

Impacts of Reporting

The role of social and sustainability reporting in organisational transformation

Insights from recent business practices





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In the 2001 survey of CSR Europe member companies' priorities and needs', respondents identified better understanding of the full 'Impacts of Reporting' as a priority for the future development of their Corporate Social Responsibility (CSR) activities. This project sets out to explore this key area.

As a first step, the topic was discussed with a business-to-business task force set up under CSR Europe's Communication and Reporting programme. In line with its aim to help companies communicate effectively with stakeholders about their impact on society, the Communication and Reporting programme published a report in November 2000, entitled 'Communicating Corporate Social Responsibility – Transparency, Reporting and Accountability', the results of which have fed into the current deeper study into the 'Impacts of Reporting'. The programme's business-to-business task force, which has actively shaped the 'Impacts of Reporting' agenda, includes CSR Europe member companies Ahold, BP, Fortis, GM Europe, Johnson & Johnson, KPMG, Levi Strauss Europe, Manpower Inc, Nike, Norsk Hydro, Opel AG, PricewaterhouseCoopers, Procter & Gamble, Suez, Unilever and Volkswagen AG.

We would like to thank in particular **Volkswagen AG**, the leading sponsor of the Communication and Reporting programme, for their financial support and substantive contributions to the development of this project.

This initiative further represents an innovative partnership between CSR Europe and AccountAbility, an organisation which has long advocated the importance of ensuring approaches to public reporting that deliver real changes in stakeholder perceptions, organisational learning, decisions, actions, performance and, ultimately, outcomes. Drawing on extensive experimentation in social and more recently sustainability reporting, AccountAbility has now appropriately joined with CSR Europe in exploring how best to ensure effective reporting in the future.

Supported by the **European Commission Directorate General for Employment and Social Affairs**, the project and publication contribute to the broader European debate on Corporate Social Responsibility. CSR has an important role to play in supporting Europe to meet its 2010 strategic goal of becoming the most competitive and dynamic knowledge-based economy. In particular, 'impacts of reporting' is a key topic in view of the recent discussions initiated by the Commission in this regard.

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EXECUTIVE SUMMARY

- Introduction
- Charting the field of impact - working hypotheses
- Reporting rationale - what makes in count
- A tool for transformation
- The role of stakeholders

'We hardly get any feedback on our report that we send out to thousands of people every year. We wonder if our stakeholders actually read it.'

'Our report clarifies misconceptions around our industry. It will inform those who wish to learn more about us on how we put our values into practice.'

'The activities we report on result from embedding corporate responsibility into our values, policies and practices.'

'We produce a report because we seek continuous transformation of our business practices. Communicating with our stakeholders pushes us to improve our policies, management systems and metrics.'

Introduction

As the number of social and sustainability reports produced by the business community continues to increase, it has been accompanied by growing concern about their value for both companies and their stakeholders.

Such reservations have been accentuated by growing associated costs and a surge of reporting standards, guidelines and awards. These initiatives, together with the activities of leading companies, have effectively enhanced the scope and technical quality of public reports. The question remains, however: what is the impact of reporting on stakeholder perceptions and actions, and ultimately on business behaviour, performance and outcomes?

This study by CSR Europe in association with AccountAbility aims to identify ways to assist companies in their efforts towards effective public reporting. Unlike many initiatives today, this is not an investigation into 'what' or 'how' to report. Rather, this study focuses on addressing the underlying question of 'what kind of reporting makes a real difference' to what people think, and how they behave, both inside and outside of the business community? In doing so, the study has asked companies to assess what kind of an impact their reporting has had, where that impact has been achieved and how. Most important is the fact that the research results and future suggestions within this study are based on the wealth of reporting experiences described by company practitioners.

The study is designed to encourage and enable effective reporting among companies as well as the many institutions that are involved in this wide field. First and foremost, it must be relevant to those companies that are actually reporting, or intending to do so in the future. In addition, it should resonate with those stakeholders who see public reporting as a means to achieving other ends, and so want to understand how best to maximise the effectiveness of reporting. Finally, the study should also enrich discussions among European institutions and national governments on creating an enabling environment for effective social and sustainability reporting.

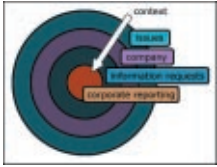

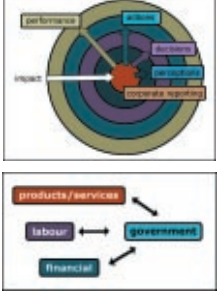
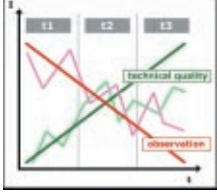
This study is the first stage of a long-term collaboration between CSR Europe and AccountAbility to explore and advance the impacts of reporting. The research to date has been exploratory and intended to stimulate

debate rather than propose definitive solutions. Specifically, the research has focused on extensive discussions within the business community. This has included several meetings of a business task force convened to guide and comment on the work and was complemented by a thorough analysis of examples of successful and innovative reporting practices.

To capture the needs of business people best, the research involved an interview programme covering 11 companies from a variety of sectors and different geographical regions of operation. The participating companies in the interview process were BT, Danone, Ford, McDonald's Restaurants, Manpower, Nike, Novozymes, Procter & Gamble, Royal Dutch/Shell, Unilever and Volkswagen. The 32 interviews involved discussions with representatives from a range of departments such as Sustainability and Environmental Management, Corporate Affairs, Purchasing, Investor Relations and Human Resources – with the intention of mapping communication and accountability pathways within each company. This approach was supported by a preliminary review of relevant academic literature and discussions within a broad constituency of international experts.

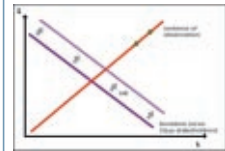
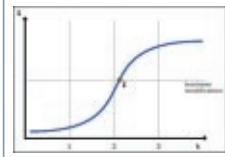
Charting the field of impact – working hypotheses

The working approach adopted was to stimulate debate and discussion through the formulation of six interconnected 'hypotheses' about the impacts of reporting. These are outlined below, together with a summary that captures the common ground of responses given during the company interviews.

<p>1. Social and sustainability reporting must be placed in a broader context in order to fully understand its impacts.</p> <p>New demands of investors, geographical and cultural variations, and the specific circumstances of individual companies all influence the impact of reporting. However, employee and customer relations are seen as the key motivators of companies in reporting.</p>	
<p>2. Pressure, strategy and values are key drivers behind social and sustainability reporting. Over time, after an initial 'pressure-driven phase', companies will move towards an 'integrated approach'.²</p> <p>Reporting is increasingly seen as integral to enabling engagement with stakeholders in understanding and shaping corporate long-term business strategy. For many companies however, reporting may have a shorter-term objective of reputation management.</p>	
<p>3. Companies report on social and sustainability issues in order to change internal and external perceptions. Though stakeholder perceptions can be measured, the resulting change in stakeholder behaviour is more difficult to assess.</p> <p>Companies often use conventional employee and customer surveys to assess stakeholder perceptions, as well as non-traditional means like NGO dialogue and socially responsible investment indices. In most instances however, companies do not have a clear measure of the impact of reporting alone on stakeholder perceptions and behaviour.</p>	
<p>4. The impact of reporting depends on its 'visibility', which diminishes over time, as well as its technical quality, which improves with time.</p> <p>Increasing the technical quality of reporting enhances its impact as a communication and management tool. Technical improvements enhance the internal visibility of reports, but external visibility and impact tends to diminish over time unless aligned to the newsworthiness of a broader corporate communication strategy.</p>	

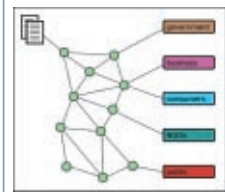
5. The internal impact of reporting is dependent on shifts in stakeholder perceptions, but will be constrained beyond a critical point unless organisational culture and business systems change.

Whilst it is difficult to attribute change in business behaviour and performance to reporting alone, the process of reporting in itself (as well as stakeholder responses to it), can act as a stimulus for internal dialogue that affects big change in terms of decision-making and strategy.



6. Effective reporting requires communications with external stakeholders to be targeted through different 'pathways'.

Companies use a range of communication channels to optimise effectiveness, including hard copy reports and the Internet due to the web being "anywhere, anytime" (and relatively cheap). However, they tend not to assess the costs and benefits of their choices in cash terms as it is hard to measure intangible impacts such as reputation.



Reporting rationale - what makes it count

Drawing on the results of the case study interviews and meetings with companies, as well as desk research, some key elements can be elicited that should inform and shape further discussion and analysis on how to enhance the impacts of reporting.

- **The 'transformational' understanding of reporting is more valuable than the 'classical'.** There are two fundamentally different views about the impact of reporting. The 'classical' view holds that social and sustainability reporting on past experience only has an impact if it changes the perceptions of the report's readers, primarily external stakeholders. If stakeholders change their behaviour as a result of such changed perceptions, this in turn might impact on business decisions, activities and outcomes. The 'transformational' view goes one step further because it drives changes within a company. It holds that the process of reporting, including the very commitment to report itself, can impact on business decisions and outcomes. Such changes would not necessarily occur as a result of changes in stakeholder perceptions, although such perceptions may provide the drivers for reporting.
- **Innovation in stakeholder engagement is key to success.** To engage more effectively with different stakeholders, companies need to be responsive and creative in the way they choose to communicate with different individuals and groups. Different people have variable levels of awareness, interest and need for information. Some stakeholders, such as mainstream investors, express limited enthusiasm for corporate responsibility data. Business could proactively seek their views on how to balance more appropriately communications on social and sustainability issues with financial information. In targeting audiences in this way businesses should also appreciate that 'segmenting' combinations of communication channels needs to consider usability, access and different levels of awareness, interest and information needs. It is also important to ensure that a 'segmented' or tailored approach to communication should cater to usability, access and different levels of awareness. Despite the Internet's lower costs and greater coverage, not everybody has the technical capacity to utilise it or simply prefer not to, and would be more receptive and responsive to the paper version or other forms of communication.

- **Assurance increases the effectiveness of reporting by enhancing management systems.** The assurance of trustworthiness of what companies publish in public reports is relevant in building stakeholders' trust, which in turn will tend to support the development of their perceptions about, and affect their decisions that impact on the company. Effective assurance processes foster internal learning, skill development and more effective decision-making supported by strengthened management systems. The combined external and internal effects of assurance confirm its importance in influencing the impact of reporting.

A tool for transformation

A decade of learning through experimentation in the provision of social and sustainability reporting presents the business community and other stakeholders with a double opportunity. First, to evaluate the conditions that ensure social and sustainability reporting can make a real difference. Second, working together to build an enabling environment for transformation, where public reporting can take its place as one productive tool for enhancing overall business performance.

Despite the current lack of full understanding around certain aspects of the impacts of social and sustainability reporting, many companies consider it valuable to themselves and their stakeholders. One suggestion is that companies, in co-operation with other key stakeholders, reflect on a more holistic process of stakeholder communication and engagement, and identify ways through which reporting can be better linked to their communication and management tools and systems.

Based on the research summarised in this report, CSR Europe and AccountAbility have identified **five key areas for further research and investigation** of the impacts of social and sustainability reporting. We invite the business community, together with its partners, to reflect on the relevance and appropriateness of these research avenues and to engage in pursuing them.

- Context matters** – Identification of how context-specific factors influence the impacts of reporting; including an analysis of the differences across geographical regions, sectors, and types of organisation.
- A 360° perspective of stakeholder communication** – Consideration of both companies and their stakeholders as participants in a 'full' transformation process. This would help them determine effective, proactive and responsive communication approaches. A full impact assessment of stakeholder engagement would include a 360° analysis involving interviews with both businesses and representatives of key stakeholders, as well as addressing how the issue of assurance should be approached.
- Reporting as a driver for change in business practices** - Establishing the connection between reporting, management practices and governance, including impacts on business partners such as suppliers. Key considerations for this work should be assurance and risk. It would also build on existing academic research concerning the link between shareholder value and accounting for intangible assets such as reputation and intellectual capital.
- Materiality and boundaries** - Analysis into the identification, selection and coverage of stakeholder issues in reports. This would help management decide how best to balance what is relevant for them and what is relevant for their stakeholders, also with regards to assurance.
- Future of reporting** - Closely linked with academic research on the value of the firm internal and external factors likely to affect reporting contents, coverage and format in the future. It would extrapolate conclusions from different scenarios around stakeholder information needs, communications strategies and regulatory frameworks.

The role of stakeholders

All stakeholders have a collective role to play in fostering the positive impacts of reporting, and enhancing the transparency, effectiveness and efficiency of corporate communication in the field of corporate responsibility. A stronger exchange of information and education among key partners will be of great value on this journey.

As partners in this project, CSR Europe and AccountAbility welcome the opportunity to share the outcomes of this study with reference partners at the European, national and global levels. These include the European Institutions, the Global Reporting Initiative (GRI), the United Nations Global Compact, the Organisation for Economic Co-operation and Development (OECD), Sustainable Investment Research International (SiRi) Group, the European Sustainable and Responsible Investment Forum (Eurosif), and other organisations.

- At the **European level**, we look forward to contributing to the work of the European Multi-stakeholder Forum on Corporate Social Responsibility (CSR EMS Forum)³, initiated by the European Commission. The CSR EMS Forum is expected to be a key platform for stakeholders to engage in constructive dialogue and explore learning opportunities around the key theme of transparency and corporate responsibility practices and tools. We hope to interact with the members of the CSR EMS Forum, and encourage it to go beyond traditional discussions on 'how to report' and 'what to report on' by placing more emphasis on questions such as 'what are the impacts of reporting?'
- With regard to **public policy**, we welcome the European Commission's facilitating role in providing fora for debate, such as the CSR EMS Forum. We also welcome the Commission's commitment in its communication on sustainable development to produce its own sustainability report by 2004. This clearly indicates that the transformation reached through enhanced transparency does not only concern multinational enterprises, but also investors, charities and public sector organisations.
- **Standard setting organisations** such as the Global Reporting Initiative (GRI) and the International Standards Organisation (ISO) can help ensure reporting to stakeholders is part of a wider process, both internally and externally. They could help foster those initiatives that encourage companies to go beyond reporting in isolation. Much can be learned from existing approaches to reporting that focus on communicating with investors about the management of business risk. The same is true for approaches to social and sustainability-related assurance frameworks, such as the broad-based AA1000 Assurance Standard, as well as auditing systems focused on specific areas of concern such as labour standards and the environment.
- The **financial community** is key to providing a foundation for the commonly shared goal of increased transparency and more effective corporate reporting. They therefore need to send clearer signals to business on how their investment decisions and activities are affected by information disclosure in the field of corporate responsibility. Ultimately, this would clarify the link between corporate responsibility practices and investors' evaluations of good management practices and long-term business success.
- An improved understanding of the impacts of reporting will enhance its effectiveness as an instrument to improve business practices and outcomes. The **academic community** could be instrumental in promoting knowledge and improving the dialogue between practitioners, policy makers and researchers. We welcome the European Commission's support for initiatives promoting research on social and sustainability reporting and transparency, in the context of the Commission's newly launched Sixth Framework Programme. We hope that Business Schools and Universities working together in networks such as the European Academy of Business in Society and the European Association of Universities will lead the way in these efforts.

Introduction and Background



SECTION ONE

Introduction and Background

For over three decades many companies have put tremendous effort into the improvement of transparency, accountability and communication practices in the field of sustainability. For most companies, social and sustainability reports have been the preferred channel to communicate to their key stakeholders. Some have long reporting histories, with beginnings in the field of health, safety and environmental reporting; whereas others have recently produced their first sustainability or 'triple bottom line report', or are considering producing one in the near future. In parallel to business' efforts to disclose such information, a wide variety of initiatives have been developed by 'professional'⁴ stakeholders to try and influence the direction reporting will take.

In a unique and innovative collaboration, CSR Europe, a business-to-business network working with companies to mainstream Corporate Social Responsibility (CSR) in day-to-day management practices, and AccountAbility, the leading international multi-sectoral professional institute promoting accountability for sustainable development, have decided to adopt a different focus. Thus this report looks at the 'impacts of reporting', an area which has not been fully explored so far.

Since its establishment in 1996, AccountAbility has advocated the importance of ensuring that approaches to public reporting deliver real changes in stakeholder perceptions, organisational learning, decisions, actions, and, ultimately, performance. After a decade of experimentation in social, and more recently sustainability reporting, it was therefore appropriate for AccountAbility to join with CSR Europe in exploring the impact of such reporting. From both a practitioner and policy perspective, throwing light on this matter is clearly crucial to ensure effective reporting in the future.

Similarly, since 1997, CSR Europe has showcased best practice of companies' reporting experiences, and highlighted the performance indicators most frequently reported on by companies. CSR Europe has also created a valuable online tool, the 'CSR Matrix on communication and reporting', which presents information about social and sustainability topics and communications channels commonly used by business⁵.

The questions addressed in the 'Impacts of Reporting' project have emerged from the project team's experiences in working through the key issues and dilemmas with a host of practitioners in the corporate responsibility field. These include individuals who need to convince their companies' senior management and Board of Directors of the value of committing time and resources to social and sustainability reporting.

Those who have been involved in several rounds of corporate sustainability reporting are increasingly interested in finding out more about how the information contained in the report is received by stakeholders both in terms of content and as a communication channel. They are also becoming more interested in the extent to which reporting content is relevant for their business, and how both the reporting and corporate responsibility practices can be linked and further embedded into their business practices.

This report is not about the "what" and "how" of company reporting since these matters have been dealt with extensively by other organisations. The GRI, for instance, is considered by many as a global reference organisation in the provision of guidance around best practice reporting. CSR Europe and AccountAbility⁶ welcome and support such initiatives. However, the focus of the current study is not on guidance but rather on the key questions that should be addressed in order to maximise the usefulness of social and sustainability reporting as a future management and communication tool. Acknowledging therefore the

viewpoints of both proponents and critics of reporting, this study aims to further encourage best practice reporting within companies as well as within other organisations, including the financial community, European Institutions, standard setting bodies, policy makers and think tanks.

The study aims to

- Identify the key mechanisms through which social and sustainability reporting has an impact;
- Analyse the most important elements required for effective and efficient social and sustainability reporting;
- Explore avenues for future work in order to help companies and other stakeholders clarify issues such as drivers behind reporting; key stakeholders and communication strategies; linkages between reporting and management practices, and measurement systems to assess stakeholders' perceptions; as well as the costs and benefits of reporting.

This report is intended to address a wide range of key audiences

- Practitioners involved in corporate responsibility activities and/or the reporting process, and the wider business community;
- Policy makers in government, and international standard setting organisations;
- The financial community, including rating agencies, Socially Responsible Investment (SRI) analysts, shareholders and investors;
- Other influential stakeholders, including academic and research institutions, and pressure groups.

The research team acknowledge that we are only in the beginning phase of our journey towards achieving the ambitious objectives we have set for ourselves in this project. In spite of the great complexities that currently surround the 'Impacts of Reporting', we believe that this study makes a useful contribution to initiating further discussions about this topic.

Methodology



SECTION TWO

Methodology

The project approach comprised

- Three interactive workshops with company representatives to plan and give feedback on the scope and preliminary findings;
- 11 company interviews testing 6 working hypotheses on the 'Impacts of Reporting';
- A literature review to check for compatibility with research and related work.

2.1 The Sample

This report has its origins in two business-to-business workshops on 'Impacts of reporting', organised by CSR Europe on the 15th May and the 11th June 2002. The objective of these meetings was to exchange experience and increase understanding about

- 1) Ways in which the effectiveness and efficiency of social and sustainability reporting could be evaluated and enhanced;
- 2) The business case for producing such reports.

Participating companies in these workshops were Adam Opel AG, Johnson&Johnson, KPMG, Levi Strauss Europe, Manpower, Nike, Norsk Hydro, Procter&Gamble, Suez, Unilever and Volkswagen.

The initial insights gained from these two meetings provided the grounding for an extensive survey of companies' own assessments of the impacts of their reporting practices. The subsequent interview process has involved 32 interviews with 11 companies from a variety of sectors and different geographical regions of operation, the first results of which presented and discussed at a third meeting on 13 September. The participating companies in the interview process were BT, Danone, Ford, McDonald's Restaurants, Manpower, Nike, Novozymes, Procter & Gamble, Royal Dutch/Shell, Unilever and Volkswagen. These companies represent the automotive, oil and gas, IT/telecommunications, pharmaceuticals and biotechnology, food and beverage, petroleum, and consumer retail sectors. Interviewees were located in the United States, Venezuela, the United Kingdom, France, Denmark and Germany.

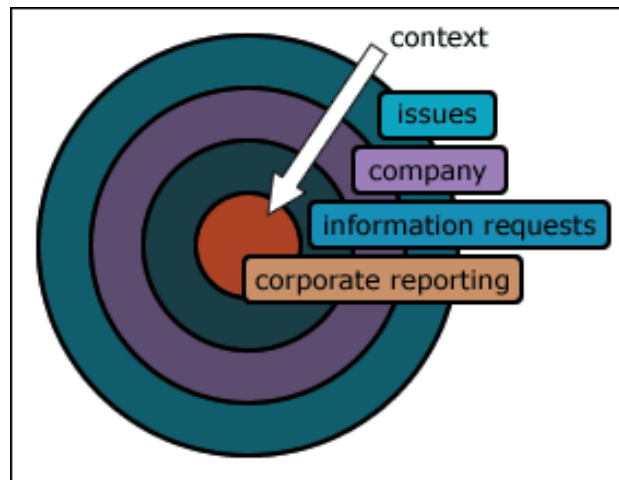
The interviews involved successive discussions with representatives from a range of departments such as Sustainability and Environmental Management, Corporate Affairs, Purchasing, Investor Relations and Human Resources. This allowed the study to map communication pathways of accountability within each company.

The typical company interviewed had produced environment reports for a significant number of years, and social or sustainability reports for around 2-3 years. The sample also included two first time reporters (McDonald's and Nike), and one company that does not yet produce a sustainability report (Manpower).

2.2 Working Hypotheses

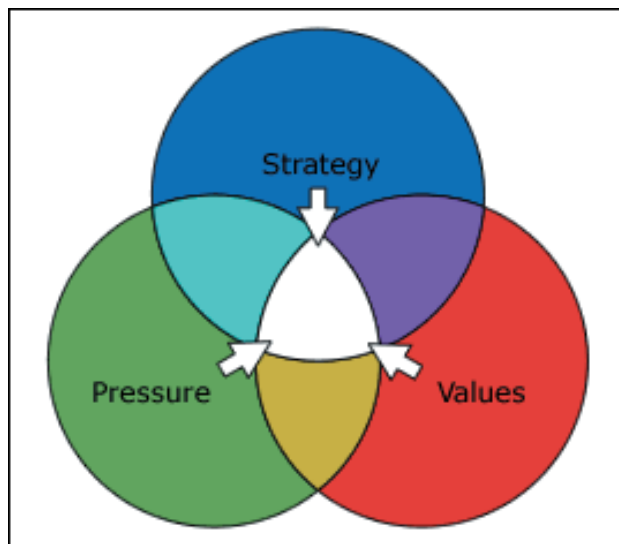
The research project used a constructively provocative approach that stimulated debate and discussion through the formulation of six interconnected hypotheses, reflecting different aspects of impacts of reporting, as outlined below. Detailed interview questions pertinent to the hypotheses probed these aspects more deeply with several representatives from the case study companies.

1. Social and sustainability reporting should be placed in a broader context, in order to fully understand its impacts.



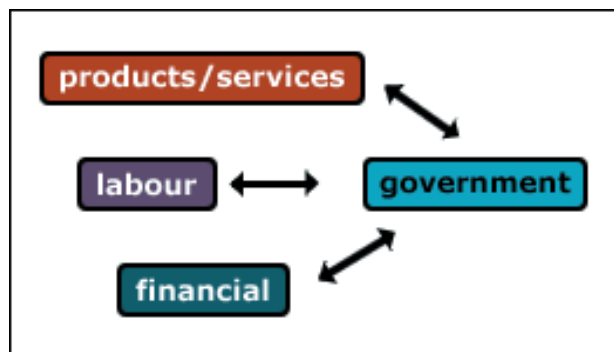
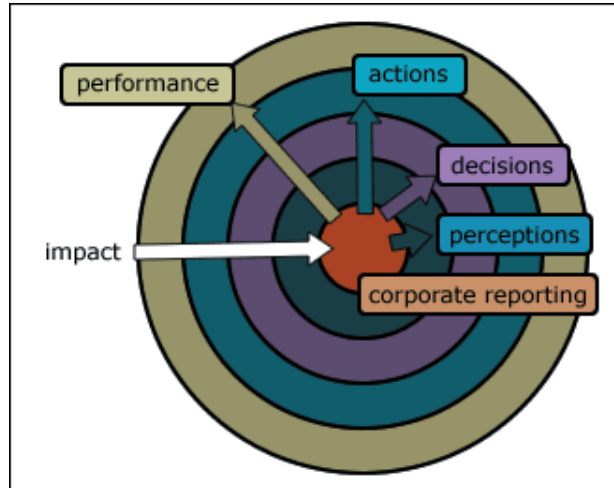
Hypothesis 1 proposes that social and sustainability reporting (the innermost circle of the picture above) cannot be considered in isolation. Firstly, it should be thought about in terms of wider business issues (the outermost circle of the picture); next in relation to company-specific aspects for a certain sector; and then in terms of information requests by stakeholders – in different geographical regions, across business units and departments, and over time.

2. Pressure, strategy and values are key drivers behind social and sustainability reporting. Over time, after an initial 'pressure-driven phase', companies will move towards an 'integrated approach'.⁷



Hypothesis 2 proposes that the drivers behind reporting on social and sustainability performance are varied and can change, which will in turn affect the resulting impact. Illustrated in the picture above, the three overlapping circles represent a company's position with regard to the drivers behind its social and sustainability reporting process. Initially, pressure by legislators and NGOs may be particularly important for businesses. Leading corporate reporters discover that the impacts of reporting will be greatest if the drivers behind it give equal importance to stakeholder expectations, building a coherent values base and corporate strategy for reporting that is rooted in the business (that is, if the company positions itself in the middle of the chart).

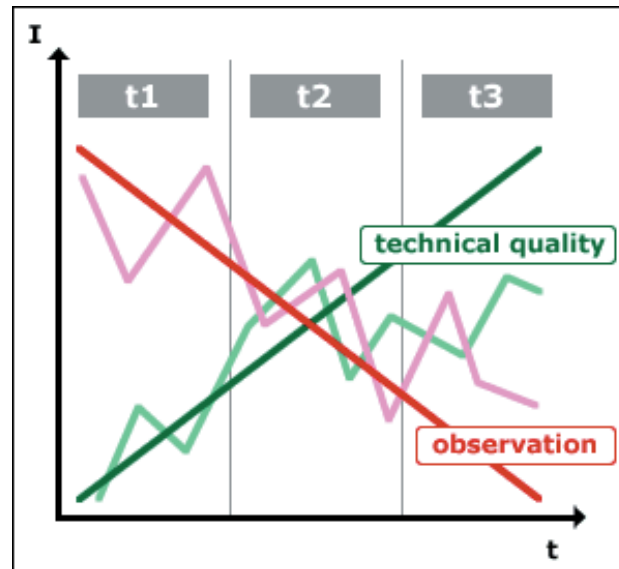
3. Companies report on social and sustainability issues in order to change internal and external perceptions. Though stakeholder perceptions can be measured, the resulting change in stakeholder behaviour is more difficult to assess.



In Hypothesis 3 it is firstly proposed that companies predominantly report and communicate about social and sustainability issues in order to change stakeholder perceptions across the three broad markets: the labour market (employees, potential recruits, trade unions), the financial markets (investors, rating agencies, index providers) and the market for goods and services (customers, civil society, community). Perceptions of other key organisations, such as government and think tanks, influence and are influenced by perceptions of these three in the above markets (as depicted in the first picture above).

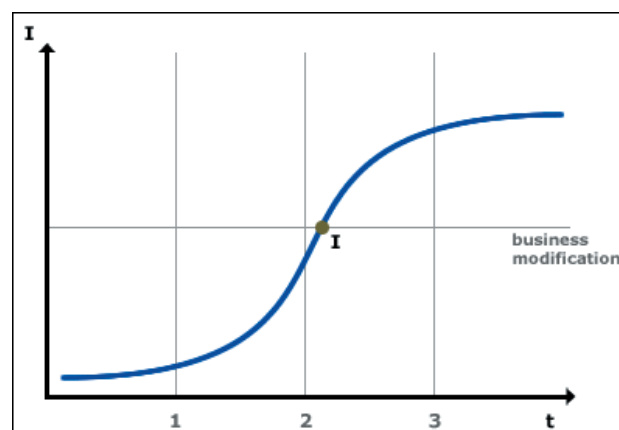
Secondly, it is proposed that, as a result of company reporting, these stakeholders observe changes in the companies' decisions, activities and performance, and, ultimately, impacts in relation to social and sustainability aspects (as depicted by the second picture above). However, although these stakeholder perceptions can be measured by surveys and workshops, for example, it is much more difficult to attribute transformation within the company to changes in stakeholder behaviour which shape and determine the companies' decisions, actions and ultimately performance.

4. The impacts of reporting depends on its 'visibility', which diminishes over time, as well as its technical quality, which improves with time.

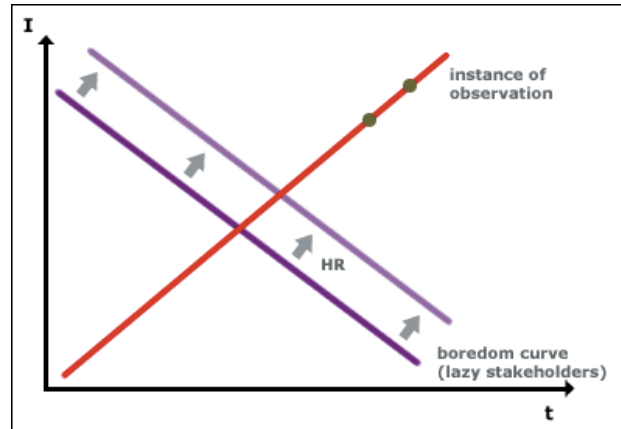


Hypothesis 4 proposes that the impact of reporting is not only a function of technical quality but also of the observation effect (or visibility). 'Visibility' in this hypothesis refers to the novelty of first time or new public reporters with the media, as well as its recognition amongst opinion leaders in NGOs, academia, and government. It is proposed here that during the first years of the public reporting exercise, when 'external pressure is important and tension is high', the social and sustainability report is 'visible', both internally and externally. Over time, the reporting process becomes more embedded within the company's principles, policies and practices, and the visibility of the report tends to diminish (as depicted by the declining red line in the picture above). Through acquisition of experience with reporting over time, the quality of the reporting process and reported information and data are expected to increase in the long run (as depicted by the inclining green line).

5. The impacts of reporting is dependent on shifts in stakeholder perceptions, but will be constrained beyond a critical point unless organisational culture and business systems change.

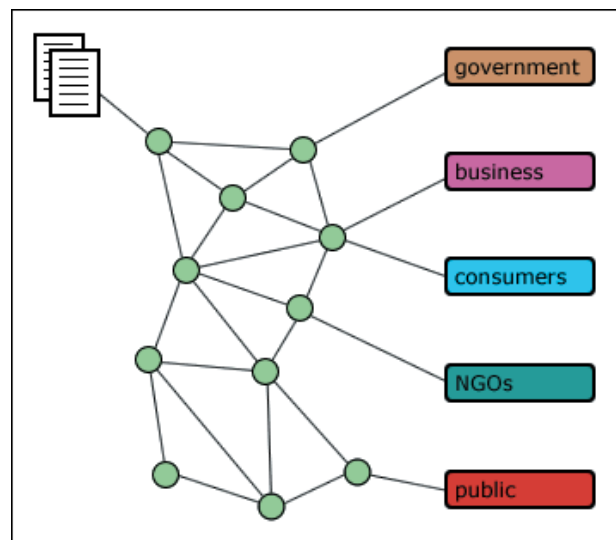


Section two



Hypothesis 5 proposes that evolution in the external environment shifts stakeholders' perceptions in ways that in turn affect the impacts of reporting. For example, following a high-profile NGO campaign, a shift forward in societal awareness and expectation can occur (i.e. observation amongst 'lazy' stakeholders) in relation to human rights and labour conditions in overseas operations of companies' supply chains (as depicted in the first picture above). Small-scale incremental changes may be relatively easy in the early stages and are effectively 'bolt-ons' to the existing business model. Over time, however, as these smaller changes become the norm, there comes a critical point when stakeholders' increasing demands require a more deeply rooted change in the way business is done (as depicted by the second picture above). Reporting during these cycles of change has quite different impacts of stakeholder perceptions, and in turn on business performance and outcomes.

6. Communications with external stakeholders take place through different 'pathways'.



Hypothesis 6 proposes that, over time, the channels through which companies communicate with external audiences tend to become more segmented, specialised and more cost-effective in order to optimise the impact. A variety of 'pathways' are currently being used to disclose company reports for different audiences. As depicted by the picture above, different mixes of communication channels (e.g. hard copy report, Internet, press releases, and conferences) will be utilised by different business units and geographical regions (denoted by the green dots in the illustration) within the company according to the type of audience.

2.3 Workshops

CSR Europe organised two workshops on Impacts of Reporting, which took place on 15 May and 11 June 2002. Participating companies in these workshops were Procter & Gamble, Levi Strauss Europe, Manpower, Adam Opel AG, Nike, Volkswagen, Norsk Hydro, Procter & Gamble, Johnson & Johnson, Suez, KPMG, and Unilever.

The key research questions discussed were the following:

1. Comparing expected and actual benefits of reporting and communicating corporate responsibility. Identifying ways of assessing effective and efficient communications.
 - Why does your company report on corporate responsibility? How are corporate communications objectives defined within your company? Does your company emphasize certain audiences?
 - Does your company have (a) mechanism(s) allowing it to track the effectiveness and efficiency of your communications strategies?
 - How can 'effective' communications be measured?
2. Combinations of channels and topics to communicate with stakeholders (effective 'mixes' of channels and topics).
 - Does your company produce a social or sustainability report, an environmental or community report or another type of report?
 - Which criteria do you use to select social/sustainability topics? Does your company communicate about measurable progress in achieving sustainability? Is your report verified by third parties? Which communications channels (e.g. sustainability report, website information, branding & marketing) do you use to communicate most effectively to specific audiences?
3. Improvement of measurement systems of costs and benefits from reporting and communications.
 - What are the tangible and intangible benefits you derive from reporting and communications about corporate responsibility? How can you make intangible benefits tangible?
 - What are the main resource costs and expenditures associated with reporting and communications about corporate responsibility?

2.4 Literature Review

In parallel with the interactive workshops and the interviews, the study team has conducted a literature review in order to verify the compatibility of the approach used and the results thereof with current work by others in this area.

The Impacts of Reporting initial review of relevant previous literature drew on discussions with the project team's network of contacts in academia, government, professional services and civil society. Principal focus here was given to studies that examine the corporate characteristics, internal context and wider external factors, which shape or inform why and how companies report. In addition, the review referred to current initiatives and applied studies exploring how corporate responsibility and reporting adds value to a company in terms of innovation from learning (Sabapathy, Swift, Weiser & Polycarpe 2002)⁸, (ACCA & Next Step Consulting Ltd 2001)⁹, (CSR Europe 2000)¹⁰ and commercial competitiveness (Swift & Zadek 2002)¹¹, (Zadek 2001)¹², (CSR Europe & Euronext 2001)¹³. Finally, a number of related policy documents¹⁴, as well as corporate responsibility standards, frameworks and rating indices were consulted, such as The Global Reporting Initiative, AccountAbility's AA1000 Series, the Dow Jones Sustainability Index (refer to the Glossary for descriptions) and UNEP/SustainAbility Ltd Global Reporters' report¹⁵.

From this preliminary reading, it is apparent that the issues that affecting the impact of reporting have been an area of investigation for three decades or more across Europe, USA and Asia-Pacific, albeit in relation only to environmental reporting matters in earlier studies. Of this body of literature, most informative to this study was the work by Adams (2002)¹⁶; Adams, Hill & Roberts (1998)¹⁷; Buhr (2001)¹⁸, (2002)¹⁹; Gray, Kouhy & Lavers (1995)²⁰; Owen, Swift, Humphrey & Bowerman (2000)²¹; Gray (2001)²²; O'Dwyer (2002)²³; Gray, Dey, Owen, Evans & Zadek (1997)²⁴; and Higgins (2002)²⁵.

As noted by Adams (2002), however, prior empirical research into factors which are influential in determining the extent and nature of corporate responsibility reporting has primarily been concerned with the impact of corporate characteristics like size, industry grouping and financial performance or general contextual factors such as country of origin, time, and the social, political and economic context. In particular, there has been a notable failure to examine internal contextual factors such as the involvement of stakeholders; attitude of different players to the costs and benefits of reporting; role and departments in the decision-making process; and a variety of tools used to communicate information despite increasing emphasis over the past five years in the field of practice on reporting processes and governance structures such as the AA1000 Series, and SIGMA. Recent examples cited by Adams where the company's reporting and in many cases also the auditor's statement have focused on internal reporting are provided by Camelot Group, Novo Nordisk A/S, The Co-operative Bank plc, Royal Dutch/Shell, and TXU Europe.

Adams' work was conducted in 1998 via anonymous interviews with individuals from seven large multinational enterprises in the chemical and pharmaceuticals industries in the UK and Germany (i.e. two industries in two countries). It concluded that process of reporting and decision-making appears to depend on the country of origin, corporate size and culture. Aspects of process that appear to be influenced by these variables are the degree of formality versus informality; the departments involved; and the extent of engagement of stakeholders. The main motivation was to enhance corporate image with stakeholders. The key reason for starting to report was public pressure, which was also an important reason for developments and changes in reporting practices. But there was a fear of disclosing 'bad' news despite the recognition that it enhanced credibility by demonstrating a company's commitment to accountability.

Whilst acknowledging that the field of corporate responsibility reporting has changed rapidly even since Adams' work in 1998²⁶, the 'Impacts of Reporting' study conducted in 2002 builds on the previous body of work that has informed this study's approach, by deepening and widening the scope of research. As well as using a larger sample size, this study examined corporate characteristics and the external context in addition to internal factors that influence a company's decision to disclose.

Results



SECTION THREE

Results

Section 3.1 to 3.6 include the results of the survey. Section 3.7 includes some of the main outcomes of the workshop.

3.1 Social and Sustainability Reporting in a Broader Context

Hypothesis 1:

"Social and sustainability reporting must be placed in a broader context in order to fully understand its impacts."

Most interviewees agreed with the idea that social and sustainability reporting needed to be looked at in terms of a wide range of factors relating to the complex environment in which a company finds itself. These included 4 main areas: company needs, stakeholder expectations, differences across geographical regions, and the issues most relevant to the sector in which the company operates.

Among the factors they considered to be most important when assessing the impact of company reporting, interviewees cited:

- Attracting and keeping employee and customer loyalty;
- Concerns about risk and corporate governance in the current post-Enron climate;
- Responding to increasing expressions of interest by investors towards socially responsible investing (SRI);

BT



BT, a leading UK-based communications company specialises in fixed line communications. With a turnover of €31.61 billion, the company has 108,000 employees, with operations in the UK and Western Europe. BT is listed on the FTSE 100.

BT produced an Environment report annually between 1992 - 2000. The company published its first stand alone social report in 1999 and now produces a sustainability report, 'BT Better World', which it has done since 2001. This report covers social aspects at a global level, but for the environment only UK operations at present, though plans are in place to extend coverage to all of BT's international operations. Over the past decade BT has won numerous ACCA environmental reporting and sustainability reporting awards.

Since 2001, BT's sustainability report is entirely Internet-based. Advantages of website reporting for

BT is its global reach and its cost-effectiveness. An added benefit is the website's limited resource use, which is good for the environment. Different sections on BT's website have been designed to respond to information needs of specific stakeholders such as investors, customers, employees and suppliers. Some audiences have recently become more interested in corporate responsibility, such as the financial community. Initially, ethical investors just made up a very small niche market, whereas currently a number of the UK's top 10 investors engage with BT about social and environmental issues. Key customers, to whom BT mostly communicates about corporate responsibility through the bidding process, have become more interested in environmental and social performance. This stakeholder group also includes the UK government, which often invites BT to participate in policy development. BT's employees constitute another important audience, as they represent the highest number of website hits and continuously seek dialogue and feedback.

Values are part of BT's general culture and an important driver behind social and sustainability reporting. In the past, BT has been less subject to pressure than some other large companies. However,

- Profitability and intangible assets such as brand and intellectual capital, particularly for companies in knowledge-intensive and business-to-consumer sectors like the oil & gas, biotechnology and consumer goods industries;
- Strengthening relations with communities as the providers of current and future customers and employees.

“What is most important for Ford is to hear from employees about how they value the report. With our customers, it is more difficult to determine which sustainability issues they are most interested in, particularly because they are a large and diverse stakeholder group. Everybody could be a customer.”

Differences across geographical regions and business units also play a role in whether a company's report is considered to have positive business effects. Most notable is the difference between the European and North American reporting environments. Several interviewees stated that stakeholders in Europe tend to be generally more ‘demanding’ with regard to corporate responsibility practices where civil society such as NGOs and to a lesser extent trade unions exercise more influence. In North America legislation is an important decider, on specific issues. Diversity, for instance, is highly regulated in the USA, whereas disclosure of certain diversity data in some European countries is illegal. Legal differences can have far-reaching consequences. The experience of ‘Kasky vs. Nike’²⁷ for example, may constitute a threat to corporate transparency and disclosure within this and all other sectors that is not limited to the geographical authority of a particular court. The North American interpretation of corporate responsibility has historically tended to focus more on ‘philanthropy’ (pre-Enron and Worldcom) than the European model, which has placed a greater emphasis on corporate governance issues. While in Europe, social and sustainability reporting is generally further developed compared to North America with regards to metrics and assurance per se, North America is much more mature in relation to some specific aspects such as diversity. Political differences, particularly in relation to the environment, also have a strong influence for sectors like the automotive industry, given the fact that the USA Administration has not signed the Kyoto Protocol. Outside of the Europe-North America axis, in emerging markets, financial performance and poverty related issues are more

both pressure and strategic considerations are on the rise. Competition within the IT and communications sector has become stronger, which has increased the importance of social and sustainability reporting as market differentiators. For BT, challenging issues to report on are ethical risks and governance, supply chain management, human resources and labour rights. Contentious topics that receive a lot of attention from stakeholders include ‘digital exclusion’. BT is involved in stakeholder dialogues about such issues, and also engages with an independent panel of experts. BT uses a variety of systems to measure changes in stakeholder

perceptions. Employees’ perceptions are measured through the people’s satisfaction index. It assesses customer satisfaction through market research.

The technical quality of BT’s corporate responsibility report has increased over time. The report has become more complete and reflects more mature management systems to collate data for reporting and help to deliver on strategy and values. The internal visibility of the report has also increased over time, since far more employees are now involved in the implementation of corporate responsibility systems. Ensuring that an increasing number of managers take decisions on the basis of corporate responsibility considerations is one of the key objectives of the report. The report has had positive impacts internally, but recent changes in BT’s governance structure around corporate responsibility have caused a more significant shift in the company’s journey towards sustainability. BT has recently started to develop qualitative and quantitative criteria to measure the success of social and sustainability reporting. The company does not measure direct costs associated with the reporting process, but conducts quantitative analyses to assess which communication tools are the best to reach certain audiences.



"At **GM**, our mission is to build great cars and trucks, by delivering automotive innovation that improves people's lives, and to do so the right way, the way that GM stakeholders expect. We understand that upholding this commitment is much more than a one-time exercise - it is a way of doing business.

Toward that end, we set annual targets for our economic, environmental, and social progress, and measure our performance against those targets. We then publicly report our results by publishing them in this annual report, using the standardised reporting guidelines set forth by the Global Reporting Initiative. This allows our stakeholders to evaluate our performance in a consistent and open manner.

We are committed to upholding our legacy of proactive corporate responsibility, and to finding innovative solutions to our society's economic, social, and environmental challenges. We invite you to review our progress, and to join us as we continue our journey for ever-better results."

Rick Wagoner
President and Chief Executive Officer
GM

important. Parts of Southern Africa, Asia-Pacific and South America, however, are increasingly interested in corporate responsibility; whereas in countries like South Africa, India and Brazil, there is very strong NGO engagement with corporates.

Since many corporate reporters are multinationals, such factors have important upstream influences through global value chains. The resulting impacts, however, are highly contingent on individual companies' global reporting policies. Key determinants are whether the company's approach towards corporate responsibility

Danone



The French company, Danone, is a leading business in the food sector industry and has operations in dairy products, biscuits and water across Europe, Asia and North America. The company is listed on the New York Stock Exchange and had a turnover of €14,470 million in 2001, with 100,560 employees in more than 120 countries worldwide.

For the past four years, Danone has been reporting about corporate responsibility in its publication "Social and Environmental Sustainability – The Danone Model of Action". As of 2002, Danone has started publishing an annual report that includes the environmental and social information required by the new French law on social and sustainability reporting. Danone's sustainability report is produced in hardcopy format and online. The company's website provides a summary of the report's highlights.

Danone communicates about corporate responsibility through a variety of other

communication channels, including presentations at conferences, organised dialogues and cause-related marketing. It plans to establish a 'Stakeholder Committee' to enhance the company's work with external experts. Key stakeholders interested in Danone's report are socially responsible investors, consumers, NGOs and local communities. As reflected in last year's report, the restructuring of the biscuits sector in 2001 was highly contentious and attracted strong interest from staff, local communities, government and the media.

Danone tends to include only a small amount of quantitative data in its corporate responsibility report due to difficulties in collating and aggregating data. The report is considered as a channel for dialogue rather than a tool to communicate about performance, like the annual report. Challenging issues to implement and report on are social data for employees, particularly in developing countries, and performance in the field of quality and food security. Geographical differences between different business units are considerable. This is partly caused by cultural differences across branches, and the company's decentralised approach and structure. However, since the sustainability report is a group report, it only reflects these geographical variations to a

and reporting are centralised or decentralised, and in which region the company's headquarters are located. Nike and Volkswagen for example adopt a global only approach; whilst companies like Novozymes, Shell and Procter&Gamble have global approaches as well, but also encourage reporting at the local level.

Finally, even though a general shift can be observed towards sustainability reporting rather than environmental or social reporting in isolation, the **importance of certain reporting topics** differs across sectors and is determined by the most important sustainability impacts of the industry.²⁸

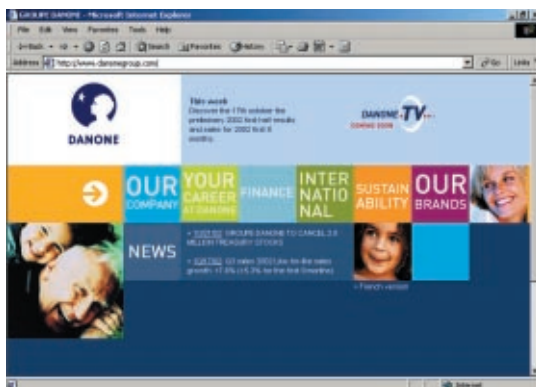
For example, genetically modified organisms and allergens are important topics for the food and biotechnology sectors; animal welfare and nutrition for the food industry; and environmental considerations are crucial for the biotechnology and automotive sectors. Mobile phones and health, digital exclusion and human rights are becoming increasingly important for the IT and communications industry; whereas training, diversity and workers rights affect the staffing industry. Emerging reporting topics that receive increasing attention both in North America and Europe are human rights, supply chain issues and corporate governance - in particular, their impact on the developed world. While sectors such as garments and sports goods have worked in this area for a long time, sectors such as the automotive industry, biotechnology, IT and telecommunications, and food have just begun.

Social and sustainability reporting needs to be looked at in terms of a wide range of factors which make up a company's environment. These include

- Company needs
- Stakeholder expectations
- Differences across geographical regions and business units
- The sector in which a company operates

limited extent. The 'Danone Way', the company's business approach that includes corporate values and strategy, has also decreased the perceived differences across regions and business units. This approach sets out ambitious and systematic goals and invites managers to create action plans that have a Group-wide application. The approach is considered as the main internal driver of changes towards corporate responsibility.

The report has had an impact on the way in which Danone tracks its performance and takes internal decisions. It has also brought about a more transparent approach for communications



concerning corporate responsibility across the Group. Stakeholder pressure on the company to demonstrate good social and sustainability performance through the report has also become more important, and Danone increasingly communicates about corporate responsibility from a strategic perspective. The sustainability report is generally well received by employees who are proud of their achievements, but some NGOs have used the disclosed information to voice criticism.

Whilst the number of employees involved in the reporting process has increased significantly since the beginning, the report may have become less visible internally as it includes long-term policy and management strategies which are likely to take time to effect real change. However, the report is expected to become an increasingly important instrument for Danone to communicate to new suppliers in developing countries. The technical quality of the report has increased, particularly with regards to the company's performance measurement systems, which have improved over time. Danone does not systematically measure costs and benefits of social and sustainability reporting, but the overall impacts of the report are perceived as positive.

3.2 Pressure, Strategy and Values

Hypothesis 2:

"Pressure, strategy and values are key drivers behind social and sustainability reporting. Over time, after an initial 'pressure-driven phase', companies will move towards an 'integrated approach'."

Reactions to hypothesis 2 were varied. Some interviewees felt that 'transparency' as a goal in and of itself, rather than 'values', was driving their reporting process. For Unilever, for example, "Transparency is the key driver – not PR! We also report because we want to increase understanding about our businesses." Sustainability has become a benchmark that employees judge themselves against. Particularly with regard to social issues, the company intends its report to clarify misconceptions about the company and to enhance audiences' understanding of Unilever's sustainability activities – rather than in response to external pressure.

Others mentioned that their company's approach to reporting had moved from being a reactive response to NGO pressure, to being a proactive and well-defined strategy for communicating with stakeholders. "What is interesting for Nike is the organisational learning accrued following the shift from stakeholders asking questions of them - which is a reactive position - to a more proactive stance where Nike asks questions of

Ford Motor Company



Ford is a global car manufacturing company with a turnover of €164.368 billion. The company employs 354,431 people worldwide and is listed in the New York Stock Exchange, NYSE. Ford manufactures the Ford, Aston Martin, Jaguar, Land Rover, Lincoln, Mercury and Volvo brand products. In addition Ford has a controlling interest in Mazda. It also owns Ford Credit and Hertz.

Ford communicates about corporate responsibility through the report "Connecting with Society", which has been published for the last 3 years. Prior to this, Ford produced an Environment report for 5 years. In addition, Ford produces a variety of social and environmental reports. These range from brand-specific to local reports: Jaguar and Volvo, for example, have produced their own reports, based on the guidelines of the Global Reporting Initiative; Ford India and Ford Germany produced their own reports: in some specific cases local plants have produce reports (for example UK, Australia, and Turkey). Ford's hardcopy report is supported by additional information on the website. This provides

more technical details targeted at selected audiences. Other important communication channels are press releases to the media, stakeholder surveys, informal discussions and presentations at conferences.

Community and customer affairs, investor relations, ethical risk and governance and employee relations are important aspects covered in Ford's reporting. Intangible assets, legislation, and industry norms and future trends also have a strong influence. The company's product development and environmental performance are heavily regulated, particularly in the US and Europe. Ford is currently also working on its own Code of Conduct in response to requests for information predominantly from NGOs and pressure groups, employees and customers. Communicating increasingly stringent requirements on human rights to suppliers in developing countries is perceived as a difficult task. More traditional aspects relevant for the industry such as climate change, health and safety, environment and product development are high on the agenda and continue to be challenging reporting topics.

For Ford, pressure, strategy and values are equally vital drivers behind reporting. Though Ford's

itself and challenges external stakeholders to consider new ideas too, for example gender issues in the supply chain.”

As a company which has been subject to strong external pressure regarding contentious issues like Brent Spar and Nigeria, Shell points out that while its dialogue with NGOs has improved significantly over time, some groups continue to raise concerns about business practice and the wider future of the sector.

Generally, most interviewees thought that the traditional values of the company were a greater driver behind sustainability reporting than stakeholder pressure. Reporting was considered an appropriate tool to communicate and share best practice. Examples of companies that have adopted this approach are Danone, BT, McDonald's, Procter&Gamble, Volkswagen and Novozymes. However, for some companies, including BT, Ford, Procter&Gamble, Manpower, and Volkswagen stakeholder pressure has become more significant over time due to stronger competition in their sector, the emergence of certain contentious issues and greater interest in corporate responsibility from certain stakeholders – in particular the financial community, the government, and customers.

Most interviewees also confirmed that companies were increasingly adopting a strategic approach to reporting. Examples of companies expressing this are BT, Shell, Ford, Nike, Novozymes, Unilever and McDonald's. Even if companies are not currently under pressure in some areas, they increasingly consider that properly foreseeing and preparing for possible pressure in the future should be an integral part of proper risk management. Danone and Ford for example increasingly consider their performance in the field of corporate responsibility as a market differentiator in their sector.

reporting strategy is values-driven, particularly in the United States, it becomes more and more an integrated part of the company's strategy - in an increasingly competitive environment, any element that can affect consumers' affinity with a product is crucially important. The company's reporting process is also strongly affected by external pressures. Examples include media attention around tyre safety and a racial harassment case in the UK. Both cases have had positive impacts on the company's management systems.

Ford measures employees' perceptions through employee surveys and questionnaires. The response

to date being that staff tend to be fairly committed to corporate responsibility. The company tracks customers' opinions through a customer satisfaction index. Reporting has led to more objective target-setting internally and a greater understanding about the company's social and sustainability performance among a variety of audiences such as employees, shareholders, governments and NGOs; according to employees, the report has enhanced internal co-operation and communication. Its visibility of the report has also impacted on the communication of corporate responsibility contents. Whereas the internal visibility of the Ford corporate responsibility report has increased over time, since it is regularly mentioned in the Chairman's address and hard copies are sent to thousands of employees, the most recent reports have received less external attention. The technical quality of the report has increased with time.

Costs associated with the production of the report are an important factor for Ford. The company relies more on the website now, also because it is more cost-effective. It is still to be decided at this stage whether the company will continue to produce a hardcopy corporate responsibility report in the future.



Additional reactions to the survey

"Why do companies report on social and sustainability performance?"

Reputation and demand from investors, governments and others.

Who and what are the key audiences and communications channels?

Investors - annual report and accounts, analyst meetings
Public - websites, briefing booklets in retail outlets
Government - correspondence with various departments
Media - press releases

What are the best combinations of channels that companies can use to communicate to their stakeholders?

Focus on websites for bulk of information, as accessible to all, plus summary briefings tailored for investors, customers, media etc.

How do companies determine the efficiency and effectiveness of corporate communications about social and sustainability performance?

Survey stakeholders for feedback.

How can the costs and benefits of reporting be measured?

BT has made innovative use of the Weighted Opportunity To See (WOTS) measure to assess positive media coverage of its CSR performance and quantify this in terms of equivalent spending on PR."

Justin Alexander
SRI Analyst
SCHRODER

McDonald's Restaurants



McDonald's is a large and well-known foodservice retailer, representing 30,000 restaurants in 121 countries. Listed on the New York Stock Exchange the company's total revenues in 2001 amounted to €3,816.92 million. With headquarters in the USA, it employs 1.6 million people worldwide through a franchising business, with more than 70% of its restaurants owned and operated by franchisees or partners.

McDonald's is a first-time reporter with the "McDonald's Social Responsibility Report – We are committed." This report includes information about people, community and the environment. The company also produces an annual report, which includes a limited amount of social and sustainability information and details with regard to human resources. The company's website, which contains the annual report and separate financial information, also describes how McDonald's communicates with stakeholders. McDonald's also communicates via stakeholder surveys, informal discussions and press releases.

Consumer affairs, employee relations and investor relations are the key business issues that inform McDonald's' approach to reporting. McDonald's focus is principally internal at the moment, and emphasises employee pride and customers' right to know. It is difficult for the company to make a clear distinction between customers and other stakeholders, since customers may also be employers and members of local communities. This has had important impacts on the company's communications strategy.

Pressure, values and strategy currently affect McDonald's' in an equal way. The drive towards corporate responsibility is embodied in the company's mission statement and philosophy. McDonald's has always been highly visible and subject to NGO pressure. The reason for reporting now is that key stakeholders such as customers want to know more about McDonald's and that the company wants to demonstrate how it implements its corporate values. Important geographical differences exist in a number of key areas for McDonald's, including GMOs, animal rights, philanthropy, community involvement, and human rights in the supply chain. These differences are a challenge for the production of a coherent global report, especially since McDonald's works with franchised organisations. Additionally, McDonald's

Depending on the sector, some evidence also seems to demonstrate a certain trend towards a stronger integration of the three drivers, as is suggested by the hypothesis. The majority of companies, including Ford and McDonald's argue that they are currently equally motivated by pressure, values and strategy.

Most interviewed expect that the drive towards integration of the pressure, strategy and values drivers will continue in the future, and increasingly at a global level. The nature of pressure may change. According to some, the SRI community and rating agencies are increasingly taking over part of the challenging role normally played by NGOs. Nowadays, many NGOs have started to engage in more constructive dialogue with business. Generally, stakeholders' demands and requirements with regard to corporate responsibility are expected to increase in the future.

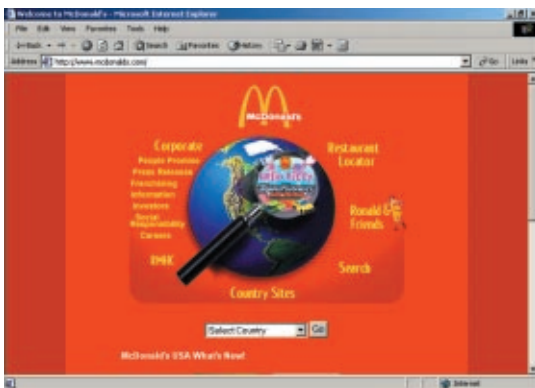
- For many companies reporting has moved from being a knee-jerk response to stakeholder pressure to being a proactive and well-defined strategy for communicating with stakeholders
- Companies' traditional values are seen as a greater driver behind sustainability reporting than stakeholder pressure
- Reporting is seen as an appropriate tool to communicate and share best practice
- Companies are increasingly adopting a formalised strategic approach to reporting
- The majority of companies confirm that they are currently equally affected by pressure, values and strategy and expect these to become increasingly integrated in the future

does not own any part of its supply chain, yet many of the sustainability impacts are supply related, offering another set of challenges as to how to incorporate changes upstream from its direct influence.

Changes in perceptions are difficult to measure, particularly because they have a global scope and no structure is yet in place to measure these in relation to the report at a worldwide level. This year, some areas covered in the report were discussed through dialogues with about 30 selected NGOs. Generally, the report has been well received, as stakeholders were pleased that McDonald's reported publicly about

these issues as the first company in its sector, however some had hoped that the report would cover more detailed information about certain topics, such as environmental management of refrigerants, and diet and health, or required more quantitative information about performance. One notable impact of McDonald's first report was that it stimulated external feedback from NGOs on the need to better cover issues such as nutrition and the way in which McDonalds encourages franchisees to improve their social and environmental practices in the second report. This in turn stimulated an internal debate within the company about these issues and how these would be addressed in the future - and as a result affected change of internal management systems.

McDonald's has not assessed the cost-benefit implications of reporting as yet, although the wider issue of corporate communications materials is under consideration. While the website is more cost-effective, easy to maintain and has the flexibility to provide different levels of information for different interest groups; there is also the recognition that a major drawback of the internet is that it only reaches those with web access.



3.3 Changes in stakeholders' perceptions and its impacts

Hypothesis 3:

"Companies report on social and sustainability issues in order to change internal and external perceptions. Though stakeholder perceptions can be measured, the resulting change in stakeholder behaviour is more difficult to assess."

Developing responses about the integration of drivers, several companies argued that they did not publish social and sustainability reports with the sole purpose of changing perceptions. Nike, for example, expressed a two-fold interest: the pursuit of an ongoing relationship with stakeholders (and the organisational learning that can be derived through this dialogue), combined with addressing misconceptions about its industry. "Companies report in order to inform and not necessarily to change perceptions, since these often do not match reality anyhow. Hopefully, people will think more positively about Nike in the future, and the current 'myths' about the company will change."

This was echoed by Shell, which said it produces social and sustainability reports "both to drive internal performance and to change external perceptions - the former being perceived as far more important."

A number of interviewees felt that results and action were more important and that the way the hypothesis was formulated did not sufficiently reflect companies' approaches towards transparency and accountability. One interviewee in particular went so far as to say that perceptions of stakeholders were not seen as having a direct

Manpower

MANPOWER®

Manpower, a leader in the staffing industry, provides workforce management services and solutions to 2 million people worldwide. The company is listed on the New York Stock Exchange and has 3,900 offices in 61 countries. The total number of Manpower's employees amounted to 22,400 worldwide in 2001. Company sales in 2001 reached €11.94 billion.

Manpower does not currently produce a social and sustainability report, but is in the process of conducting an informal feasibility study for a Group-wide report. The company has been involved in social and charitable activities for a long time, but communication about these has so far been decentralised. A challenge for the prospective publication will be to prioritise the wide variety of corporate responsibility topics Manpower has traditionally been involved with. Depending on the core expertise and location of Manpower agencies, corporate responsibility activities are currently communicated through a variety of channels such as press releases, the corporate website, stakeholder surveys, and informal discussions. The

company has also produced a few separate reports about corporate responsibility issues, including one on corporate giving and sponsorships in Germany. The company's annual accounts do not currently include information about corporate responsibility. Though not all employees are fully engaged around corporate responsibility, Manpower does focus on attracting and relating to temporary staff, which represents 60 per cent of the workforce, and tend to be increasingly interested in these issues.

Manpower's customers are one of the key stakeholder groups driving the company's prospective social and sustainability reporting process. As customers begin to incorporate business partners' corporate responsibility practices into their buying motives this informs tendering and re-tendering processes. Most of Manpower's 400,000 customers, especially governments, are in some way interested in the field of CSR and express a wide variety of corporate responsibility requirements around issues such as diversity, pay and conditions.

Stakeholders currently tend to focus on issues such as temporary employee rights, diversity, disability and long-term unemployment problems. Their focus has changed slightly from creating jobs, to helping

impact on the company. Trying to change them was therefore not considered a priority. Some added that the resource costs associated with measuring perceptions were considerable, which would detract a company's resources from what was most important: sustainability practices.

Nevertheless, most companies feel that their social and sustainability reports are well received by key stakeholders, even though they find it difficult to rigorously assess stakeholders' reactions. First of all, it is not easy to gauge if key stakeholders actually read the report, despite being able to measure web-hits for the online version. Second, it is hard to disentangle changes in perceptions attributable to social and sustainability reporting from those that result from the company's broader corporate communication strategy. Third, tracking stakeholders' opinions as such can be very difficult.

Most of those interviewed mentioned that their businesses did not measure stakeholder perceptions in a systematic way, though many evaluated changes in perceptions indirectly through conventional mechanisms such as employee and customer surveys. Many assessed perceptions of shareholders and rating agencies through the share price or SRI rating. Assessments of the opinions of the government, NGOs and communities often took place through informal mechanisms. Most of these methods did not, however, establish a clear causal link between changes in stakeholder perceptions and the publication of a social or sustainability report.

Despite this difficulty, Danone and Volkswagen concluded from anecdotal evidence that stakeholders' perceptions about their company have changed over time and linked this to their reporting practices. Danone's stakeholders' perceptions have changed positively about the way in which they think the company handles environmental management and human rights issues. Volkswagen confirms that the report has contributed to better relations with NGOs.

"Improvements in the dialogue with NGOs can certainly be attributed to the report, and has put VW in a better position than some of its competitors."

employees get the right skills. Environmental protection and enhancement tends to be more difficult to implement, also because some doubt exists as to the relevance for the business. Important geographical differences occur between Europe and the United States with regard to the emphasis placed on certain social and sustainability issues and the disclosure of environmental information. For example, Americans tend to be driven more strongly by legislation than in Europe. Whereas in Asia and Latin America, poverty alleviation and education are considered as the most important issues. At the moment, the company does not systematically track stakeholders' perceptions about Manpower's corporate responsibility practices.



The company is currently considering the key target audiences of the forthcoming report and exploring methods to track the report's effectiveness.

Key drivers for Manpower's social and sustainability reporting are values and strategic considerations. Manpower tends to be more values-driven in South America and the Asia-Pacific region, whereas in Europe, pressure has become more important in recent years and is generally perceived as a greater force than in the US. As a result, Manpower expects that the report will be more visible in Europe than in the US. This is important for the company since Europe is targeted as a key area for business expansion. For Manpower overall, expected internal benefits from reporting are: improved internal sharing of best practice, sharpening of the company's focus on some key corporate responsibility aspects, and improved consistency in data collection systems. Reporting costs are important for Manpower as the company has small profit margins. Resource costs associated with the reporting process are expected to be considerable since reporting will involve establishing reporting and metrics systems across the company's 3,900 offices around the world. At present, there are no systems in place to measure costs and benefits of corporate responsibility communication.

Other companies felt that social and sustainability reports were ineffective tools to influence perceptions. Some pressure groups regard these reports as ‘corporate spin’, whereas consumers tend to be more influenced by the media in their perceptions than by corporate reports. For example, while aspects of food security have strongly improved over recent years, consumers’ perceptions about this have evolved in the opposite direction, which can be attributed to ‘scares’ such as mad cow disease. Many also felt that it was particularly difficult to change perceptions of stakeholders who started out with an initial negative opinion about the company. With regards to credibility and persuasiveness of current reporting practices, Shell and BT in particular emphasised the importance of the robust assurance of their report – both to gain trust externally by demonstrating accountability as well as transparency, and to raise dilemmas internally. Shell here emphasised the societal shift from a “Tell Me” to the “Show Me” world, which had informed its decision-making in this respect.

Assurance is an evaluation, against a specified set of principles and standards, of the quality of specified public reports and the systems, processes and competencies that deliver the associated information and underpin the reporting organisation’s performance. Shell and BT, as well as Novozymes use a stakeholder-based approach to assurance as recommended by AccountAbility’s AA1000 standard in this respect (depicted in the diagram opposite - ©AccountAbility 2002) to assure reports informed by The GRI Sustainability Reporting Guidelines.



Nike



Nike is a well-known and highly visible brand in the textile and clothing sector. The company’s main activities consist of designing, marketing and selling sports goods. Nike is publicly quoted on the New York Stock Exchange, has a global representation and a turnover of €9.1 billion. The company has about 25,000 employees.

Nike produced its first stand-alone ‘Corporate Responsibility Report’ in 2001 which provided information about the company’s social and environmental activities and performance. More extensive data on these issues is located on the ‘nikebiz.com’ website. Nike also communicates about corporate responsibility through press releases to the media and through participation at conferences.

Supply chain management, legislation and codes of conduct are the key business issues for Nike. Important company-specific aspects include human rights and labour conditions, environmental protection, and a desire to develop public

recognition that Nike is a good corporate citizen with an underlying principle of transparency. NGOs and pressure groups, media, employees, and local communities are all key stakeholders in the report.

Motivation for Nike to report has shifted over the past decade, from pressure exerted by NGOs around human rights, to alignment with company values, and finally to a more integrated and strategic approach. With regard to pressure, interest in social and sustainability issues among stakeholders tends to be higher in Europe and Australia than in North, Central and South America. However, since multinationals operate in a global context where local issues can become a global phenomenon within 24 hours, these geographical differences have become less important. But a key determinant for Nike’s future commitment to reporting – and possibly also for that of other companies – is the outcome of the Kasky court case under review by the Californian Supreme Court. The essential issue here is that Nike had allegedly ‘misled’ consumers by profiling itself as socially responsible in its advertising. Discussions of the lawsuit centred on transparency and accountability versus the ‘manipulation of stakeholder perceptions’.

Nike reports in order to inform but not necessarily to change stakeholders’ perceptions, particularly

Finally, according to some interviewees, it was difficult to determine whether companies change their practices and activities in response to changes in stakeholder perceptions, or alternatively if they become more transparent because of changes in internal values, policies and practices. Most feel that the reality may be a mixture of both.

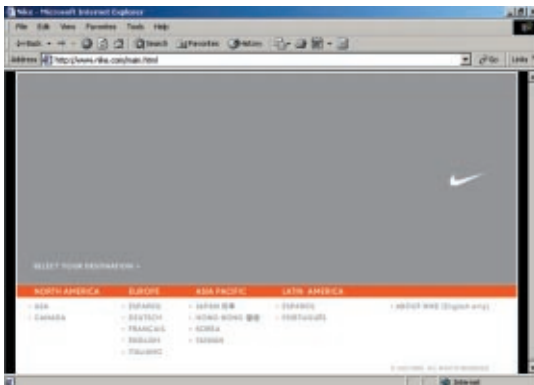
“For Nike, it is important to inform people about the ‘transformation’ the company has gone through. We would like to convince other companies to report, because it is good for them too!”

- Companies report on their social and sustainability impact both to change external perceptions and to benefit from dialogue with stakeholders inside and outside the company
- Many companies feel that results and action following from reporting are more important than trying to change stakeholder perceptions
- Most companies nevertheless feel that their reports are well received by stakeholders – the assurance of reports is emerging as a critical issue in strengthening their credibility
- While many companies still don’t measure stakeholder perceptions in a systematic way, they do so through a variety of conventional mechanisms, such as surveys
- It remains difficult to establish a clear causal link between reporting and changes in stakeholder attitudes, however some companies believe their reporting has had a significant impact on stakeholder relations

since the latter are currently fairly subjective. However, feedback on the report and the ongoing relationship with stakeholders is very important for the company. What is particularly interesting is the organisational learning that has been gained following the changes in information requests received from stakeholders. Rather than taking a reactive stance by just responding to these requests, the company has become increasingly proactive and started to challenge stakeholders to consider new ideas too; an example is the issue of gender representation in the supply chain. So far, it has been relatively easy to engage with employees about sustainability and to secure board

commitment on issues such as diversity, human rights and environmental initiatives. Liasing with investors who are predominantly used to focusing on financial information, and more recently, responsible marketing to customers, has been more challenging. Nike does not have a systematic methodology to assess stakeholders’ perceptions about its corporate responsibility report. The company has organised stakeholder panel sessions and workshops, and also conducts a ‘CSR monitor’ survey in 26 countries, which assesses perceptions about the company among the general public. On the basis of the above assessments as well as anecdotal evidence and informal feedback, the company concludes that most stakeholders have received the report positively. It is expected that the report’s visibility will remain high and that its technical quality will increase in the future.

Nike does not systematically assess costs and benefit implications of the reporting process. Whilst the costs of the printed report are higher than those involved in the maintenance of the website, the digital divide issues associated with website communication are perceived as problematic. Mailing of CD-ROMs is a communication option that could be considered in the future.



3.4 Report visibility and technical quality

Hypothesis 4:

"The impacts of reporting depends on its 'visibility', which diminishes over time, as well as its technical quality, which improves with time."

For many companies external visibility of their sustainability report diminishes over time as the initial novelty of the first report wears off and as they tackle the contentious issues that made their reports 'newsworthy'. This was confirmed by several of the companies in this survey. For example, Ford's sustainability report was highly visible when it was first published, since it contained controversial information about Sports Utility Vehicles. Currently, in spite of the fact that the report's technical quality has increased, the report receives less external attention. Similarly, the Danone report received a lot of attention from politicians when it covered restructuring in the biscuits sector two years ago, but receives less attention from those stakeholders now. According to Volkswagen, most stakeholders have become more interested in sustainability in a broader sense rather than in uniquely environmental issues. This explains why reports with an exclusively environmental focus have become less visible.

"The visibility of Shell reporting has changed a lot. The first one was groundbreaking in terms of public discussion on major dilemmas, and so there was a sense of relief and pride as this was showing what the company was doing already, but which needed to be communicated externally. Now it is less groundbreaking, as other people are doing it. Plus there is no crisis. To raise external visibility we now need to find a newsworthy story. Yet despite this, internally Shell has managed to maintain interest."

Novozymes



Novozymes is a member of the Novo Group, which also consists of Novo Nordisk and Novo A/S. It demerged from Novo Nordisk in 2001. Novozymes is a biotech-based business producing enzymes used in the detergent, starch and textile industries as well as food and animal feed industry. Novozymes is located in 30 countries and sells enzymes in more than 120 countries. The company's 2001 turnover was €713 million. Novozymes employs 3,400 people of which 2,000 are based in Denmark.

It is difficult to separate Novozymes from the Novo Group in relation to the company's history of social and sustainability reporting. In line with the Novo Group Charter, which includes the corporate values that now apply to both Novo Group and Novozymes, Novo Nordisk has a long history in producing social and sustainability reports dating back to 1993. Novozymes' current 'Environmental and Social' report is therefore the third overall social and sustainability report, though the first since the company became independent from Novo Nordisk.

Novozymes also produces annual site reports for key operations in Denmark, USA, Brazil and China. The format of the report is a mix of hardcopy and supporting information available via the website.

Key drivers that inform Novozymes' approach to reporting include intangible assets such as intellectual capital, reputation and brand, environmental protection, employee relations, ethical risk management and governance. Issues such as labour conditions and human rights are becoming increasingly important, but the priorities of certain aspects differ geographically. For example, while GMOs are a rather contentious issue in Denmark, community involvement and diversity issues tend to be more important in the United States, whilst in Brazil the focus is increasingly on the issue of human rights. The development of quantitative and qualitative social indicators is currently perceived as a challenging aspect of reporting.

Being a business-to-business organisation, Novozymes rarely receives stakeholder requests for information through reporting, but when it does, it is the expert audiences and academics that tend to be most interested. The business case is recognised internally for actively engaging with NGOs, suppliers,

However, others argued that external visibility would not necessarily have to diminish over time, since the introduction of new issues into the report and the use of new communication pathways (in response to stakeholders' information needs and requests) could help maintain the momentum. External visibility of the report also very much depends on the way in which it is promoted, disseminated and communicated, which differs from company to company. For instance, an interviewee from Shell said "we increasingly buy advertising space to differentiate it [the company's report] from the dozens of new reports being released." Involving new stakeholders can also increase a report's visibility. For example, Danone's report is expected to become more visible because it will increasingly be used to communicate with new suppliers in developing countries.

Internet reporting has according to most contributed to higher visibility of companies' sustainability reports since it is able to reach more stakeholders and facilitate continuous updating of information. For some companies, like Volkswagen, reporting on the Internet has stimulated the translation of the report into more languages, granting access to a much wider audience. However, others think that Internet reporting decreases visibility "because there is less of a 'big bang' effect when the report is launched, with the result that less people hear about it."

Many mentioned that their company would become highly visible if they decided to stop reporting, or if they would suddenly not win the same awards. Some expect that the visibility of social and sustainability reports may diminish in the future, because of the fact that the total number of reports produced is rising and expected to increase even more strongly over time. In contrast, some companies, like Nike, McDonald's and Ford, think that they will always remain visible, due to their high brand profile.

Unless the reporting process is driven by the desire to improve performance, limited external visibility does not encourage companies to invest further in the reporting process. Increased competition among sectors in

the SRI community and indexes, such as the Dow Jones Sustainability Index. Key customers of Novozymes include Unilever and Procter&Gamble, who are already very active in the field of corporate responsibility. Reporting about corporate responsibility has also helped Novozymes in engaging constructively with stakeholders such as with World Wildlife Fund (WWF) on GMOs. The report has also had a positive impact on the type of activities the company is involved in and on internal decision-making. Contentious issues have included GMO releases, animal testing, risks associated with antibiotics resistance markers, bio-ethics and the effects of allergens on health.



Novozymes measures changes in employees' perceptions through a survey conducted every two years and evidence indicates that shifts in perceptions can indeed be partly attributed to the company's social and sustainability report. Novozymes also tracks its SRI indices rating through surveys as well as the media's perceptions of the report, which are tracked from the moment the report is launched. The company's dialogues with government and NGOs tend to be more informal. Internally, the report is generally positively perceived, and has contributed to stronger engagement among staff in the field of corporate responsibility.

Novozymes does not systematically assess cost-benefit implications related to choices of particular communication pathways because the benefits are particularly difficult to quantify. From a risk management perspective though, the 'down-side' risks of not reporting are considered to significantly outweigh the reporting costs. Moreover, advantages and disadvantages of reporting are not the focus of very much internal discussion because the exercise fully corresponds with the corporate value of transparency.

the field of corporate responsibility may encourage a race to the top in reporting, but the risk remains that demands for accountability that are disconnected from core performance drivers will result in disaffection and disengagement with the reporting process over time, unless SRI investors, campaigners and consumer groups clearly strategise around the long-term impacts of their demands for transparency. The distinction between the 'technical' quality of a report and its actual value to the company in improving decision-making remains an important distinction for the future of reporting.

Compared with external visibility, most companies said the internal visibility of their sustainability report increased over time, as the reporting process tended to attract and involve an increasing number of staff. In some companies, like BT, Ford and Shell, for example, an increasing number of managers take decisions based on corporate responsibility considerations, which enhances the profile of the report. The report's visibility increases further if the report gets widely disseminated to employees and its launch receives support from senior management.

However, the visibility/technical quality contradiction can also apply internally. Some thought their social and sustainability reports had become less visible internally, since as their technical quality had improved, they included more long-term plans and management strategies and changed less spectacularly from one year to the next. They mentioned that the first reporting years attracted more internal attention because of the important changes that were brought about by increased transparency, and felt that this momentum had diminished over time.

Procter & Gamble



P&G is a recognised leader in the development, distribution and marketing of consumer products such as fabric and home care, baby and feminine care, beauty and health care and snack and beverages products. P&G markets nearly 300 brands and is represented in 160 countries. A publicly owned company, its stock is listed and traded on the following exchanges: New York, Cincinnati, Amsterdam, Paris, Basle, Geneva, Lausanne, Zurich, Frankfurt, Brussels and Tokyo. The company has a turnover of €39,796 million and 102,000 employees worldwide.

P&G's '2002 Sustainability Report' is the fourth of its kind, but the company has been producing a worldwide environmental report since 1993. Some regional managers include information of local relevance into the sustainability report. Reports take the form of hard copy summaries as well as online and CD-ROM versions. The full version of the hardcopy report is only used internally though is also available on the company's website in pdf-format. A Code of Conduct document is distributed

to external stakeholders. The company also produces community reports with a local scope on the corporate giving function of P&G.

Consumer affairs, investor, and employee relations and corporate governance are business issues that inform the company's approach to reporting. Brand-related issues are very important as well, since these constitute a direct link with the company's customers. P&G receives most information requests from students, shareholders, NGOs, government and consumers. Although the company responds to stakeholders' requests for information, data collection and reworking is time-consuming and can therefore only be carried out in selected situations. P&G sets clear criteria for the selection of data to be included in the report; the data has to have some direct business relevance. The company's sustainability report contains many examples of developing country programmes that have been implemented in recent years. It also paints a vision of sustainability that the company has made steady progress toward delivering.

P&G began reporting with a values-driven approach, in part because the company has not been subject to a lot of external pressures. Strategic considerations have also always been important.

Interviewees identified stakeholders' information requirements, internal striving for better quality, work with external experts and increased experience in reporting as the key drivers behind the trend toward improved technical quality of reporting. This included improvements in measurement efforts, standardisation of practices around the world, more realistic target setting, and a more complete and relevant contents coverage. Some expect that in the future, the technical quality of reports will improve even more, as many sustainability practices will have become the norm. As opposed to 'big bang' news stories, this improved technical quality may enhance the report's visibility among expert audiences, but general audiences such as customers and suppliers may become less interested in the report.

- For many companies, external visibility of their report diminishes over time as the initial novelty of the first report wears off
- However, visibility of a company's report need not decrease if new issues are introduced and a variety of pathways are used to promote it
- Most companies said the internal visibility of their social and sustainability report increased over time, as the reporting process attracted and involved an increasing number of staff
- Interviewees expect that in the future, the technical quality of reports will increase as sustainability practices become the norm. Critically the value of reporting in informing better decision-making must also increase

The call for more transparency is expected to increase in the future and may impact on business strategy and report coverage. P&G does not measure stakeholder perceptions to the sustainability report quantitatively, yet the company often communicates informally with key stakeholders especially with thought-leaders. However, the company does engage with employees, customers, and rating agencies via surveys, and communicates with shareholders through Annual Reports and meetings. The CD-ROM version has been well received and led to an increase in report readers.



The reporting process has had an impact on the company's activities and internal decision-making in some specific instances. The company's sustainability report has been of support to win new contracts and maintain current customers. P&G does not publish a sustainability report to become more visible, but expects to acquire more visibility through its focus on better nutrition and hygiene for the world's 4 billion under-nourished people.

The production of the hardcopy full report is extremely costly, over \$100 per copy. The production of executive summary and CD-ROMs are cheap by comparison, costing approximately \$1 per copy. The web site is the most cost effective way to distribute the reports and this also has the advantage of providing global reach, though some stakeholders might not have ready access to digital media. Within the company overall, benefits of reporting are generally perceived as greater than associated costs.

3.5 Reporting and internal change

Hypothesis 5:

"The internal impacts of reporting is dependent on shifts in stakeholder perceptions, but will be constrained beyond a critical point unless organisational culture and business systems change."

Most interviewees thought that the sustainability report in itself did not change the business, but that the process of reporting could be useful in changing some aspects of business systems. The report was considered as a 'facilitator' of change rather than a key driver behind internal transformation. However, since for some companies reporting is strongly linked with internal management structures, its impacts can be significant. For example, Danone created the 'Danone Way' mainly to enhance and preserve the Group culture at the global level. This approach has been the main driver behind change in the company. However, it is also true that the sustainability report, which was mostly a vehicle to communicate about social and

Royal Dutch/Shell Group



Shell is a global energy and petrochemicals company. Its full year adjusted earnings were €11,852 million in 2001. It operates in over 135 countries and employs 91,000 people. Shell has been producing a sustainability report since 1998. Before this time, it published Health, Safety and Environmental reports at both the global and Business level. Local reporting at a national or site level is also encouraged and an increasing number of Shell companies produce these reports. The Shell Report "People, Planet and Profits" has won several awards, including the 2000 ACCA/AccountAbility social reporting award and the 2001 ACCA/Sustainability reporting award.

Shell communicates its performance primarily through its corporate website and hardcopy reports. A full report is sent to external stakeholders, including shareholders, alongside the Annual Report. A summary report is produced in 20 languages and distributed to all staff. Over 1.5 million copies are also included as inserts in international magazines. The website includes downloads of the report as well as additional data, case studies, and issue information. Shell organises stakeholder dialogue events around the launch of the report and communicates through advertisements in international media, the employee

intranet, staff networks and exhibitions. Shell invites stakeholder feedback via a special section on the company's website, 'Tell Shell' and pre-paid postcards in the hardcopy report.

Shell's key business drivers for reporting include improving performance and catalysing change within the organisation. The report also provides a valuable foundation on which to connect and build relationships with stakeholders and convey commitments and aspirations, as well as reporting on performance in the social, environmental and economic spheres. Interactive website features such as 'Tell Shell' help assess stakeholders' opinions on the report. Internal and external research is also undertaken to ensure that Shell's reporting remains cutting edge and continues to meet stakeholder needs. This research also indicates that exposure to the report has a positive impact on target audience perceptions and associations with Shell.

The visibility of Shell's report and the topics that stakeholders are interested in differ across geographical regions. Regionally, stakeholder audiences in Europe, North America and Australia are most interested in environmental and social information. Stakeholder interest is greatest amongst employees, business partners, and NGOs, particularly those in developed markets. There is also growing interest from socially responsible investors and shareholders. Shell's approach to reporting has been influenced by a combination of

environmental projects and practices, has had an impact on the development of new management systems and generally on the transparency of the company's communications.

Key to success in the field of corporate responsibility is embedding responsible practices in day-to-day operations. Most participants had set up special units or committees responsible for embedding corporate responsibility throughout the business. However, many had difficulties in identifying major shifts in organisational culture and business systems or in attributing these to any single issue – though reporting was at least one of them. According to Unilever, “by having to report on their policies and practices, companies are stimulated to implement these internally. Once you report about some of these issues, you need to think harder about how to deal with them.”

BT, for example, has recently made important changes in the company's governance structure on corporate social responsibility. BT now has a Corporate Responsibility Steering Group, supported by the BT Board, with representatives of people from across the group. This strongly decentralised structure allows for a stronger involvement of managers and employees in the management of corporate responsibility systems across the business. A number of other companies said external pressure has played an important role in generating shifts in internal management systems. Ford and Volkswagen, in particular, emphasised the shift in corporate-NGO thinking about partnerships.

values, pressure and strategy.

The company's core values of honesty, respect and integrity are embedded in the Statement of General Business Principles, which has existed since 1976. In the mid 1990s the company was affected by external pressure over Nigeria and Brent Spar. This led to a far-reaching review of its activities and recognition that society had moved from a 'Trust me' to a 'Tell me' world. As part of its response, Shell produced its first sustainability report, one of the first such reports ever issued by business. Today, Shell's commitment to sustainable development is a key component of its strategic direction and reporting is an integral part of its activities. The Shell Report has evolved from values, policies and processes, to a greater focus on performance and demonstration of the business case in action.



Generally, the social side of the report is more challenging, as this is an evolving area that can be difficult to define compared to financial and environmental information. Other challenges being addressed are the evolution of the external assurance of the report - particularly on the social side - and a move towards adding meaning for stakeholders - for example, is performance good, bad or indifferent - rather than simply confirming the accuracy of data.

Despite the fact that Shell has now issued five sustainability reports, interest continues internally, as the report is a valuable resource for staff, a source of pride and often used as a tool to challenge Shell business leaders on performance. The report helps drive change in the company by highlighting issues and stimulating internal dialogue. It has had an impact on internal decision-making and on the company's activities. For example, through the report, a series of stakeholder dialogues were initiated on how Shell's performance could best be judged. This resulted in a programme to develop 16 'key performance indicators' to measure and report performance on sustainable development throughout the company.

Other drivers for change mentioned by the interviewees were a combination of shifts in stakeholders' attitudes and expectations, changes in CEO or senior management commitment to corporate responsibility, NGO campaigns, or the growth in societal demands for environmental and social information in general. In addition, some priorities were easier to address than others and better established, such as human resources, environmental protection and enhancement, and community affairs. More challenging aspects for most companies include the implementation of labour issues, supply chain management in developing countries, socially responsible investing, ethical risk management and governance, responsible marketing to customers, and diversity.

Finally, some interviewees also mentioned that it is generally easier to address implementation challenges when the business case is strong, the overall business climate favourable and senior management commitment considerable. Most participants felt that the implementation of internal changes tended to be a gradual and often phased process rather than one characterised by large shifts. However, several noted that there were exceptions to this rule.

Unilever



Unilever is a global fast-moving consumer goods company with brands that provide consumer goods such as washing powder, shampoo and toothpaste, teas, ice cream, oils and spreads to consumers all over the world. Unilever's shares are listed at key international stock exchanges including New York, Amsterdam, London, Germany, and Switzerland. In 2001, the company had 265,000 employees and a turnover of €51,514 million.

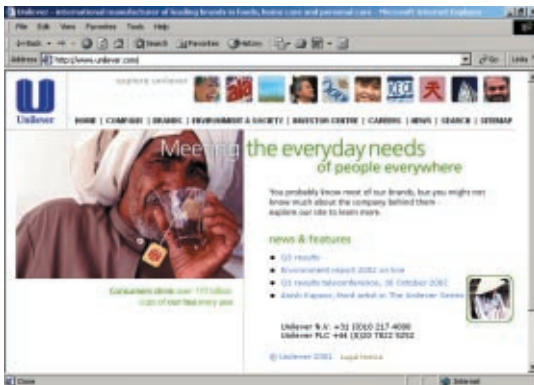
Unilever produces three reports that cover the company's environmental, social and financial performance and also offers a digidisk version of these. The company sends its environmental performance summary report to a targeted group of approximately 3,000 organisations and individuals. Unilever's first 'Social Review' was produced two years ago (its second is expected in Autumn 2002), but the company has produced Environment reports since the early 1990s. The report and other supporting materials are located on the website, and is complemented by a variety of action-

oriented hardcopy brochures including guidelines on specific issues such as sustainable agriculture, fisheries and water management. Unilever identifies new topics for inclusion in its environmental and social reports partly through stakeholder feedback. Consultants, NGOs and academics often ask the company what its views are on topics such as climate change, and this may lead to reporting of new data and information.

A commitment to sustainability is an important aspect of Unilever's culture. Transparency is the key driver behind the company's reporting process. Particularly in the social area, the purpose of reporting is to enhance audiences' understanding of Unilever's social and sustainability activities. Sustainability reporting is also becoming more aligned with the business strategy. Upcoming challenging issues in the field of environmental reporting are the internalisation of environmental externalities and sustainable consumption. Differences exist between the reporting context in Europe and the United States because the concept of sustainable development is interpreted differently around the world. These geographical differences do not significantly affect environmental reporting, though it can do on social disclosure for issues such as diversity. Mainstreaming corporate responsibility is also expected to become increasingly important.

- Sustainability reporting was seen as a facilitator of change rather than a key driver behind internal transformation
- Where company reporting is strongly linked with internal management structures, its impacts can be significant
- Other drivers for change mentioned by interviewees included shifts in stakeholders' expectations, changes in CEO or senior management commitment to CSR, NGO campaigns and general societal demands
- The implementation of internal changes was seen to be a gradual and often phased process, rather than characterised by large shifts

The production of social and sustainability reports has had a positive influence on the development of internal practices and data collection systems at Unilever. It has also generated more company support for sustainability activities and helped capture differences and similarities across business units around the world, which has stimulated employee action. It is, however, difficult to attribute internal changes within the company to the sustainability report in isolation. Unilever's sustainability policies and targets have been the key drivers for generating and embedding internal changes in this field, and the report has been an instrument to support this process.



Unilever does not systematically analyse the full cost-benefit implications of social and sustainability reporting. For example, most staff time has already been accounted for. Within the company's investor relations department, communication with the SRI community is co-ordinated by one manager. Approximately 50 other people co-ordinate and channel social information as part of their wider responsibility for communications and community involvement. A further 600 people have responsibility for the environmental management of around 450 sites and undertake data-collection for the environmental report as part of this role. Unilever continuously reassesses how many issues it can afford to actually report on from an internal resource perspective.

3.6 Different communications pathways, and costs and benefits of reporting

Hypothesis 6:

"Effective reporting requires communication with external stakeholders to be targeted through different 'pathways'."

Most companies use a combination of complementary channels to communicate about corporate responsibility, including hard copy reports, website, CD-ROMS, press releases, conferences, informal discussions, and stakeholder surveys. Some also use labels and standards, advertising and cause-related marketing. Several companies, like Unilever, work with a variety of stakeholders on solutions for certain sustainability challenges. The issue of 'effective' reporting here clearly links to the need to sustain visibility as reporting continues over time.

The interviewees expressed a general consensus that the Internet is fast becoming the medium of choice. It is able to reach a wider audience all over the world, in any time zone, and on a more frequent basis than via an annual or bi-annual report. Moreover, via a website a company is able to offer a greater amount of information with varying levels of complexity and according to different stakeholder needs, which they are also able to track. Finally, it is cheaper to use the Internet than produce a paper version, not to mention providing a lower environmental impact. Some participants, however, expressed concern over social inclusion in terms of web access and language barriers, as well as the fact that some stakeholders, like shareholders, would still prefer hard copies. Others were afraid that the report would lose its visibility when published on

Volkswagen

VOLKSWAGEN AG

As the largest automobile manufacturer in Europe, the Volkswagen Group offers products and services along the entire automotive value chain. The Group is also a mobility provider through the company's financial services division, and one of the leading information technology consultancies in Germany. Volkswagen is listed in the DAX and represented in all significant markets around the world. The company's turnover amounts to €88.540 million. Volkswagen has 322,070 employees worldwide.

Volkswagen has produced an Environment report since 1995. This report, which comes out every two years, has also included social information since 2000. Volkswagen is currently reflecting on how it could move towards full sustainability reporting that incorporates and balances social coverage. The Environment report is available in hard copy and on the company's website. Volkswagen's Social and Environmental Departments provide a wide spectrum of communication materials. The company's website now contains special sections, such as the Volkswagen

environmental micro-site, that include audience-specific information. Volkswagen has won several awards for its reports. The company ranked high in the index produced by the German 'Kapital' Business magazine and in another index created by the Institute for Ecological Design.

Important business issues that inform Volkswagen's approach to reporting are the society in general, risk and corporate governance, intangible assets such as brand and reputation and investor relations. Volkswagen receives most requests for information about sustainability from investors, NGOs, media, academics and students. Investors are a very important audience for Volkswagen, as communication with this group ties directly into the company's financial strategy; Volkswagen actively engages with this audience via investor workshops, and has dedicated staff to respond to the many questionnaires it receives from rating agencies. Volkswagen receives less information requests from customers, possibly because this audience is extremely diversified and less organised as a group than other key stakeholders such as employees. The German 'Work Councils' have been an important dialogue mechanism which has facilitated reporting about employee relations. Values and strategy were

the Internet. A compromise was suggested that combines a summary paper report with web links to wider references online. As an alternate to the Internet, CD-ROMs are considered as an increasingly interesting communication channel. They have some of the advantages websites have, such as being cheap and eco-friendly, while they can also be distributed personally, like hardcopy reports.

In parallel to selecting the right medium for reporting, companies face the additional task of identifying the right audiences and channels to target their communication to. Some companies use a 'segmented' approach to communicate with stakeholders, in that they address different audiences through specific pathways. BT has a long experience with this approach. The company's main target audiences are investors, customers, employees, and suppliers. Investors and suppliers are both addressed through tailored sections on the BT website, which contain content of special interest to each. The channels through which BT communicates to employees and customers are different, but the information provided to those two groups is more or less the same: communications to customers about social and environmental activities often takes place during the bidding process, while BT communicates to its employees through the intranet and the BT newsdesk.

Companies with decentralised cultures are more likely to have a wide variety of communications strategies around the world. These reflect stakeholders' information requests, geographical differences and local cultures. For example, communications channels tend to be much more informal in Asia, whereas conferences and presentations are more the norm in Europe. Strikingly, many companies said they were still unclear about their key stakeholders and do not know which communication pathways were most appropriate, indicating that significant progress remains to be made in this key area. Lack of clarity on the audience can pose additional difficulties in selecting the right content.

Most companies don't yet systematically assess costs and benefits of the choice of communication pathways used to convey messages about corporate responsibility. Others track costs fairly systematically. A challenge for some companies like Ford related to the current difficult economic climate are the potentially escalating

the key drivers when Volkswagen started the reporting process, and although pressure was minimal in the beginning of the reporting process, it has increased over time. Pressure from the company's competitors cannot be neglected; the automotive industry operates in a market structure where issues like sustainability are important differentiators.

Volkswagen does track changes in stakeholders' perceptions in relation to the publication of its report. The marketing department assesses the company's environmental image and customers' general opinions about Volkswagen. The company also tracks feedback

from employees informally through the company's Internet portal and regularly monitors media coverage. The online report has generally also helped Volkswagen to communicate with NGOs and pressure groups and has improved data collection that has facilitated discussions. Improvements in internal decision-making processes and the way the company tracks environmental and social performance has occurred over time. This can in part be attributed to the report. Reporting for Volkswagen is also an important stimulus for future change, for example in respect of communication and disclosure around fuel cells need political, NGO and consumer support.



The quality of Volkswagen's Environment reports has improved significantly over time, but the report may have become slightly less visible. This may be explained by the moved from an environmental approach towards a sustainability approach. Reporting costs are fact that environmental issues are less on people's agenda than before since most have now calculated through conventional methods and have been estimated at around €511,290 per year. This estimate includes fixed costs but excludes labour costs. Benefits are difficult to measure and hard to differentiate from existing advertising and branding efforts

costs of an ever-growing and unwieldy report. Manpower is currently in the process of undertaking a feasibility study examining advantages and disadvantages of reporting. Uncertainty in this area underscores the need for companies to clearly differentiate between the value gained through the visibility of a report, the value gained from its technical quality and a report's ultimate instrumental value for the company in improving decision making and performance.

- Most companies use a combination of complementary channels to communicate about corporate responsibility
- The Internet and options such as CD-ROMs are fast becoming the media of choice for communicating with a wide range of stakeholders
- Companies face the challenge of identifying the right audiences and channels to target their communication to
- Most companies don't yet systematically assess the costs and benefits of their choice of communication pathways and need to distinguish between report visibility, quality and informal usefulness

3.7 Reporting rationale - what makes it count

Drawing on the results of the research, interviews and meetings with companies, some key elements can be elicited that should inform and shape further discussion and analysis on how to enhance the impacts of reporting.

The 'transformational' understanding of reporting is more valuable than the 'classical'. There are two fundamentally different views about the impact of reporting. The 'classical' view holds that public reporting on past experience only has an impact if it changes the perceptions of the report's readers, primarily external stakeholders. If stakeholders change their behaviour as a result of changed perceptions, this in turn might impact on business decisions, activities and outcomes. The 'transformational' view goes one step further because it drives changes within a company. It holds that the process of reporting by a company, including the very commitment to report itself, can impact on business decisions and outcomes. Such changes would not necessarily occur as a result of changes in stakeholder perceptions, although such perceptions may provide the drivers for reporting.

Innovation in stakeholder engagement is key to success. To more effectively engage with different stakeholders, companies need to be responsive and creative in the way they choose to communicate with different individuals and groups. Furthermore, innovation in this area can help to refresh report visibility. Different people have varying levels of awareness, interest and information needs. Some stakeholders such as mainstream investors express limited enthusiasm for corporate responsibility data. Business could proactively seek their views on how to more appropriately balance communications on social and sustainability issues with financial information. It is also important to ensure that a 'segmented' or tailored approach to communication should cater to usability, access and different levels of awareness. Despite the Internet's lower costs and greater coverage, not everybody has the technical capacity to utilise it or simply prefer not to, and would be more receptive and responsive to the paper version or other forms of communication.

Assurance increases the effectiveness of reporting by enhancing management systems. Assurance of trustworthiness of what companies publish in public reports is relevant in building stakeholders' trust, which in turn will tend to support the development of their perceptions about, and effect their decisions that impact on, the company. Effective assurance processes foster internal learning, skill development and more effective decision-making supported by strengthened management systems. The combined external and internal effects of assurance confirm its importance in influencing the impact of reporting.

Conclusions and Next Steps



SECTION FOUR

Conclusions and Next Steps

A decade or more of learning about the value of social, environmental and 'sustainability' reporting through trial and error has led to calls to clarify the basis on which effective social and sustainability reporting is undertaken. This presents the business community and other stakeholders with an opportunity to evaluate the conditions that ensure social and sustainability reporting can make a real difference. This can contribute to building an enabling environment for transformation, where public reporting can take its place as one productive tool that at once enhances overall business performance at the same time as delivering accountability.

Acknowledging the role of dialogue and engagement between the wider business community and reference partners is of crucial importance. CSR Europe and AccountAbility welcome the opportunity to share the outcomes of this 'Impacts of Reporting' project with the wider business community and reference partners at the European, national and global levels. These include the European Institutions, in particular the European Mutli-stakeholder Forum on CSR; the Global Reporting Initiative (GRI); the United Nations Global Compact; the Organisation for Economic Co-operation and Development (OECD); Sustainable Investment Research International (SiRi) Group; the European Sustainable and Responsible Investment Forum (Eurosif), and other organisations.

Despite the current lack of understanding around certain aspects of the impacts of social and sustainability reporting, many companies consider it to be valuable to them and their stakeholders. An improved understanding of these impacts will be crucial in enhancing the effectiveness of reporting as an instrument to improve business practices and outcomes. Based on the research summarised in this report, we have identified five key areas for further research and investigation. We invite the business community, the CSR EMS Forum, the academic community and other reference organisations to reflect on the relevance and appropriateness of these research avenues:

- **Context matters** – Identification of how context-specific factors influence the impacts of reporting; including an analysis of the differences across geographical regions, sectors, and types of organisation.
- **A 360° perspective of stakeholder communication** – Consideration of both companies and their stakeholders as participants in a 'full' transformation process. This would help them determine effective, proactive and responsive communication approaches. A full impact assessment of stakeholder engagement would include a 360° analysis involving interviews with both businesses and representatives of key stakeholders.
- **Reporting as a driver for change in business practices** – Establishing the connection between reporting, management practices and governance, including impacts on business partners such as suppliers. Key considerations for this work should be assurance and risk. It would also build on existing academic research concerning the link between shareholder value and accounting for intangible assets such as reputation and intellectual capital.
- **Materiality and boundaries** – Analysis into the identification, selection and coverage of stakeholder issues in reports. This would help management decide how best to balance what is relevant for them and what is relevant for their stakeholders, and also how the issue of assurance should be approached.

- **Future of reporting** – Closely linked with academic research on the value of the firm, as well as analysing internal and external factors that are likely to affect reporting contents, coverage and format in the future. It would extrapolate conclusions from different scenarios around stakeholder information needs, communications strategies and regulatory frameworks.

The role of stakeholders

All stakeholders have a collective role to play in fostering the positive impacts of reporting, and enhancing the transparency, effectiveness and efficiency of corporate communication in the field of corporate responsibility. A stronger exchange of information and education among key partners will be of great value on this journey.

- At the **European level**, we look forward to contributing to the work of the European Multi-stakeholder Forum on Corporate Social Responsibility (CSR EMS Forum), initiated by the European Commission. The CSR EMS Forum is expected to be a key platform for stakeholders to engage in constructive dialogue and explore learning opportunities around the key theme of transparency and corporate responsibility practices and tools. We hope to interact with the members of the CSR EMS Forum, and encourage it to go beyond traditional discussions on 'how to report' and 'what to report on' by placing more emphasis on questions such as 'what are the impacts of reporting'.
- With regard to **public policy**, we welcome the facilitating role the Commission plays in establishing platforms such as the CSR EMS Forum. We also welcome the Commission's commitment in its communication on sustainable development to produce its own sustainability report by 2004. This clearly indicates that the transformation reached through enhanced transparency does not only concern multinational enterprises, but also investors, charities and public sector organisations.
- **Standard setting organisations** such as the Global Reporting Initiative (GRI) and the International Standards Organisation (ISO) can help ensure reporting to stakeholders is part of a wider process, both internally and externally. They could help foster those initiatives that encourage to go beyond reporting in isolation. Much can be learned from existing approaches to reporting that focus on communicating with investors about the management of business risk. This is also true for approaches to social and sustainability-related assurance frameworks, such as the broad-based AA1000 Assurance Standard, as well as auditing systems focused on specific areas of concern such as labour standards and the environment.
- The **financial community** is key to providing a foundation for the commonly shared goal of increased transparency and more effective reporting. They therefore need to send clearer signals to business on how their investment decisions and activities are affected by information disclosure in the field of corporate responsibility. Ultimately, this would clarify the link between corporate responsibility practices and investors' evaluations of good management practices and long-term business success.
- An improved understanding of the impacts of reporting will enhance its effectiveness as an instrument to improve business practices and outcomes. The **academic community** could be instrumental in promoting knowledge and improving the dialogue between practitioners, policy makers and researchers. We welcome the European Commission's support for initiatives promoting research on social and sustainability reporting and transparency, in the context of the Commission's newly launched Sixth Framework Programme. We hope that Business Schools and Universities working together in networks such as the European Academy of Business in Society and the European Association of Universities will lead the way in these efforts.



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- ² This hypothesis and picture is based upon and inspired by the publication Zadek, S, Pruzan, P, Evans, R., "Building Corporate Accountability: Emerging Practices in Social and Ethical Accounting and Reporting" (1997), Earthscan.
- ³ The EMS Forum was launched on 16 October 2002, with the objective of providing innovation, transparency and convergence of corporate responsibility practices and instruments by improving knowledge about the relationship between corporate responsibility and sustainable development. The creation of the Forum followed on to the 2001 Green Paper on Corporate Social Responsibility by the European Commission, a subsequent consultation period, experimental Round Tables and the Commission's July 2002 Communication about the topic. The Forum addresses the key theme of transparency and corporate responsibility practices and tools, through the exchange of experience and best practice. Moreover, the CSR EMS Forum focuses on European approaches while recognising the global dimension.
- ⁴ These include for example academia, the SRI Community, NGOs and consultants.
- ⁵ CSR Europe (2000), "Communicating Corporate Social Responsibility - Transparency, Reporting, Accountability".
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- ⁷ This hypothesis and picture is based upon and inspired by the publication Zadek, S, Pruzan, P, Evans, R., "Building Corporate Accountability: Emerging Practices in Social and Ethical Accounting and Reporting" (1997), Earthscan.
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- ²⁵ Higgins, C.P. (2002), "Triple bottom line reporting: the importance of reputation and trust", *New Academy Review*, Vol.1 No. 2.
- ²⁶ For example as from January 2002 by law in France all publicly quoted companies must report on their social and environmental performance; as well as the further development of internet communication capabilities more generally (ACCA and Next Step Consulting Ltd, 2001).
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Glossary



AA1000 Accountability Framework	AccountAbility 1000 (AA1000) details how an organisation can map its stakeholders and build a systematic process for stakeholder engagement (1999). The Framework is currently being revised under consultation; the updated version will be released in late 2002. (Refer to website http://www.accountability.org.uk).
Accountability	Simply stated, accountability is the duty to provide an account of the actions for which one is held responsible. Hence, accountability is concerned with the relationships between groups, individuals, organisations and the rights to information that such relationships entail (definition drawn from AA1000).
Assurance	An evaluation against a specified set of principles and standards of the quality specified public reports, and the systems, processes and competencies that deliver the associated information and underpin the reporting organisation's performance (definition drawn from AA1000 Assurance Standard – Consultation draft).
Code of conduct	A formal statement of the values and business practices of a company and sometimes its suppliers. A code is a statement of minimum standards together with a pledge by the company to observe them and to require its contractors, subcontractors, suppliers and licensees to observe them. It may be a sophisticated document, which requires compliance with articulated standards and have a complicated enforcement mechanism.
Corporate citizenship	Corporate citizenship is the management of the totality of relationships between a company and its host communities, locally, nationally and globally.
Corporate governance	A set of relationships between a company's management, its board, its shareholders and other stakeholders. Corporate governance also provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined. (OECD Code — 1999).
Corporate social responsibility (CSR)	CSR is a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis (drawn from European Commission Communication on CSR, 2002).
Dow Jones Sustainability Index (DJSI)	Is operated by SAM Indexes GmbH. The DJSI focuses on meeting the financial market's demands for rational and investable indexes to benchmark the performance of investments in sustainability companies and funds. It also provides independent indexes as a basis for derivatives and funds focused on sustainability companies.
Engagement	The process of seeking stakeholder values on their relationship with an organisation in a way that may realistically be expected to elicit them.
Global Reporting Initiative (GRI)	The GRI is a long-term multi-stakeholder international undertaking whose mission is to develop and disseminate globally applicable sustainability reporting guidelines for voluntary use by organisations reporting on the economic, environmental, and social dimensions of their activities, products and services.

Human rights	Human rights are based on the recognition of the inherent dignity and of the equal and inalienable rights of all members of the human family as the foundation of freedom, justice and peace in the world.
Management system	Management system refers to what the organisation does to manage its processes, or activities. The larger the organisation, and the more people involved, the more the likelihood that there are some written procedures, instructions, forms or records. This ensures that nothing important is left out and that everyone is clear about who is responsible for doing what, when, how, why and where.
Monitoring	The process of regularly collecting information to check performance against certain criteria.
Public Report	Information contained within a specific report published periodically to inform stakeholders about the organisation's performance.
Screening	Inclusion or exclusion of stocks and shares in investment portfolios on social, ethical or environmental grounds.
SIGMA	A partnership project between BSI, Forum for the Future, and AccountAbility which aims to develop a framework for integrated sustainability management systems. The Draft Guidelines are downloadable from the website at http://www.projectsigma.com .
Socially responsible investment (SRI)	Socially responsible investment combines investors' financial objectives with their commitment to social concerns such as social justice, economic development, peace or a healthy environment. (drawn from http://www.uksif.org)
Stakeholder	An individual, community or organisation that affects, or is affected by, the operations of a company. Stakeholders may be internal (e.g. employees) or external (e.g. customers, suppliers, shareholders, financiers, the local community).
Standard	The term 'standard' is used to describe a written document that seeks to influence behaviour so that it is recognisable and reproducible in order to improve the social performance of the organisations to which it is applied. This includes both auditable standards as well as broad guidelines, codes of conduct, charters, investment screening mechanisms and benchmarks.
Sustainable development	The concept of sustainable development was first popularised in the 1980's by the Brundtland Commission report "Our Common Future", which proposes that for development to be sustainable it should "meet the needs of the present without compromising the ability of future generations to meet their own needs".
Triple bottom line	The idea that the overall performance of a company should be measured based on its combined contribution to economic prosperity, environmental quality and social capital. (drawn from European Commission Green Paper on CSR, 2001).

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CSR Europe's mission is to help companies achieve profitability, sustainable growth and human progress by placing Corporate Social Responsibility (CSR) in the mainstream of business practice. One of the most recent activities initiated by CSR Europe has been the "European Business Campaign on CSR – It simply works better" aimed at creating more awareness around Corporate Social Responsibility. For more information, visit www.csrcampaign.com.

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AccountAbility's mission is to promote accountability for sustainable development. As a leading international professional institute, AccountAbility provides effective assurance and accountability management tools and standards through its AA1000 Series, offers professional development and certification, and undertakes leading-edge research and related public policy advocacy. AccountAbility has embraced an innovative, multi-stakeholder governance model, enabling the direct participation of its organisational and individual members who span business, civil society organisations and the public sector from different countries across the world.

Join us for phase 2!

Every day more and more companies are signing up to the challenge of communicating about their social and environmental impact. But how effective is current social and sustainability reporting? What is its value for either companies or their stakeholders? These questions are matched by the growing costs of reporting and a surge of reporting standards, guidelines and awards. Amidst this maze of competing priorities, how can companies assess the impact of their reports on stakeholder perceptions and actions, and ultimately on business performance and outcomes?

CSR Europe's applied research programme on the **'Impacts of Reporting'** aims to explore ways to support effective corporate reporting. This is not a matter of 'what' or 'how' to report, which is a focus of many productive initiatives today. Rather, this study focuses on addressing the underlying question from practitioners of 'what kind of reporting makes a real difference' to what people think and how they behave, both inside and outside of the business community?

Bringing together results and insights from the programme, this study by **CSR Europe** in association with **AccountAbility** is intended to stimulate much-needed debate between policy makers from public bodies, business and civil society organisations that are involved in encouraging and enabling effective social and sustainability reporting. It also lays important groundwork for future in-depth investigation.

In phase 2 of the project, companies are invited to help shape forthcoming research along the following 5 key lines:

- I. Investigate how context-specific factors influence the impacts of reporting
- II. Conduct a 360° analysis of stakeholder communication and participation in company transformation
- III. Explore the relationships between reporting, changes in company management practices and governance, and the role of assurance
- IV. Study how companies identify, select and cover stakeholder issues in their reports
- V. Identify internal and external factors that are likely to affect reporting contents, coverage and format in the future

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