governmental organisations; other international general non-binding codes; international management/reporting/performance standards; internal codes of conduct</td>
</tr>
<tr>
<td><strong>Environmental system</strong></td>
<td>(detailed) evidence of environmental management system</td>
</tr>
<tr>
<td><strong>Social system</strong></td>
<td>(detailed) evidence of social management system</td>
</tr>
<tr>
<td><strong>Integrated system</strong></td>
<td>Evidence of integrated (reporting) system (environmental, social and economic)</td>
</tr>
<tr>
<td><strong>Environmental performance</strong></td>
<td>Evidence of calculation of environmental performance indicators</td>
</tr>
<tr>
<td><strong>Social performance</strong></td>
<td>Evidence of calculation of social performance indicators</td>
</tr>
<tr>
<td><strong>Internal control</strong></td>
<td>Evidence of use of specific social/ environmental output/behavioral control indicators for internal use (staff)</td>
</tr>
<tr>
<td><strong>Supplier requirements</strong></td>
<td>Reference to social/environmental requirements to suppliers/contractors</td>
</tr>
<tr>
<td><strong>Sanctions to suppliers</strong></td>
<td>Type of measures in case of non-compliance (milder measures such as fines, or demands for corrective action; or stricter ones such as cancellation of contract)</td>
</tr>
<tr>
<td><strong>Social</strong></td>
<td>1) workplace diversity (equality of opportunity and treatment 2) health and safety for the workforce (incidents) 3) human resource management (turnover rate/length of service) 4) freedom of association/right to collective bargaining (#) 5) settlement of workplace disputes/grievances (#) 6) corruption/bribery (#) 7) child labour/forced labour (split between sectors) 8) human rights 9) community involvement (philanthropy/sponsoring) 10) community implications (complaints/health impacts) 11) third world sponsoring/philanthropy 12) fair and free trade practices* 13) legal compliance/socio-political setting*</td>
</tr>
<tr>
<td><strong>Environmental performance indicators</strong></td>
<td>Type of environmental performance indicators included in the report (current absolute figures; and/or trends; and/or compared to targets; or eco-efficiency figures; and/or trends; and/or compared to targets; externally verified figures or not)</td>
</tr>
<tr>
<td><strong>System</strong></td>
<td>Reference to monitoring of environmental and/or social system(s)</td>
</tr>
<tr>
<td><strong>Monitoring party of system</strong></td>
<td>Companies themselves (1st party); business associations (2nd party); external professionals paid by companies (3rd party); combinations of different actors (4th party); NGOs (5th party); legal authorities (6th party)</td>
</tr>
<tr>
<td><strong>Report</strong></td>
<td>Comprehensive/partial verification of the report</td>
</tr>
<tr>
<td><strong>Verifier of report</strong></td>
<td>external professionals paid by firms (3rd party); combinations of different actors (4th party); NGOs (5th party)</td>
</tr>
</tbody>
</table>
The second part of the framework examines the organisational arrangements, as far as they can be found in the report. It involves the existence of a management system (environmental, social, both) and whether there are specific indications about integration into ‘mainstream’ business processes. Evidence about the calculation of non-financial performance indicators (and its methodology) as included in the report is also considered, as well as supplier requirements and information about sanctions in case of non-compliance.

With regard to the performance indicators, the scheme does not aim to assess whether companies include all measures possible, but rather whether, when indicators are mentioned in the report, they are as detailed and quantitative, and preferably normalised, as possible. In other words, do the performance indicators as selected by the company itself provide as much relevant and reliable information as possible, based on the present state of the art? In view of the relative novelty of social performance indicators, a distinction as to the depth of the analysis is made here between environmental performance (where only the type of indicators has been assessed), and social performance, where a more detailed examination of the different topics and the nature of the indicator has taken place.

The final element of the framework concerns monitoring and verification. This includes the extent to which (part of) the management system is monitored and by whom (companies themselves or external parties paid by them, or legal authorities), and the existence and nature of external verification of the report (full, partially or not), and the type of verifiers. Overall, the more specific and comprehensive all this information in the report is, the higher the likelihood seems to be that it has been indeed been implemented in the company. The next section presents the results of the exploratory analysis of the sustainability reports, in the process also giving more information about the scheme’s components.

3. A Characterisation of Sustainability Reports

The framework in Table 1 has been used to analyse 33 sustainability reports of the Fortune Global 250. All companies in the first half of Fortune’s Global 500 list, as published on 23 July 2001, were approached, several times if that was necessary, and requested to send their corporate environmental, social, sustainability or sustainability report, or a copy of the annual (financial) report if it contained this kind of information. These reports were subsequently scrutinised to assess their nature. Reports that only dealt with community (philanthropy) or with internal, workforce-related topics were not included. Therefore, community reports and (internal) social reports were excluded. Social reports were only included if these dealt with external, societal issues as well. Moreover, for the purpose of this paper, the 79 ‘pure’ environmental reports were left out.

Of the remaining 33 sustainability reports, 58% dealt with the ‘triple bottom line’, covering environmental, social and economic aspects, usually in one report. One company, Statoil, integrated sections on social and environmental issues, including a verification of environmental data, in its annual report. The other reports focused on environmental and social topics (39%), and social and economic aspects (3%). Half of the companies were of
European origin (52%, especially German, UK and Dutch companies) while 39% were American and 9% Japanese. A relatively large number of companies were from the petroleum industry and chemical/pharmaceuticals.

Since the numbers are small, only an exploratory analysis can be made, with the objective to describe and examine the state of sustainability reporting of large, visible companies which presented themselves as active in this field. The outcome of the analysis is in 3 parts – focus, organisation and performance. Monitoring aspects are included in the subsections on organisation (system monitoring) and performance (report verification) respectively.

3.1 Focus

The analysis of the contents shows that in almost half of the reports, there is a balance between the environmental and social components in terms of the number of pages spent on these topics. In only 13% of the reports is the attention to social topics considerably larger than for environmental issues. In the remaining 40% the environmental dimension of sustainability predominates. With regard to the scope of the reports, 70% explicitly deals with the global activities of the company, 21% have a very general character, revealing the ‘multinational’ nature of the company only through selected case studies; 9% report on only one country (the home country).

An indication of the nature of corporate commitments can be gained from references to international standards, conventions and guidelines. A distinction can be made with regard to the content of the standards (general or referring to management or reporting) and the extent to which such standards are binding. Table 2 gives an overview of the standards that companies claim to adhere to in their report (some companies mention a range of them, three refer to none at all). It is notable that one third of the companies state conformance with UN conventions, of which the majority also refers to those from the ILO (either work-place related or specifically on child labour). A considerably smaller percentage (12%) mentions the OECD guidelines on multinational enterprises. These can be seen as the most binding agreements, although there is usually no indication how companies implement and monitor this stated compliance. In addition to the 33%, another 6% (which involves other companies) mention that they have endorsed the CERES principles, a ten-point environmental code of conduct drawn up by a coalition of US environmental, investor and advocacy groups.
Moving to the less binding standards, 30% mention the UN Global Compact, so far a relatively broad statement without monitoring and compliance procedures. A similar characterisation can be given of the environmentally oriented Business Charter for Sustainable Development, developed by the International Chamber of Commerce. A reference to voluntary sector codes (particularly in the chemical and petroleum industries, and banks) is made by one third of the companies. More specific, but as such not more binding, is the reference to the environmental management system ISO 14001. In relation to reporting guidelines, approximately one third of the companies mention that they follow the GRI (the 2000 version). However, it must be noted that an examination of the reports leads to the conclusion that many of them seem to have adopted the spirit of the guidelines rather than the actual contents (especially the performance indicators). Finally, 64% of the sustainability reports contain either a reference to the corporate code of conduct or lists these ethical principles in summary or integral form. This includes companies such as Enron and Vivendi. This already gives some indication of the need to move beyond vague or self-proclaimed conformance to find better indications of implementation and compliance, particularly the management system and performance indicators, as included in Table 1.

### 3.2 Organisation

With regard to the management of environmental issues, many companies give rather elaborate information. The majority give detailed insight into their environmental management systems and the calculation of environmental performance indicators (EPIs) (including methodology). This is not a one-to-one relationship: a few companies give only basic or no information about their system, but much detail about the assessment of their EPIs. However, the other way round is rather exceptional. All in all, 67% give detailed insight into the company’s environmental management system (18% no information at all), 76% about the calculation of EPIs (15% none), and 64% include both. Table 3 shows that the situation regarding the organisation of social aspects is rather different. Details of the system through which social issues are managed is reported by 9%, evidence about the calculation of social performance indicators by 6%; only one company, Shell, presents both. The monitoring of these systems (the last...
part of Table 1) is more widespread for environmental than for social systems. Of the reports analysed for this study, 64% refer to monitoring of the company’s environmental system (and 62% of these companies hire external professionals to carry out this task, while the remainder charges its own employees with it). Monitoring of the social system is mentioned by 18% of the companies (all of them do this for the environmental system as well), always carried out by internal staff members.

Table 3 also includes figures with regard to the integration of economic, social and environmental issues in the organisation, sometimes characterised as the best way to achieve ‘sustained’ management. Whereas 12% of the companies shows integrated reporting (designated ‘basic’ in Table 3), 9% mention that they have an integrated system. The use of specific control indicators is reported by 9%, stated to involve both environmental and social issues. Another aspect of organisation, supplier requirements, is mentioned by 60% of the companies (21% concerning the environment, 12% social issues, and 27% both). It must be noted, however, that only 9% refer to sanctions, with two companies stating that these are severe. This part of the analysis demonstrates that a rather limited number of companies, as indicated by their sustainability reports, give much evidence about the implementation of polices relating to social issues. For the environment, there appears to be much more of a tradition.

3.3 Performance

This pattern can also be observed when attention is shifted to the performance indicators included in the reports. The types of environmental information provided by the companies (regardless of the specific content covered) can be divided into several categories: no information given about environmental performance (6%), information but no figures (9%), EPIs (environmental performance indicators) about the current and preceding years (18%), externally verified EPIs (9%), eco-efficiency indicators about current and preceding years (36%) and externally verified eco-efficiency indicators (21%). 15% of the companies report no figures at all, 27% EPIs, and 58% eco-efficiency indicators. Of the reports with environmental performance information, 26% are externally verified. Overall, 33% of the reports were externally verified; only 9% covered the whole report, however – from the other 24% it can be deduced that the auditors focused on only a part of the report.

Moving to social performance, such an elaborate distinction as for EPIs cannot yet be made, as knowledge and experience is still building up. Thus, a fourfold categorisation has been used: no information; a general reference without

<table>
<thead>
<tr>
<th>Type of information available in report*</th>
<th>No info</th>
<th>Planned</th>
<th>Basic</th>
<th>Detailed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environmental management system</td>
<td>12</td>
<td>6</td>
<td>15</td>
<td>67</td>
</tr>
<tr>
<td>Social management system</td>
<td>55</td>
<td>3</td>
<td>33</td>
<td>9</td>
</tr>
<tr>
<td>Integrated management system</td>
<td>64</td>
<td>15</td>
<td>12</td>
<td>9</td>
</tr>
<tr>
<td>Environmental performance</td>
<td>15</td>
<td>na</td>
<td>9</td>
<td>76</td>
</tr>
<tr>
<td>Social performance</td>
<td>48</td>
<td>na</td>
<td>45</td>
<td>6</td>
</tr>
</tbody>
</table>

* for the explanation of the aspects and categories, see the ‘organisation’ part of table 1
figures; detailed information, quantitative where possible; and ‘normalised’ indicators (that is, compared to relevant figures, which places them in the context for the report’s audience). In addition, social performance indicators can be divided into several themes: community/philanthropy; the more traditional employee issues - health and safety, equal opportunity, human resource management; and the newer and more external, usually international, societal issues - human rights, (child) labour rights, corruption, implications for development/developing countries.

As shown in Table 4, community spending is the topic on which most reports give information. Apart from the inclusion in almost all reports, quantification and even normalisation occurs frequently. This also applies to health and safety for the workforce, where the reporting of incidents seems to have become standard practice in many companies. A third relatively common indicator is workplace diversity, usually the percentage of female staff members. Sometimes ethnicity is used as an indicator, but only in the case of US companies, where standard measures have been defined. Some companies also present figures about other aspects of human resource management, especially turnover rates and length of service.

<table>
<thead>
<tr>
<th>Indicator**</th>
<th>Type of information presented in report*</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No info</td>
</tr>
<tr>
<td>(9) Community involvement</td>
<td>3</td>
</tr>
<tr>
<td>(2) Health and safety</td>
<td>9</td>
</tr>
<tr>
<td>(1) Workplace diversity</td>
<td>12</td>
</tr>
<tr>
<td>(3) Human resource management</td>
<td>33</td>
</tr>
<tr>
<td>(4) Freedom of association</td>
<td>67</td>
</tr>
<tr>
<td>(5) Settlement of disputes</td>
<td>97</td>
</tr>
<tr>
<td>(6) Corruption/bribery</td>
<td>82</td>
</tr>
<tr>
<td>(7) Child/forced labour</td>
<td>67</td>
</tr>
<tr>
<td>(8) Human rights</td>
<td>45</td>
</tr>
<tr>
<td>(10) Community implications</td>
<td>97</td>
</tr>
<tr>
<td>(11) Third world sponsoring</td>
<td>97</td>
</tr>
<tr>
<td>(12) Fair trade</td>
<td>94</td>
</tr>
<tr>
<td>(13) Legal/socio-political setting</td>
<td>94</td>
</tr>
</tbody>
</table>

*for the explanation of the indicators and classification, see the ‘performance’ part of table 1
** number as included in table 1 given between brackets
Focusing on the more recent and contentious topics, less specificity can be found. Regarding freedom of association (the right to collective bargaining), only 15% of the companies give more detailed information. An example of a more specific one is BASF, which presents figures on the percentage of its companies that supports elected employee representatives, and the various ways in which this materialised, such as facilitating meetings during working time and offering a range of facilities for union activities. With regard to the settlement of internal workplace disputes, only Shell gives some information, by reporting the number of countries where the company has organised staff forums and grievance procedures. The issue of child labour receives more attention in sustainability reports: whereas 12% only makes a general reference, 21% is more specific. An example is Unilever, which states that its policy is in full support of the International Labour Organisation’s child labour conventions, with its business groups worldwide being regularly assessed and confirming compliance with this policy. Shell gives figures for three consecutive years about the number of countries where its companies screen both contractors and suppliers against child labour.

A final set of indicators relates to the broader, international aspects of doing business. Companies often make references to human rights in general, stating respect for them, but details with regard to training or investigation of cases are given less frequently. This applies to an even greater extent to issues of corruption, fair trade, third world development, community impact, and legal compliance and the socio-political setting. Only a few companies mention these aspects in their reports, and detailed information is even harder to find. A few examples of companies that pay attention to some of these international aspects are given below. BASF pays considerable attention to political communication and political relations in its report, presenting details on the outcomes of a government relations study in Germany, which surveyed political decision makers’ expectations of companies’ involvement in political discussions and the important aspects of cooperation with companies.

Dow Chemical refers to its 30 community advisory panels and to nine sites worldwide where it has carried out community surveys (in addition to the seven key locations that were included in the preceding year’s report). It gives a graph on the ‘favourability scores’ for the sites (Dow has a goal of 60%, two scored lower). Statoil gives some information about its contribution in the countries where the company operates, such as the proportion of local staff and support for education, such as scholarships for students from developing countries. Barclays writes about third-world debt problems and the bank’s involvement in sub-Saharan Africa’s loans, its position on debt relief and the role played in such relief schemes (both unilateral and with other organisations).

Shell pioneers with a number of indicators not found in other reports. This includes figures on the number of countries where it has a procedure against ‘facilitating payments’, uses security personnel and has screening procedures for compliance with the Shell Business Principles. It also reports on the number of contracts cancelled for failure to comply with these business principles, and the number of bribes as well as the total value offered, solicited and paid. The company is also notable for the
verification of its report (cf. Wallage, 2000). After the Brent Spar and Nigeria, Shell assigned a large auditing task to KPMG and PWC. This has resulted in an interesting approach where the auditors focus on reasonable rather than absolute assurance. The auditors distinguish between three types of verification, and thus scope of work: the integrity and accuracy of the data aggregation process (without verifying the reliability of the data collection); the availability of appropriate underlying evidence for statements and data related to systems and processes; and verification that data, statements and graphs, properly reflect the performance of the reporting entities.

4. Conclusions

It can be concluded from this paper’s exploratory analysis into the corporate representation of companies’ sustainability deeds that the likelihood of implementation has advanced more for environmental than for social issues. However, even this statement concerning the environmental aspects certainly does not apply to all sustainability reports. With regard to social issues, the picture is very different. On the more traditional topics, particularly community spending, health and safety and equal opportunity, a relatively large number of the companies offer some specificity. The external, usually international and more controversial issues remain, however, largely uncovered, except by a few companies. In this limited number of cases, the amount of detail is substantial, offering a higher likelihood of implementation with regard to social issues as well. These companies seem to have moved beyond administrative reforms only, towards an internal institutionalisation with a considerable chance that they will continue to publish sustainability reports, and show responsibility for the societal and environmental implications of their activities and, most importantly, to act accordingly.

This is also applicable to environmental issues in the case of other companies, which, as mentioned in the paper, appear to have started to routinely collect and/or calculate environmental data, frequently as part of regular processes. For these companies, reporting might well become a sustained practice, where the momentum can be kept even if outside stakeholder and/or regulatory pressure diminishes. For others, however, the prospects are dimmer. Even in this set of 33 large, highly visible companies which claim to report on sustainability, there are still reports which are not more than statements of policies and intentions, with reference to vague standards, if at all, without much substance, without details about organisational arrangements and no environmental, let alone, societal data. In these cases, one might be inclined to remember gloomy statements, for example those made in the 1970s and 1980s, about the prospects for social reporting and auditing (e.g. Dierkes and Antal, 1986; Lessem, 1977). Regardless of the degree of stakeholder dialogue and engagement in reporting, considerable steps need to be taken by managers to convince the readers of reports of the actual implementation and institutionalisation in companies.

Compared to the previous wave of reporting in the 1970s, sustainability reporting is currently more widespread, across a range of countries, and seems to pay more attention to the international, external societal dimensions of doing business. This means that for both
companies and stakeholders, the issue of accountability has increased and widened even further. Looking at it from the management perspective, companies face a complex situation, with a range of stakeholder demands, perhaps exemplified best by the long list of indicators and reporting components included in the GRI-guidelines. In the continued absence of generally agreed standards and reporting legislation, a way forward might be to get rid of the ambition to include everything possible in sustainability reports, but rather to let managers aim at detailed reporting on those, presumably limited number of issues that they think are most relevant to the company in question, and abstain from too many vague and general statements about intentions. Since there are a vast number of potential topics that could be included in sustainability reports, a clear prioritisation seems necessary. This must be accompanied by clarity about the type of reporting, with a matching title, and about the extent to which the data are externally verified.

Interestingly enough, such a focused approach might also be suitable for inclusion in regulation, not in the usually rigid variety, but in a more flexible form, as already suggested in the 1980s (Dierkes and Antal, 1986). In addition, by concentrating on a limited number of issues, the meaning for stakeholders could be increased. A stricter selection of reporting objectives and topics could be useful for improving the communication with stakeholders, for whom it might be easier to provide input and feedback once companies have clarified their priorities with regard to sustainability. A related subject that also deserves attention is corporate governance and the relationship between companies and auditors, in case reports are externally verified. Although this might not be sufficient to address worries about professional and managerial capture, it still seems useful for companies to improve transparency by including explicit information in the report itself about the audit process and the approach taken. Readers usually still have to scrutinise the audit statement to try to come to grips with what has been done. Perhaps sustainability reporting can profit here from the general debate about the reliability of disclosure, following recent accounting scandals, and the steps which are taken to improve corporate governance (then including social and environmental issues). In addition, recent attempts to standardise sustainability assurance, for example through AA1000, might also give more guidance to readers in the future.

On all the aspects of sustainability reporting, accounting and auditing mentioned in these concluding paragraphs, the available evidence and amount of research has been relatively limited (cf. Bebbington et al., 2000), while practical knowledge is building up rapidly. There are therefore many opportunities for further study, since the current analysis clearly had its limitations. Focusing on the specific approach taken in this paper, it must be noted that this involved an exploratory study into a limited number of reports and that new reports have continued to be published since the analysis was carried out. Moreover, the implementation likelihood framework deliberately refrained from more stakeholder-oriented approaches, such as those included in AA1000’s ‘organisational responsiveness’, and more qualitative corporate statements about issues of sustainability.

All this of course also means there is more
to be investigated. Examples include more systematic studies into larger samples, involving not only large but also smaller companies, and tests of the different components of the framework. In view of the sector-specificity of reporting practices, sector studies also seem very appropriate, offering the opportunity to consider the impact of national cultural and regulatory traditions as well (cf. e.g. Adams and Kuasirikun, 2000; Adams et al., 1998; Holland and Foo, 2003). More research is also required on the actual implementation of accounting practices, and on the determinants of more (or less) open corporate approaches to disclosure and auditing, and if/how this relates to stakeholder involvement in the reporting cycle. In view of the fact that much activity is taking place in organisations such as the GRI, and in the companies that develop their expertise through ‘learning by doing’, there is ample room to investigate these experiences. Studies on such topics would be helpful to shed more light on the background, reasons and corporate peculiarities that lie behind the quantitative increase in sustainability reporting, and to what extent this current phenomenon differs from the rather short-lived wave in the 1970s, and thus has the potential to contribute to sustained accountability on corporate social responsibility.

Notes

1 Would like to thank the three anonymous reviewers for their helpful suggestions.

2 The main current examples of legislation are Denmark and the Netherlands (requirement for a separate environmental report), Norway, Sweden, France and Spain (inclusion in annual, financial, report); in the 1970s it was especially France that required reporting on employee matters.

3 For this specific aspect of the paper (ratio environmental : social issues), the report that dealt with social and economic issues only was excluded.

References


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