

## **An Examination of Award Winning Sustainability Reports**

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In December 2006, CERES and the Association of Chartered Certified Accountants (ACCA) announced the 18 finalists for the sustainability reporting awards. A listing of the firms is shown in Table 1. CERES was founded in 1989 as an organization that networks investors, environmental groups and other organizations in order to help identify and develop solutions to sustainability issues. The ACCA is the largest international accountancy organization in the world with approximately 110,000 members. The importance of this listing of award finalists is that it brought to the forefront the belief that corporations need to understand their role to not only stockholders but also to other stakeholders. Over the past two decades, the role of sustainability reports has evolved over time. While it was initially a focal point for the decision of the firm's environmental commitment in its operations, sustainability reports now encompass numerous areas that are related to corporate social responsibility.

### ***The Role of Sustainability Reporting***

The role of sustainability reporting is based on the practice of the firm's ability to measure, disclose and be accountable to its stakeholders for its sustainable development performance. Previous research has shown that firms that had higher financial performance levels also had higher incidences of descriptions of their environmental policies and commitment (Stanwick & Stanwick, 2000). Previous research has also identified trends that have taken place related to sustainability reporting globally (Kolk, 2003). Kolk (2003) found that multinational corporations expanded their breadth of coverage related to sustainability issues over time. Pedrini (2007) argued that sustainability reports can be used in aiding the evaluation of the company's human resources issues.

Pedrini (2007) states that issues such as diversity, opportunity for growth and advancement, and level of training are all reflected directly or indirectly in the firms' sustainability reports. As a result, sustainability reports can create an incentive for firms' to re-evaluate their effectiveness in addressing human resource issues. Topics that were addressed in the sustainability reports included issues related to: community involvement/philanthropy; health and safety; equal opportunity/workplace diversity; employee satisfaction; human rights; social aspects in supplier relations; child labor; freedom of association; fair trade/international development, and corruption.

Sustainability reports can be used in a number of different applications to communicate sustainability commitment to stakeholders. These applications include the use of benchmarking and other organizational objectives related to sustainability actions, the interaction of the organization with its external stakeholders and an industry wide comparison of a company's sustainability commitment with other firms (GRI, 2006). Firms have also embraced using triple bottom line reporting to measure their overall organizational performance. By measuring their effectiveness related to environmental quality, social justice and economic prosperity, firms can demonstrate to their stakeholders their overall organizational commitment (Wheeler & Elkington, 2001; Willis, 2003).

This organizational commitment can lead to a stronger positive reputation of the company as perceived by the stakeholders. Since the sustainability reports are voluntary in nature, companies have the opportunity to inform their various stakeholders of how their actions have a positive impact on the needs and expectations of those groups which have a vested interest in their operations.

Simnett, Vanstraelen and Chua (2009) examined 2,113 companies from 31 countries that produced sustainability reports. They examined why companies would voluntarily produce these reports for their stakeholders. They found that a primary focus of the reporting was for companies to enhance their creditability in reporting information. The reports also served as valuable tools in enhancing corporate reputation. Stakeholders for an organization have a vested interest in the operations of the firm and can include employees, suppliers, stockholders, customers, the government, the local communities and society as a whole (Stanwick and Stanwick, 2009).

As companies expand and increase their global reach, the critical stakeholders also expand globally. Not only are the customers becoming global in nature, but also other stakeholders such as the shareholders, suppliers, government agencies, special interest groups and communities become comprehensive global forces whose needs and expectations must be addressed by the firm. As a result, firms must look for guidance in the development of a comprehensive global sustainability report. One source which can help a firm in the development of the report is using the guidance presented by the Global Reporting Initiative (GRI).

The GRI first presented a set of comprehensive reporting guidelines in 2002. These guidelines allow the firm to develop and present relevant sustainability information which incorporates the needs of the various global stakeholders. Furthermore, sustainability reports can be used to try to “control” the negative social and environmental implications of globalization as perceived by the stakeholders (Kolk, 2003). It is also the impact of globalization which has resulted in the increased reporting of sustainability issues across the globe. Global stakeholders are demanding information regardless of the country of origin of the firm (Kolk, 2004). Kolk (2004) found that global stakeholders are demanding more comprehensive information related to the sustainability of the firm.

Sustainability reports have evolved to not only focus on traditional environmental issues but also on societal and even financial issues. Kolk (2004) also found that stakeholders would verify the validity of the statements made in the sustainability reports. Verification of the facts of the report were done from various sources including; accounting firms; firms with technical expertise; certification bodies and other parties including NGOs (Non-Governmental Organizations). This leads to an underlying question asked by Kolk which is whether the firms are actually implementing the actions that are presented in the sustainability reports.

While it is expected that firms will describe their plans and their strategic formulation related to sustainability issues, it is also imperative that the firms can present specific examples of their actions which support their sustainability vision. Kolk (2004a) describes this concept as “implementation likelihood”. Morhardt, Baird and Freeman (2002), examined the content of sustainability reports for 40 of the largest global industrial companies. The results of their study were that economic and social issues captured 42 percent of the topics discussed in the reports and environmental based topics contributed to 22 percent of the content of the reports.

### ***Study Design***

The purpose of this paper is to evaluate the content of each of the eighteen sustainability reports identified as finalists by CERES and ACCA. The content analysis includes an examination of factors such as: the number of firms which refer to environmental sustainability or environmental footprint, whether the firms use narrative or quantitative information to describe their sustainability commitment, the identification and discussion of the firm’s relevant stakeholders, the disclosure of their ethical policies, the type of topics covered in the sustainability report and the title of the sustainability report.

### ***Results***

The content analysis of the eighteen reports provided some interesting results. The results showed a wide variance in how firms perceived sustainability through the titling of their reports. The results are shown in Table 2. While they are all classified as “sustainability” reports, only 44.44 or eight of the reports include sustainability in their title. It is interesting to note that the other ten reports appear to focus on communicating their sustainability commitment directly to the stakeholders via their titles: corporate social responsibility report, accountability report, citizenship report, and global citizenship report.

It was expected that the majority of sustainability reports would have a description of the firm’s environmental sustainability commitment and their environmental footprint. The results showed that only 22.22 percent or four firms had a description pertaining to their environmental sustainability. Of the eighteen reports, five companies

Provided information only in a narrative form while the other thirteen companies provided both quantitative information as well as narrative information. The vast majority of the reports, (16 or 88.89 percent) provided extensive discussion of stakeholders. Of those sixteen reports, the majority discussed the exchange in dialogue that they had with various stakeholders. In a surprising result, only one of the eighteen reports had an extensive discussion on the ethics policy of the firm and the ethical link with the firm's sustainability.

The results showed a large variety in the topics that were discussed in the sustainability reports. A complete listing of the topics is presented in Table 3. The key topic of discussion of the reports was the environment with 12 reports (66.67%) mentioning the subject. Following the topic of the environment is the discussion of the impact the firm has on the community and its employees with eleven reports (61.11%) mentioning this area.

### **Conclusions**

This study has yielded some very interesting results. The results have demonstrated that firms will go to great effort in order to tailor their reporting to address the issues and concerns of their stakeholders. While the reports are primarily industry specific, they do focus on global issues and topic areas. Furthermore, the importance of the reports to the firm is highlighted with the fact that all reports started with a message from top management within the firm. In addition, firms are acknowledging the interests of stakeholders who have expected more transparent disclosures of social and environmental issues related to the firm (Kary, 2006). This pressure by stakeholders to be more forthright with their sustainability information will only increase in the future as groups with a vested interest in the firm demand to know the sustainability commitment of the firm (Kolk, 2008).

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**Table 1**

| <b><i>Firms in the Sample</i></b> |
|-----------------------------------|
| Alcan                             |
| Baxter International              |
| Bristol-Meyers Squibb             |
| Citigroup                         |
| General Electric                  |
| Green Mountain Coffee             |
| Harwood Products                  |
| Hewlett-Packard                   |
| Mountain Equipment Cooperative    |
| Nexen                             |
| PotashCorp                        |
| Shell Canada                      |
| Starbucks                         |
| Telus                             |
| Timberland                        |
| TransAlta                         |
| Vancity Group                     |
| Weyerhaeuser                      |

**Table 2**  
**Report Titles**

| <b>Report Title Used</b>               | <b>Number of Companies</b> |
|--|----------------------------|
| Sustainability Report                  | 6                          |
| Corporate Social Responsibility Report | 5                          |
| Accountability Report                  | 2                          |
| Sustainable Development Report         | 1                          |
| Citizenship Report                     | 2                          |
| Report on Sustainability               | 1                          |
| Global Citizenship Report              | 1                          |

**Table 3**

| <b>Topics Covered in the Sustainability Reports</b> | <b>(Number of Reports)</b> |
|---|----------------------------|
| Value Maximization-Economy-Profit s                 | 9                          |
| Employee, Health and Safety                         | 4                          |
| Environment   | 12                         |
| Social Commitment                                   | 5                          |
| Sustainability                                      | 4                          |
| Education   | 3                          |
| Human Rights  | 5                          |
| Community   | 11                         |
| Government and Business Practices                   | 7                          |
| Employees   | 11                         |
| Product Responsibility/Design                       | 5                          |
| Supply Chain  | 4                          |
| Manufacturing                                       | 2                          |
| Continuous Improvement                              | 2                          |