A Theoretical Exploration of the Adoption of GRI (Global Reporting Initiatives) Guidelines in Corporate Sustainability Reports

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Shang Mou Deng 23/09/2010

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ABSTRACT

With the trend towards sustainability, society is increasingly calling for organisations to demonstrate their corporate social responsibility (CSR). In response, more and more Australian companies are engaged in CSR reporting. The literature shows differences in the quantity and quality of CSR reporting and also includes ongoing debate as to why companies engage in voluntary corporate social and environmental disclosure (CSED). This thesis aims to use the context of the adoption of Global Reporting Initiatives Sustainability Reporting Guidelines (GRI Guidelines) by Australian mining and banking companies to explore why and how CSED differs in organisations within and between industries.

The literature in relation to why companies make CSED contains many ideas but it lacks a coherent theoretical framework. This study views these explanations as possible rationales, on which a model based on the notion of institutional logic is adopted to explore legitimacy management in CSED from a micro-level aspect.

In order to understand the rationality behind CSED decisions, a comparative case study approach is utilised, using the banking and mining industries, to explore how these rationales exist and interact in the decision-processes leading to CSED. At the operational level, this study re-examines the relationships about the perceptions of managers of social and environmental pressures, the motivation for CSED, disclosure strategies and outcomes of CSED. Interview and archive data are collected and analysed to facilitate an understanding of the phenomena as well as providing corroborating evidence from different sources.

Results indicate that motivations for CSED generally stem from legitimacy risk management. This is consistent with the results of much of the extant literature, which asserts that CSR reporting is a response to pressures exerted by various stakeholders. However, how to respond to the need for legitimacy management can be different. The CSED variations between and within sectors provide evidence that institutional and strategic approaches are used in the decision making of CSED..

This study, in contributing to and extending the body of CSED and voluntary disclosure research, provides an understanding of the why and how of CSED from a multi theoretical perspective and uses the adoption (or not) of the GRI Guidelines as the main vehicles on which the investigation is based.

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LIST OF ABBREVIATIONS

AA1000	The AccountAbility 1000
CAER	Centre for Australian Ethical Research
CED	Committee for Economic Development
CFP	Corporate financial performance
CMAC	Corporations and Market Advisory Committee
CSED	Corporate social and environmental disclosure
CSP	Corporate social performance
CSR	Corporate social responsibility
EU	European Union
GRI	Global Reporting Initiatives
GRI Guidelines	Global Reporting Initiatives Sustainability Reporting Guidelines
ICMM	International Council on Mining and Metals
ISO	The International Organisation for Standardization
MCA	Mineral Council of Australia
OECD	Organisation for Economic Co-operation and Development
PER	Public environmental reporting
SA8000	The Social Accountability 8000
SEA	Social and Environmental Accounting
TBL	Triple Bottom Line
UNCED	United Nations Conference on Environment and Development
UNEP	The United Nations Environment Programme
WBCSD	World Business Council for Sustainable Development
WCED	World Commission on Environment and Development

Chapter 1 Introduction

1.1 Background to the Research

With the trend towards sustainable development, society is increasingly calling for organisations to demonstrate their corporate social responsibility (CSR) to sustainability. This increasing demand for CSR requires organisations to consider stakeholders other than shareholders and reconcile environmental, social and economic impacts. While economists such as Friedman (Friedman, 1962) have long argued that the major mission of a corporation is to maximise the wealth of shareholders, long-run profits and CSR are now inseparable from the market which means that profits can best be maximised by embracing, rather than forswearing, social and environmental concerns in society.

As suggested by the concept of a social contract, a corporation is required to act in a socially responsible manner, which requires it not only to be profitable but also to obey the law, be ethical, and be a good corporate citizen (Carroll, 1999). The pressures from society on corporations to demonstrate CSR are particularly focused on a demand for corporations to be aware of, and account for, the social and environmental impacts of business operations. In order to fulfill this obligation, corporations are expected to report to stakeholders about their performance in respect of social and environmental issues in relation to the business operation.

Corporate social and environmental disclosure (CSED) should therefore form part of corporate-stakeholders dialogue and become a key step towards meeting society's demands for CSR. With the progress of a more sophisticated institution towards sustainable development, one of the key concerns in social and environmental accounting is whether current CSED rules are adequate to require corporations to provide sufficient publicly available information in relation to the environmental and social impacts of their operations. Addressing this issue, the Global Reporting Initiatives (GRI) Guidelines, a principal accountability and reporting framework, has been developed. GRI provides a globally recognised voluntary reporting standard (Sustainability Reporting Guidelines) that organisations can apply when reporting their sustainability performance in their CSR/sustainability reports.

Despite the emergence of the GRI Guidelines and society's heightened social and environmental awareness, corporations have demonstrated variations in commitment to adopt the Guidelines in CSR reporting. As revealed by a preliminary survey (see Tables 2.5 and 2.6), variations in CSED, in particular, to the adoption of the GRI Guidelines in CSR/sustainability reports, exist in the Australian context. According to Table 2.6, mining, water, electricity, steel and other metals and banks are the sectors which produce most sustainability reports in Australia. It is apparent that companies selling coal, gas, oil and 'dirty' electricity, which have a high environmental impact, need to address social and environmental issues. It should be asked, however, why the banking sector, as a 'low risk environmental impact' sector, been so involved in sustainability reporting? In addition, why do companies in the same sector produce different types of CSR/sustainability reports? Using a case-comparison study between and within sectors in the Australian context, the aim of thesis is to shed light on the phenomenon of variations in voluntary CSR/sustainability reporting in general and by adopting GRI guidelines in particular.

1.2 Research Questions

The literature (such as O'Dwyer, 2005) indicates lack of agreement, even confusion, about what social and environmental information ought to be reported and to whom the reports ought to be addressed. There is also some confusion about the definition of sustainability and each definition assumes that corporate management respond to slightly different motivating forces. Therefore, the research problem is to discover if there is any consensus among corporations about what ought to be reported and the reasons for reporting.

The initial form of the research questions arising from this problem related to what do Australian corporations report and do they use any external guidance when preparing the reports. However, because of the vast array of suggestions about what ought to be reported, to whom the reports ought to be addressed and motivations for reporting a managerial legitimacy perspective was adopted and the GRI Sustainability Reporting Guidelines were selected as the most widely accepted and known as the source of external guidance.

A second difficulty in devising a manageable research project was that of scope. The mining and banking industries were chosen because the first is usually described as a dirty industry and the principal offender against sustainability while the second while not directly involved in activities affecting sustainability, provides the financial resources to many potentially 'dirty' industries. In addition, both industries have strong industry associations and codes of conduct.

This reasoning enabled the development of the following research questions.

1. Why do Australian mining and banking companies see the need to engage in CSED, in particular, to adopt GRI Guidelines in their CSR/sustainability reports?

2. How do Australian mining and banking companies implement GRI Guidelines in corporate social disclosure practices?

Drawing on previous work, O'Donovan (2000, p.33) summarised key factors which influence the information content of voluntary CSED. They are: (1) the perceived purpose of the report; (2) the identification of important stakeholders; and (3) the characteristics of corporations and industries in which they operate. This argument is the basic concept which provides an important starting point for further investigation in this thesis.

The current study first attempts to identify needs that motivate corporations to CSED and the adoption of the GRI Guidelines in CSR reporting. Extant literature has provided a great deal of research into why companies involve themselves in CSED. Various researchers in CSED have provided different explanations why organisations disclose social and environmental information. From a managerial perspective, this thesis explores why companies adopt the GRI Guidelines in their CSR/sustainability reports. The second research question focuses on how the selected companies respond to these motives in their CSED, including the implementation of the Guidelines in CSED.

1.3 Justification for the Research

The 1970s saw the development of an array international code, norms, principles, guidelines, standards and indices dealing with responsible corporate conduct in respect of sustainable development. The key concern about CSED is whether current disclosure rules are adequate to require large corporations to provide sufficient publicly available information, for the benefit of investors and other interested parties, regarding their policies and practices in relation to the environmental and social impacts of their operations. Addressing this issue, the Global Reporting Initiatives (GRI) provide a generally recognised and adopted voluntary reporting standard (Sustainability Reporting Guidelines) that organisations can apply when reporting their performance in sustainable practices. The implementation of the GRI Guidelines in CSED also provides accounting academics an opportunity to examine the existing voluntary CSED theories.

CSED literature has identified two groups of theories, which purport to explain why corporations engaged in voluntary CSED. Market-based theories suggest that managers, to diminish agency problems caused by information asymmetry, use voluntary disclosure, including voluntary CSED. By doing so, companies are able to avoid unjustified undervaluation; managers are able to differentiate their quality in performance and then benefit from their compensation plans. Social-based theories, originated in the concept of the social contract, suggest that companies engage in CSED because of the need to manage the 'legitimacy' of the company.

From a legitimacy management point of view, companies voluntarily engage in CSED to demonstrate how their operations adhere to norms or expectations of the society. Legitimacy theory posits that a corporation must act in congruence with society's values and norms in order to achieve its legitimacy and thus obtain its 'social licence to operate'. The existence of a widening legitimacy gap drives corporate efforts to manage legitimacy. From the social-based theories perspective, companies engage in CSED because of the need for legitimacy management.

Although legitimacy theory gains credibility in the explanation of voluntary CSED, it is still considered a relatively under-developed theory of managerial behaviour (Deegan, 2002, p.298). While legitimacy theory focuses on how to meet the expectations of 'society', most CSED studies rooted on legitimacy theory lack specificity in both the definition of legitimacy and the way these norms, values and beliefs are institutionalized to measure and ensure the legitimacy. Legitimacy theory ignores concepts of accountability and transparency to the 'general public'. Additionally, few previous CSED (with the notable exception of O'Dwyer (2002) and O'Donovan (2002)) studies have discussed the management's approach in managing legitimacy. By adding a strategic approach to identify the main audience (stakeholders) of CSED and by adding an institutional approach to clarify public expectations, this study contributes to legitimacy theory by overcoming these pitfalls.

According to Suchman (1995), the studies in relation to the understanding of and the management of organisational legitimacy can be divided into two categories: institutional and strategic approaches. The institutional approach adopts the view of institutional theorist such as DiMaggio and Powell (1983) and Meyer and Rowan (1977), who posit that the legitimacy is gained or held by an organisation when it operates within an accepted institutional framework. The strategic approach such as Dowling and Pfeffer (1975) and Elsbach and Sutton (1992), adopts a managerial perspective and emphasise ways in which organisations may employ evocative symbols to acquire their legitimacy.

As noted by O'Donovan (2000, p.88), these two approached look different, but to a large extent, the distinction between them is a matter of perspective. From a strategic perspective, legitimacy is considered from the view of management who perceives what takes to legitimize the entity in the eyes of the public. This approach assumes that management has a high level of control over the legitimation process and knows what the stakeholders want from CSED. The institutional approach, however, takes a societal stance, which relies on the notion that isomorphism may create legitimacy. Suchman (1995) suggests that from a strategic perspective, legitimation is purposeful, calculated and frequently opposed to the wants of stakeholders while the institutional approach adopts legitimacy as a set of stakeholder beliefs and downplays management and stakeholder conflict. In order better to understand these two approaches, stakeholder theory and institutional theory are briefly discussed and employed to identify who the important stakeholders are and what are their expectations in CSED (see further discussion in Chapter 3).

Most existing CSED studies into the concept of legitimacy management have put emphasis on how companies use CSED as a communication tool to manage a threat to organisational legitimacy caused by a certain issue or event. Few of them have paid attention to why companies do not follow a set of globally recognised disclosing guidelines which would enhance the credibility of CSED and have a positive impact on their organisational legitimacy. Further, little CSED research has been conducted from a micro-level to explain the form and content of CSED. The current study uses the context of Australian mining companies and banks in the adoption of the GRI Guidelines in their CSR/sustainability reports to explore why and how the variations in CSED exist among selected companies.

The particular pattern that the current study is interested in is a reactive or ceremonial adoption (Kostova and Roth, 2002). Ceremonial adoption means the adoption of GRI their Guidelines in CSED practice but without a belief in their value for the organisation from an economic efficiency point of view. From an institutional perspective, ceremonial CSED might be expected when the institutional profile requires and enforces the practices through a coercive mechanism while the cognitive and normative profiles are less favorable for it. In the case of CSED, the adoption of the GRI Guidelines would be expected by certain environmentally sensitive industries, but limited CSED or lower application levels might be found in these companies' CSR/sustainability reports because of other contextual factors. This research aims to contribute to the body of voluntary CSED theories by investigating these phenomena through a multiple-approach lens.

1.4 Methodology

From a research methodological perspective, the current study attempts to overcome some criticisms of CSED studies underlying legitimacy theory. As legitimacy theory is dependent on the managers' perception of stakeholders, it is considered essential to seek information directly from CSED managers or senior officers about the process of decision-making in CSED or the adoption of GRI Guidelines. Most prior CSED studies into legitimacy theory did not seek information directly from management. Rather, the majority of previous CSED studies used content analysis to analyse documentary data such as annual reports. Such ex-post data collections without triangulation are limited in usefulness because of insufficient validity and reliability. Gathering data, directly from CSED management and from an ex-ante perspective is more useful in understanding why corporations engage in CSED and adopt the GRI Guidelines. More importantly, by interviewing CSED managers, the researcher is able to explore the reasons for limited disclosure, which refers to not including events/issues or key performance indicators suggested by the GRI Guidelines in companies' CSR/sustainability reports.

Consequently, as suggested by Matten and Moon (2008) a comparative-case study approach is utilised to reexamine the relationship among the perception of managers in respect of the social and environmental pressures on companies, the motivation for disclosure, disclosure strategy and the outcome of CSED (in particular, the application level of adoption GRI Guidelines in reporting themes, the issues and the key performance indicators). A two-stage data collection approach is employed to seek to overcome the methodological limitations noted above and to understand the phenomena captured. A multi-stage data collection is designed to facilitate the understanding of the phenomenon, while also providing triangulation.

The majority of the data collected are qualitative, and an analytical inductive approach and content analysis are utilised in the data analysis. The analytical approach involves iteration between the existing literature, data collected and theory development and refinement. A content analysis based on the GRI Guidelines version 3 (G3) is developed to illustrate the differences in CSED among the companies used in the study (the case-companies). The results provide multiple-resources auditing to ensure whether or not the social pressures and responses revealed by the interviewees match with the output of their CSED.

1.5 Summary of the Results

The purpose of the current study was to investigate the phenomena captured: the CSED variations existing within and between sectors. In order to achieve this objective, the current study explores why and how the case-companies engage in CSED; in particular, it investigate how the case-companies implement GRI Guidelines in their CSED.

The results confirm that the management of the case-companies in both the mining and banking sectors all perceived social and environmental pressure in their business operations. These pressures include social scrutiny, an increasing rregulated operational environment and peer pressure. Without responding to these pressures appropriately, the firm's legitimacy will be threatened. In order not to become a political target and keep its ‘social licence to operate’, business agrees to meet various social expectations, and this ultimately guarantees its survival. This may explains why mining, water, electricity, steel & metals and other sensitive industries produce the most CSR/sustainability reports in Australia.

It is worth noting that apart from perceived social and environmental pressure, the case-companies in the banking sector believe that competition over sustainability exists in the industry and sustainability is an opportunity to yield market growth. This industry-specific need for CSED apparently has shifted the issue of sustainability from a threat to an opportunity. The results of the data analysis revealed that the society does not only expect the Australian banks reactively to decrease their ‘footprint’ in the operation, but also expect banks, a financial supporters of other business, to play a proactive role to influence other companies in the trend towards sustainable development. The role of ANZ bank in the case of Gunns Limited and the planned pulp mill in Tasmania is a typical example (see detail in Section 6.2.1). Most major Australian banks reflect these expectations and respond by the adoption of the GRI Guidelines with high application level in their CSR reports. The CSED variations between sectors are consistent with the argument of legitimacy theory which asserts that companies design and disclose information in their CSR reports in order to manage the expectations and perceptions of the public. The managements of the case-companies appear take an institutional approach in the release of CSED. But how about the variations exist within the sector?

From a strategic approach perspective, factors influencing managers in CSED decision-making include: (1) who the main audiences (salient stakeholders) are; (2) what the information need of these audiences are; (3) what the limits on the expertise and cognitive ability of the target CSED audiences to process information in CSED are; and (4) what the possible proprietary costs that lead to losses as a result of CSED are. In essence, the information relevant to main stakeholders and the consideration of proprietary costs influence the decision-making of limited disclosure in voluntary CSED. It is obvious and well established in the research that when most organisations face a conflict between their financial performance and their social and environmental performance, they are bound to give preference to the financial. Triple bottom line reporting (TBL) after all is a financial bottom line with a little bit of social and environmental added (Gray and Milne, 2002).

1.6 Outlines of the Thesis

This thesis has developed into seven chapters plus a bibliography and six appendices. The body (Chapter 2-7) of the thesis is structured as follows. Chapter 2 presents information on corporate social responsibility, TBL and GRI Guidelines in order to provide a basis for analyzing the variation that arises in the adoption of GRI Guidelines in CSR reporting and in particular in Australian mining and banking companies. In this chapter the phenomenon of variations in CSED is captured (Section 2.7.2).

In Chapter 3, a number of theories underpinning the reasons for voluntary corporate social and environmental disclosure (CSED) from a managerial point of view are reviewed. Various researchers in CSED have explored different explanations and theories as to why and how organisations disclose their social and environmental information. They include agency theory and signal hypothesis in the market-based category, and legitimacy theory, stakeholder theory and institutional theory in the socially based category. Based on these theories, five propositions are developed. Following on the development of the propositions, Chapter 4 employs models from Adams (2002) and Gibbins, Richardson and Waterhouse (1990) which can be used to examine the logic for CSED decision-making.

Highlighting the link between the research questions and the design, the research method chosen, a multiple-source data collection and multiple-approach data analysis, is discussed in Chapter 5. The results and discussion are presented in Chapter 6 and Chapter 7 reports the implications and contributions in relation to the current study. This is followed by a discussion on the limitations of the research and findings. Finally, directions and opportunities for future research are included.

CHAPTER 2
CORPORATE SOCIAL RESPONSIBILITY: CONCEPTS, REPORTING AND REPORTING GUIDELINES

2.1 Introduction

The aims of this chapter are many. First, the conceptual evolution of CSR is reviewed. The review is particularly focused on the difference between the shareholder primacy principle and broader stakeholder perspective. Second, the emergence of the trend towards sustainable development is examined. Third, this chapter reviews how companies report CSR, particularly in sustainable development. This includes the concept of the triple-bottom-line (TBL) reporting and the development of Global Reporting Initiatives Sustainability Reporting Guidelines (GRI Guidelines). This chapter provides information on corporate social responsibility, TBL and GRI Guidelines in order to provide a basis for analyzing the variation that arises in the adoption of GRI Guidelines in CSR reporting in Australian mining and banking companies.

Over the years there have been many articles dealing with social reporting (e.g. Adams and Harte, 1998) and, later, with environmental reporting (e.g. Deegan and Blomquist, 2006). Most of these articles referred to socially responsible and environmentally sustainable practices. As shown in the following pages, many commentators (Gray et al., 1995a, Owen, 2007) do not appear to think about them as two distinct issues. Also, as the concept of sustainability in the context of continuous economic development was the motivation for demands for this additional information, sustainability and sustainable development are always in the background. Hence, CSR and sustainability reporting are used interchangeably in the current study. These terms essentially refer to the issue with regard to voluntary corporate social and environmental disclosure (CSED) (Deegan, 2002, Deegan and Blomquist, 2006) in the social and environmental accounting (SEA) literature.

2.2 Corporate Social Responsibility (CSR)

The concept of corporate social responsibility (CSR) has been emerging in business for many years but has gained greater prominence in the last decade. According to the report of The Corporations and Market Advisory Committee (CMAC, 2005), which cited the observations of the Economist Intelligence Unit in 2000, 54% of executives said the notion of CSR was 'central' or 'important' to corporate decision making. The figure then grew to 88% in 2005. From an investment-decisions perspective, 34% of investors thought the notion was 'central' or 'important' in 2000 and this had risen to 81% by 2005.

CSR is not a new issue, but the definition of CSR covers a wide spectrum of views. While CSR is becoming a significant issue in corporate decision-making, the lack of precise meaning in business makes definition difficult. Dahlsurd (2008) conducted an extensive review of literature from 1980 to 2003 and found thirty seven definitions from twenty seven authors. Then a content analysis was employed to coding these sources from Google. Based on the frequency count, Dahlsurd (2008, p.7) displayed a number of definitions of CSR. Table 2.1 depicts the top five of these definitions in frequency count.

Table 2.1 List of Top Five CSR Definitions in Frequency Count

Definition Source	Definition	Frequency Count
Commission of European Communities, 2001	A concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis.	286
World Business Council for Sustainable Development, 1999	The commitment of business to contribute to sustainable economic development, working with employees, their families, the local community and society at large to improve their quality of life.	180
World Business Council for Sustainable Development, 2000	CSR is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as the local community and society at large.	156
Commission of European Communities, 2001	CSR is essentially a concept whereby companies decide voluntarily to contribute to a better society and a cleaner environment	134
Business for Responsibility, 2000	Business decision making linked to ethical values, compliance with legal requirements and respect for people, communities and the environment	131

Source: adapted from Dahlsurd (2008, p.7)

Some of the above CSR descriptions focus on compliance with related law, while others concentrate on the social impact of corporate activities on stakeholders.

2.2.1 Conceptual Shift in CSR

Drawing on previous work, Carroll (1999) states that the concept of CSR has a long and varied history. While there is increasing recognition and acknowledgement of CSR as an important issue, CSR has meant different things at different times. Votaw (1973, p.25) noted that 'corporate social responsibility means something, but not always the same thing to everybody'. As indicated by Carroll (1999), the concept of CSR has been evolving for decades since the 1930s. Since then, although there has been a lot of discussion on CSR in business, there has been a lack of consensus on what CSR really means in business.

One illustration of the conceptual shift in defining CSR is Ford Motors. In 1917, when Henry Ford stood in a Michigan courtroom defending his decision to reinvest the accumulated profits of Ford Motors in plant expansion, he stated that the purpose of his company is:

> To do as much as possible for everybody concerned, to make money and use it, give employment, and send out the car where the people can use it... and incidentally to make money (Lewis, 1976, p.101).

Henry Ford further claimed that the purpose of his business was a service not a bonanza. However, Ford's idea of the purpose of the business was not only challenged by the shareholders but also denied by the court (Supreme Court of Michigan, 1919).

Eighty years later, Henry Ford's grandson, William Clay Ford Jr. tried again to convince company's stakeholders of the same idea proposed by his grandfather. He stated, 'We want to find ingenious new ways to delight consumers, provide superior returns to shareholders and make the world a better place for us all' (Meredith, 1999). This time the young Ford not only did not face any lawsuit but also received applause from the company's stakeholders, including shareholders. Why were the responses of shareholders so different? Was there a conceptual shift in CSR during these eighty years? In this context, the following section identities the distinction between the shareholder primacy principle and broader stakeholder perspectives in CSR.

2.2.2 Shareholder Primacy Principle and Broader Stakeholder Perspectives

Much of the debate about CSR has been centred on the merit of the 'shareholder primacy principle'. 'Shareholder primacy' has been described as an approach which focuses on maximising shareholders' wealth in the process of corporate decision-making. The purpose of the firm, from a 'shareholder primacy' perspective, is perhaps best captured by the case, Dodges v Ford Motor Co. (Supreme Court of Michigan, 1919).

In the Dodges v Ford Motor Co. case, the Michigan Supreme Court considered a shareholder's claim that the Ford Motor Co. be compelled to pay a dividend, rather than reinvest all its profits into expanding the business and increasing the number of employees, as proposed by the Ford Board. According to the Board, this 'no dividend' policy would have a broader social benefit because it would spread the benefits of this industrial system to the greatest possible number, for example to help them build up their lives and their homes. However, upholding the shareholder's claim, the Court articulated the shareholder primacy principle as follows:

> A business corporation is organized and carried on primarily for the profit of the [shareholder]. The powers of the directors are to be employed for that end. The discretion of the directors is to be exercised in the choice of a means to attain that end, and does not extend to a change in the end itself, to the reduction of profits, or to the non-distribution of profits amongst [shareholders] in order to devote them to other purposes (at p. 684).

Subsequently, this case led to a famous debate between Professor Berle and Professor Dodd. From a 'shareholder primacy' viewpoint, Berle, from Harvard University, argued that the powers and duties given to directors of a corporation should be exercised only for the benefit of, and to maximise profits for shareholders. He further claimed that investors have put their capital at risk, and the directors should be answerable to them. Any attempt to broaden these responsibilities to persons other than shareholders may result in directors having no legally enforceable responsibilities to anyone. Berle (1932, p.1367) stated:

> You cannot abandon the emphasis on the view that business corporations exist for the sole purpose of making profits for their [shareholders] until such time as you are prepared to offer a clear and reasonably enforceable scheme of responsibilities to someone else.

Dodd (1932), however, took an alternative viewpoint, asserting that larger corporations have duties to the broader community, and not just to shareholders. In addition, directors should have greater breathing space to consider non-shareholder interests. In order to support this broader view, Dodd advanced the argument that, as the act of incorporation confers significant privileges (e. g., perpetual succession, limited liability), society is entitled to expect that a corporation will act in the publics' interest, not simply out of self-interest.

In this period, the concept of CSR was vaguely framed in moral and macro-social terms, and most shareholders could not see how CSR serviced their interest or how it related to the performance or management of the corporation. Consequently, Dodge Brothers, like most shareholders saw no tangible benefits in running a business with the greater public good in minds. At this stage, the link between CSR and profit had not been made by shareholders. For most shareholders, the main purpose of investing in a company was not to make a difference in society but to maximise their wealth. The case of Dodge Brothers v Ford Motor Company perfectly demonstrated what was considered rational behaviour at that period of time in the US. The debate continued in the 1940s and 1950s.

2.2.3 The Role of the Corporation: A Macro-Social View

As this debate progressed, its scope extended to the discussion of the appropriate role of the corporation in society. Driven by the arguments that large US corporations have disproportionate economic, political and social power that influences the lives of people other than their shareholders, it became fashionable to argue that these corporations also owe their social obligations to affected groups beyond shareholders. Since then, CSR has moved from a question of regulation question to one of societal issues.

The issue of corporate obligation has been widely discussed by several famous scholars (Packard, 1957, Galbraith, 1958, Mills, 1957). As commented by Carroll (1999), Bowen (1953) made one of the earliest contributions to the literature on this subject. Defining CSR, Bowen set out an initial definition of corporate social responsibility in his landmark book, "*Social Responsibilities of the Businessman*":

> It refers to the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society. (Bowen, 1953, p.6)

Bowen's book (1953 cited in Carroll 1999) and definition represent the most notable literature from the 1950s.

In this period, the focus of the theoretical study was on the macro-social institutions for promoting CSR (Bowen, 1953). Bowen conceived CSR as a part of his broader vision of a better American society where economic and social goals reinforce each other.

Consequently, he suggested CSR as a complementary and corrective measure for some social failures inherent in the *laisser-faire* economy.

Another question that Bowen raised was how can society make institutional changes to promote CSR? Based on the normative standpoint, he provided an institutionally orientated explanation why more and more business managers were concerned with their CSR. Bowen argued that institutional changes in the first half of the twentieth century 'forced', 'persuaded' and made it easier and 'favourable' for management of the corporation to be more concerned about their CSR than previously (Bowen, 1953, p.69-106). The argument sounds almost identical to the regulative, normative and cognitive mechanisms in new institutional theory (Scott, 2001). Heald (1957, 1961) later provided an interesting and provocative discussion of the theory and practice of CSR. He cited the notes of Charles Cason, vice-president of the Chemical National Bank of New York, to express his view about CSR.

> Today, there is a new point of view. We know that real success in business is not attained at the expense of others. Business can succeed only in the long run by acquiring and holding the good will of the people. To do this, it is necessary to render honest, intelligent service at a fair price . . . The best upper class men in business are really genuine in their belief in it [service] and are consistent in its practice. Most of them would not consider a policy which enriched them or their company and was at the same time against the public interest (Heald 1961, p.127).

Although Heald did not provide a succinct definition of the social responsibility construct, it is clear that his understanding of the term was in the same vein as the definition presented in the 1960s and earlier. More importantly, Heald emphasises that business needs to earn the respect of the public but not to manipulate the public in its CSR responsiveness.

The 1960s marked significant growth in the research on CSR. One of the most prominent researchers in that period of time was Davis (1960, 1973) who argued that CSR should go beyond the firm's economic and technical interests. He described the correct relationship between social responsibility and social power, and set forth the famous 'Iron Law of Responsibility', asserting that the social responsibilities of businessmen should be commensurate with their power (Davis, 1960, p.71). Davis posits that CSR is a nebulous idea but should be seen in a managerial context, which might bring long-term economic benefit to firms. A firm thus might be paid back for its CSR responsiveness. For his significant contribution to the development of CSR research, Carroll (1999, p.271) considered him to be the second only to Bowen for the father of CSR designation.

While the viewpoints of Bowen and Davis became widely accepted in the late 1960s, severe reservations were advanced in academia. Friedman (1962), a proponent of the free economy, argued that the social responsibility of business was to use its resources and engage in activities designed to increase its profits. The only restriction in so doing was that business must engage in open and free competition without deception or fraud. He asserts that corporate executives are not private persons when acting in their official capacity; they are agents of corporate shareholders. Managers have an obligation to make decisions in the interest of the shareholders.

Friedman (1962) further questioned whether corporations can or should be involved in making public policy decisions based on environmental, social or other ethical considerations. He went on to argue that given that corporations are designed principally to maximise wealth and profit, corporate officials are in no position to determine the relative urgency of social problems or the amount of organisational resources that should be committed to a given problem. Friedman did not deny the existence of social problems; he simply claimed it is the role of the State to address them.

As identified by Margolis and Walsh (2003), the essence of the debate is the economic version of contractarian theory (Donaldson and Dunfee, 1999, Keeley, 1988). This challenges the legitimacy and the value of corporate response to social misery. The specific challenges come in three distinct forms: (1) firms already advance social welfare to the full extent possible; (2) the only legitimate actors to address societal problems are freely elected government; and (3) if firms do get involved, managers must warn their constituencies so they protect themselves from corporate misadventure. Over time, Friedman (1970) changed his argument from 'conformation of the rules of the game' to 'conforming to the basic rules of the society, both embodied in law and in ethical custom'. He argued that the general good of the society is promoted when the corporations are managed to maximise profit or returns to shareholders ethically and within legal means.

Despite the dynamic interactions from both sides, these two groups seldom had a constructive dialogue. The major reason for such intellectual stalemate over CSR was because their underlying assumptions about firms, economic behaviour of corporate managers and CSR were radically different. Consequently, a conceptual breakthrough did not come through until the 1970s, when a study of CSR was commissioned by the Committee for Economic Development (CED, 1971).

2.2.4 Self-Interest of the Organisation: A Micro-Social View

While the previous discussion shows that most arguments emphasise that a socially responsible company must have concerns beyond profitability for the shareholders of the company, few of them provided a rationale to convince Friedman's followers. In a publication of CED–*A New Rationale for Corporate Social Policy* (Baumol, 1970), Wallich and McGrown (1970) presented a new paradigm that reshaped the continuing debate on CSR. They attempted to tackle this issue from social as well as economic sides and bring together the concept from both areas. The authors acknowledged that without demonstrating that CSR activities would not compromise the interest of stockholders, CSR would remain a lasting controversial issue. In order to provide a 'new rationale', Wallich and McCrown's study (1970) centred on the question of whether or not the corporation should engage in CSR activities. In a narrow sense, they agreed with Friedman that corporations should not engage in CSR. However, when modern corporate equity-holding patterns became diversified, the meaning of 'stockholder' may be altered.

Modern financial theory suggests that investors diversify their investment to spread their risk. By 1970, most stockholders owned shares in more than one company. As a result, they are now not only interested in the maximisation of the profit in just one company, they are also more interested in the maximisation of their investment portfolio. Thus, most investors are not willing to gain profits in one company at the expense of other companies in their portfolio. In other words, as asserted by Wallich and McGrown (1970), owners of diversified portfolios would like to achieve social optimization through joint profit maximisation, and prefer to spread 'social expenditures' evenly over all firms to the point where marginal cost equals marginal benefits. This argument provides a 'new rationale' which aligns CSR with stockholders' long-term interests.

It is argued that this development led to the concept of CSR as it is today and which comes from the CED (Committee for Economic Development). Its publication, *Social Responsibilities of Business Corporations*, CED (1971, p.16) states:

> Business is being asked to assume broader responsibilities to society than ever before and to serve a wider range of human values. Business enterprises, in effect, are being asked to contribute more to the quality of American life than just supplying quantities of goods and services. Inasmuch as business exists to serve society, its future will depend on the quality of management's response to the changing expectations of the public.

This so-called enlightened self-interest model has generated a new direction for CSR. Most research in the following decade conceptualizes CSR as supporting the corporation's long-term interest by strengthening the environment in which corporations belong. The underlying assumption was that, if the environment and society in which businesses operate deteriorated, businesses would lose their critical support structure and customer base. Therefore, it is in the corporation's long-term interests to support the well-being of their environment through CSR.

Subsequently, the research no longer focused on whether or not corporations should engage in CSR activity; instead, most research then switched to investigate the content and implementation of CSR. For example, CED used the "three concentric circles" approach to define CSR. The inner circle encompasses the basic responsibilities for the efficient execution of the economic function. The intermediate circle includes the responsibility to exercise the economic function with a sensitive awareness of changing social values and priorities. The outer circle involves the business becoming more broadly involved in improving the social and environmental concerns. It could be argued that the "three concentric circles" idea is the prototype of the concept of "Triple-Bottom-Line" (TBL) reporting (Elkington, 1997). This TBL concept refers to a situation where companies harmonise their efforts to balance economic viability and social and environmental responsibility among their stakeholders (for further discussion see Section 2.5).

However, the self-interest model was more of an emergent concept than a highly developed model (Lee, 2008). It pointed to a new direction but did not offer a sophisticated theory in which to build a framework. In short, it did not highlight the mechanism which clarifies the relation between CSR and corporate performance, in particular corporate financial performance (CFP). Empirical investigation also lacked solid evidence to show the causal relation between CSR and CFP when this argument was later examined by Orlitzky, Schmidt and Rynes (2003). It clearly needed a more specified theoretical framework which could link these two concepts together, and provide a foundation for further empirical study.

In the mid 1970s, research was carried out on the relationship between CSR and CFP. Scholars found that they lacked a generally accepted theoretical paradigm to link these two concepts together and called for more tangible progress in the conceptualisation of CSR. The first was produced by Carroll (1979) who highlighted a three-dimensional model in the concept of corporate social performance. Carroll (1979) described CSP (corporate social performance) as the three dimensional integration of corporate social responsibility, corporate social responsiveness and social issues. Instead of arguing the discrepancy of economic responsibility to the shareholders and public policy responsibility to other stakeholders in the society, the CSP model provides an underlying interaction among the principles of social responsibility, the process of social responsiveness and the policies developed to address social issues.

Drawing on the works of Carroll (1979), Wartick and Cochran (1985) further contributed to the CSP model by identifying challenges in the model and modified it to consist of dimensions of principles, processes and policies. As indicated by Wartick and Cochran (1985), the major contribution of this three-dimension model is that it does not treat the economic and social goals of corporations as incompatible trade-offs. Rather, they can be integrated into the framework of total social responsibility and provide a three-step approach to deal with the relationship between corporation and society. Generally CSR research in the 1980s produced fewer new definitions, more empirical research, and the rise and popularity of alternative themes, such as public policy, stakeholder theory/management and further development in CSP (Carroll and Shabana, 2010).

While this conceptual model of CSP was accepted by many scholars and further developed, such as Ullmann (1985) and Wood (1991), it did not gain widespread application because it lacked one critical aspect needed for further empirical testing. Without an objective measurement of CSP, the outcome of engaging in CSR cannot be measured. This makes it difficult to compare the social performance of the same company periodically and with other companies. Given this, the findings from attempted empirical studies on the association between CSR and CFP were generally positive, but contained many methodological problems (Orlitzky et al., 2003). The reasons for inconclusive findings may stem from measurement errors, model misspecification and insufficient scope of the data set (Igalens and Gond, 2005)[1]. In order to provide a more solid foundation for empirical testing and tightening of the link between CSR and CFP, more objective measures have to be provided.

At the same time that the corporate role in ecological (environmental) issues was being debated, the trend towards sustainable development was becoming a global movement. Beginning in the early 2000s, the business community became fascinated with the notion of sustainability and sustainable development. The 1990s and 2000s became the era of global citizenship (Frederick, 2006). Carroll (2009) noted that in that period people became preoccupied with the Enron Era of Scandals, and this headlined the news until 2008. After that, the financial tsunami began wreaking havoc all over the world. The quest for CSR certainly became a dominant theme during this period. It appears that

[1] For further information see the working paper of Margolis, Elfenbein and Walsh (2007).

business was seeking to rationalize and legitimize the activities of the business operations. From then on this theme became an integral part of all CSR discussion.

2.3 CSR and Sustainability

The following section discusses sustainable development. Corporations must consider the relationship between their CSR and sustainability, including its meaning and its implication for business.

2.3.1 The Definition of Sustainable Development

The concept of sustainable development was initially motivated by the environmental impact of corporate behaviour on natural resources, eco-systems and climate with economic development in general. It is generally accepted that the contemporary idea of sustainability hails from the United Nations Stockholm Conference on the environment in 1972 and the subsequent debates in the 1970s over 'limits to growth' (Redclift, 1987). The most commonly accepted definition of "sustainable development" is given in *Our Common Future,* also known as the Brundtland Report of the UN-sponsored World Commission on Environment and Development (WCED, 1987), where they wrote, sustainable development means "development which meets the needs of the present without compromising the ability of future generations to meet their own needs" (WECD, 1987, p.43). While the Brundtland Report provides a succinct definition of sustainable development, it does not provide firm boundaries in practice.

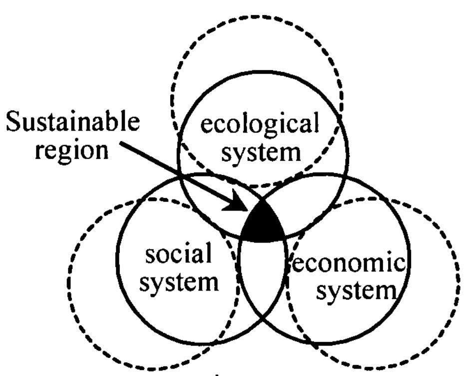
Agenda 21 (UNCED, 1992) elevated the concept of sustainable development and attempted to put it into operation in the international arena. *Agenda 21* is known colloquially as the Earth Summit, held in Rio de Janeiro, Brazil in 1992 (United Nations Conference on Environment and Development, 1992). There were four International Preparatory Committee (PreComs) meetings held in different parts of the world. Following the PreComs, each UN member country was expected to produce a national report covering current national environmental and developmental aspects and to draw up an action plan for promoting sustainable development within the national context. In 1992 the UN Conference on Environment and Development (UNCED) adopted the Rio Declaration on Environment and Development, the Statement of Principles for the Sustainable Management of Forests (the Rio Principles) and proposals for the global implementation of a plan of action to deal with the human impacts on the environment (Agenda 21). The World Summit on Sustainable Development, held in Johannesburg in 2002, reinforced a commitment to the Rio Principles and the implementation of Agenda 21. As noted by Castro (2004), the Brundtland Report put the spotlight on sustainable development and the 1992 Earth Summit turned sustainable development into a familiar term. The concepts of Agenda 21 are also widely recognised as the basis for most subsequent sustainable development initiatives.

2.3.2 Models and Dimensions of Sustainable Development

The Brundtland Report's (WCED, 1987) definition of sustainable development raises the question of what is meant by 'need'. The simplest model for representing the needs of human society is the familiar triangular arrangement of ecological, economic and social dimensions, represented in Figure 2.1 (WBCSD, 1999).

This approach reflects the belief that sustainable development can only be achieved through a broad understanding of the interactions among the three dimensions: economic, ecological and social (social referring to aspects of human beings and ecosystems). There appears to be general consensus that the key concept of sustainability is the integration of these three domains, where the shaded area represents the region where sustainability is attained.

Figure 2.1: Generally Accepted Model for Sustainability



Source: WBCSD (1999)

However, this equilateral model of sustainability is criticized by some theorists for not putting sufficient emphasis on ecological components. Jacob (1991) first explored the implications which arise for economic, social and environmental behaviour in terms of sustainable development. According to Bebbington (2001, p.136), the concerns raised by Jacob (1991, p.60) are:

1. a need to embed environmental considerations in the economic policy making process;
2. an inescapable commitment to equality between and within generations; and
3. a reconsideration of the meaning of development which recognises the concepts as being wider than economic growth.

As indicated by Redclift (2006), the term 'sustainable development' was an oxymoron, which prompted a number of discursive interpretations of the weight to attach to both 'development' and 'sustainability' (Redclift, 2006). Despite being aware of these concerns and committed to sustainable development, businesses still had no idea how to embed sustainability in their operations. To achieve this, two heuristics have been applied to form the basis of discussion. The first is the notion of eco-efficiency vs. eco-justice; the second is 'weak' vs. 'strong' sustainability.

2.3.3 Eco-efficiency vs. Eco-justice

Drawing on the works of Gladwin, Kennelly and Krause (1995) and Hawken (1993), organisational activities can be split into two components, eco-efficiency and eco-justice. The first consideration would be: whether an organisation's activities have environmental consequence? This consideration includes how activities impact on global environmental stability such as climate change. It is also concerned with resource availability and use, waste assimilation capacities and population carrying capacities. These concerns focus on the efficiency of the usage of natural resources. However, in the light of the definition of 'sustainable development' in the Brundtland Report, 'eco-efficiency', environmentally efficient development, is not enough by itself to cover the whole issues concerned in sustainable development.

Sustainability could not be achieved unless the second component, eco-justice is taken into account. Given the Brundtland Report definition of sustainable development, the issue of even distribution is also relevant. The term 'eco-justice' is used to capture the notion of sustainability which implies that sustainable development needs to meet the needs of the present and future generations. Implicit in this notion is the possibility that business operations will have a large impact on sustainability. This is because business is accustomed to delivering greater levels of material wealth to society based on increasing consumption levels or via wealth accumulation. Consequently, sustainable development constitutes a fundamental challenge to business behaviour which underlies the current development pattern. Considering the notion of eco-justice, issues such as income distribution and consumption patterns in the developed and developing world, become a challenge to rethink how lives are lived in the developed world.

2.3.4 'Weak' and 'Strong' Sustainability

Perhaps the most well-known distinction among the category of sustainability is that between 'weak' and 'strong' sustainability. Table 2.1 explores key questions better to demonstrate the implications arising from these two arguments. Strong sustainability is an eco-centric theory that does not allow for depletion of natural capital in the creation of man-made or social capital. For example, according to this view, mining is an unsustainable activity because it substitutes a non renewable natural resource (e.g., coal) for an economic resource. In contrast, weak sustainability allows for the substitution of natural for other forms of capital of equal value (Hediger, 2000). Mining can be a sustainable exercise because the economic and other resources gained are equal to the value of the coal lost.

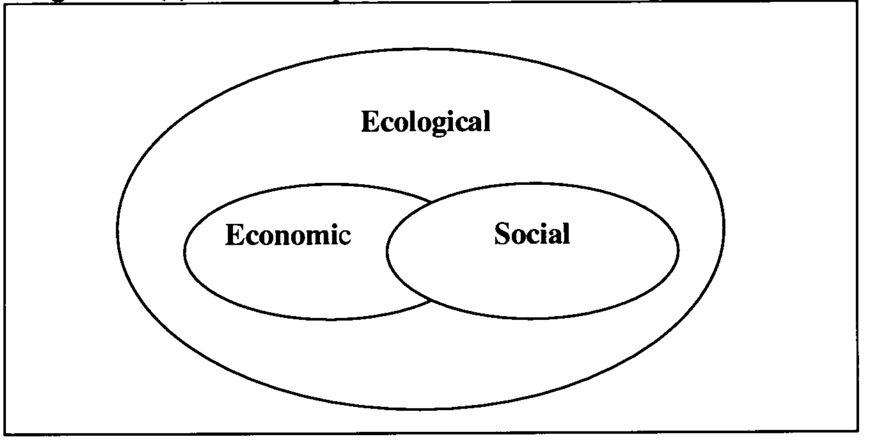
Table 2.2 Difference Views in Key Questions of Sustainability

Key Aspects	'Strong sustainability'	'Weak sustainability'
Focus on the pursuit of sustainability and the impetus of change	Fundamental examination of the relationship between humans and their environment with each other.	Concerned to prevent an environmental catastrophe which would threaten human society.
View of nature-human interaction	Humans and nature are not separate from each other and harmony between these two is sought.	The natural environment is a resource; humans need better to master the environment to solve present problems.
What do we wish to sustain?	Other species, not just the human species, are to be maintained.	The human species is what we are seeking to sustain.
Gap between the present and a sustainable future	The present situation is a long way from a sustainable one; it is so far away it is almost impossible to imagine what sustainability looks like. Change may take 150-200 years.	The present situation is near to a sustainable one, over next 30-50 years it should be reached.
Extent of change required	Fundamental, structural change is likely to be required	Sustainability is achievable with incremental adjustment of the current system.
Nature of the process of getting to a sustainable path	Likely to require a participatory, transparent and democratic process. Technical fixes may generate more side effects than they solve.	Authoritative and coercive structure can be utilised (e. g. market forces). Greater technological development will allow problems to be solved.
Sustainable in what way?	The nature of economic growth may need to be redefined or abandoned as a dominant goal. This raises questions about how we currently measure and view development.	Sustainability of the Western civilization ..., the current level of economic development ...is actually essential for the pursuit of sustainability.

Source: adapted from Bebbington (2001, p.139-140)

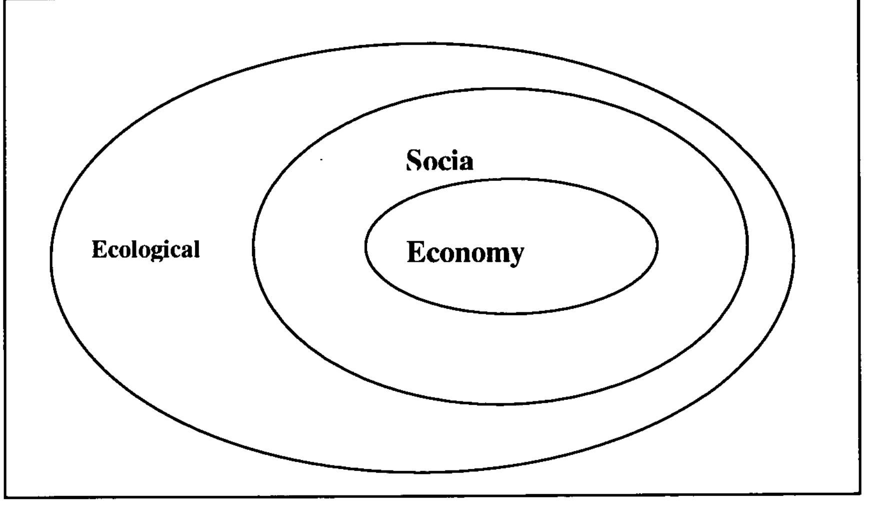
The discrepancy between these two approaches can be highlighted in one question: how we value natural capital in monetary terms and emphasise the fact that some natural materials and services are irreplaceable and therefore invaluable. Consequently, different arrangements of the three components of sustainable development are proposed as follows (see Figure 2.2 (a) (b)).

Figure 2.2 (a) Three Components of Sustainable Development (1)



Source: Harding (2006)

Figure 2.2 (b) Three Components of Sustainable Development (2)



Source: (Harding, 2006)

The term 'ecological modernization' provides a noticeable transformation, outlined above. Sonnenfeld (2002) stated that ecological modernization theorists asserted that policies for economic development and environmental protection can be combined, and would create a positive-sum game (win-win policy) between economy and ecology. Rather than seeing environmental protection as a barrier to economic growth, proponents of ecological modernization argued that applying a stringent environmental policy on economic activities could result in a positive influence on economic efficiency and technological innovation (Gouldson and Murphy, 1996, p.74). In practice, major concerns about environmental pollution and social inequity could then be addressed by pragmatic legislation. For example, in the light of the end-of-pipe solution, such as treatment of wastes and polluting streams, many 'pollution ceiling' regulations were introduced by newly established departments for environmental policy making.

2.3.5 The Implication of Sustainable Development for Business

Since the Bruntland Report (WCED, 1987), sustainable development has been a predominant feature of corporate social responsibility. The World Business Council for Sustainable Development (WBCSD), a coalition of more than 120 international leading companies, states that business leaders should be committed to sustainable development, 'to meet the needs of the present without compromising the welfare of future generations'(WCED, 1987, p.43). The members of the WBCSD recognise that economic growth and environmental protection are inextricably linked, and that the quality of present and future life rests on meeting basic human needs without destroying the environment upon which all life depends. WBCSD extends the WCED definition and asserts that

> [E]conomic growth in all parts of the world is essential for improving the livelihood of the poor, for sustaining growing populations and eventually for stabilizing them. New technologies will be needed to permit growth, while energy and other resources may be used more efficiently to produce less pollution (Mebratu, 1998, 565).

Businesses are not only aware that reputation benefits could be brought to corporations by maintaining a socially sustainability responsible image, they also progressively acknowledge the deeper relations between corporate sustainable practices and long-term value creation. Subsequently, tools are becoming increasingly available to assist businesses in identifying, managing and communicating their CSR in the light of the issues in sustainability. The following section outlines the reporting structures and tools available for corporate disclosure of CSR/sustainable practices.

2.4 The Development of CSR/sustainability Reporting

With the global trend towards sustainable development, international bodies such as the United Nations (UN) and the Organisation for Economic Co-operation and Development (OECD) have developed guidelines and other policy documents as models for appropriate corporate behaviour and communication. In addition, the European Union (EU) has issued a corporate reporting directive relevant to CSR, while some of its member states have undertaken further initiatives. Where has CSR/sustainability reporting come from and where might it be heading? Table 2.2A sets out a number of key changes and developments in the global regulatory and professional environments of the past decades.

Table 2.2A Historical Developments in Social and Environmental Reporting

Years	Key changes and developments
1960s	• The 'Silent Spring' and 'I have a dream' era.
1970s	• Some western countries take up social agendas and regulators are concerned about industrial pollution. For example, UK issues guidelines for corporate socially responsible behaviour. • Professional accounting associations (such as AAA, AICPA) give environmental and social accounting some consideration (AAA, 1973, 1974, 1975, AICPA, 1977).
1980s	• The era of Thatcher and Reagan. • Conservative politics predominate in key economies, e.g. US and UK. • Conservatism in accounting and a focus on efficiency lead to a move away from social audits. • Heightened by major industrial disasters (e.g. Bhopal (1984), Chemoby (1986) and Exxon Valdez (1989), the society is concerned about the business and environment.
1990s	• Concerns increases about global sustainability; the greenhouse threat of global warming gains credence; the world population reaches six billion; and the huge potential growth of Asian economies is increasing recognised. • The world wide web and the new economy boom. • Globalization sees increasing international trade and growth of powerful multinational corporations. • Consumers and nongovernment organisations (NGO's) proactively seek to make companies more socially and environmentally responsible. • Ethical investment indices and SRI funds emerge.
2000s	• Business and regulators are blamed by the Tech Wreck and scandalous corporate collapses of Enron, WorldCom and Anderson. • Increasing concern arises that broads and senior managers do not know enough about the significant risk facing their business (Deloitte 2004). • Concepts of enlightened self-interest' and the 'social licence to operate' underpinning the growing population of the triple-bottom-line approach. • There are efforts to develop a more comprehensive business reporting framework (CFA Institute 2005). • The widely supported GRI guidelines aid the preparation of CSR reports.

Source: Adapted from Chua (2006, p.6-7)

In the light of the research purpose of this thesis, this section provides an overview of major developments in sustainability reporting internationally and in Australia. First, it reviews international codes, norms, principles, guidelines, standards and indices dealing with responsible corporate conduct in respect of sustainable development. Second, it briefly describes the emergence of the concept of Triple-Bottom-Line (TBL) Reporting and the evolution of Global Reporting Initiative (GRI) Guidelines.

2.4.1 International Structure of CSR/Sustainability Reporting

Beginning in the 1970s, and particularly in the last decade, an array of international codes, norms, principles, guidelines, standards and indices dealing with responsible corporate conduct in respect of sustainable development has been developed. Goel & Cragg (2005) provide an overview of leading international corporate responsibility instruments, which include ethic code, principles, guidelines, standards and other instruments. These instruments can be categorized by purpose, geographical reach, issues addressed or by method of development, and divided into three types: (1) normative framework; (2) management system; and (3) process framework (Goel and Cragg, 2005 p.5-6). For the purpose of the present research, several instruments are discussed.

2.4.1.1 Normative Frameworks

Normative frameworks provide substantive guidance to corporations on what constitutes socially responsible conduct. The principal ones include the following.

1. The OECD Guidelines[2] for Multinational Enterprises (OCED, 2001a; OCED, 2001b) are recommendations by governments to multinational enterprises (MNEs) operating in or from 33 countries. The guidelines comprise ten guiding principles, which include concepts and principles, general policies, disclosure, employment and industrial relations, environment, combating bribery, consumer interests, science and technology, competition and taxation.

[2] These guidelines include "Code of Conduct: Exploring their Economic Significance" (OECD, 2001a) and "Corporate Responsibility: Private Initiatives and Public Goals" (OECD, 2001b).

2. The UN Global Compact was announced at the World Economic Forum in Davos, Switzerland in January 1999, and formally launched in September 2000. The standards include specific practices that endorsed companies would commit to enact. These fields include human rights, labour standards, the environment and anti-corruption. Under the UN Global Compact, endorsed companies pledge to advocate publicly the Compact in their mission statements, annual reports and other public statements and to publish at least once a year (Kell, 2005).
3. The UN Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (revised in 2000) provides guidelines on the responsibilities of businesses and governments in the area of labour and employment (Morgera, 2004). In addition, *UN norms on the Responsibilities of Transnational Corporations and Other Business Enterprises with Regard to Human Rights* (UN, 2003, cited by (Morgera, 2004)) aims to provide a comprehensive set of international human rights norms specially applicable to trans-national corporations and other businesses. The norms consolidate a range of human rights found in UN and other multilateral instruments and voluntary codes. They establish voluntary business performance standards in relation to these rights.
4. The Equator principles, launched in June 2003, are a set of guidelines for the management of social and environmental issues in the financing of development projects. This guideline comprise a set of categorization, assessment standards designed to identify and address any potential environmental and social risk that proposed project may present (Goel and Cragg, 2005, p.19).

2.4.1.2 Management Systems

Management systems provide integrated or issue specific frameworks to guide the ongoing management of environmental and social impact. Three of the most prominent are listed below.

1. The Social Accountability 8000 (SA8000) is relevant to labour standards in developing countries.
2. The International Organisation for Standardization (ISO) 14000 series is employed to deal with environmental management.
3. The ISO 26000 is under development. The CSR agenda is gaining its momentum in an increasing number of organisations and global supply chains. Following this market demand, the International Organisation for Standardization (ISO) has initiated development of ISO 26000 international standard on CSR (Castka and Balzarova, 2008).

2.4.1.3 Process (Accounting and Reporting) Frameworks

Within the trend towards sustainable development, a central theme in business is non-financial risk management and disclosure (Williams, 1999, Williams, 2002). The key concern is whether current disclosure rules are adequate to require large corporations to provide sufficient publicly available information, for the benefit of investors and other interested parties, regarding their policies and practices in relation to the environmental and social impacts of their operations. Addressing this issue, two principal accountability and reporting frameworks have been developed: the AccountAbility 1000 series and the

Global Reporting Initiatives (GRI) Guidelines, as outlined below (Rasche and Esser, 2006).

1. The AccountAbility 1000 (AA1000) Series is used to guide corporations in establishing a process for engaging with their stakeholders. In response to the trend towards sustainability, the Sigma Guidelines were issued as a management framework to integrate sustainability into corporate decision-making. The AA1000 Series Assurance Standard was developed by the UK-based organisation AccountAbility. It is used to deal with the process of independent verification of triple-bottom-line reports. It provides an audit/assessment framework and protocol designed to complement the GRI Guidelines and other standardized or company-specific approaches to disclosure.
2. GRI Guidelines: Global Reporting Initiatives (GRI) provide a generally recognised and adopted voluntary reporting standard (Sustainability Reporting Guidelines) that organisations can apply when reporting their performance in sustainable practices.

2.4.2 Index

In addition to these CSR instruments, a number of indices are also used to track the performance of companies in corporate sustainability and related matters. The Dow Jones Sustainability Index and the FTSE 4 Good Index are the most prominent of these.

1. The Dow Jones Sustainability Index comprises the top 200 global companies that satisfy certain criteria on environmental protection, sustainability, social issues, stakeholder relations and human rights.
2. The FTSE 4 Index Series, containing a subset of FTSE share trading indices, is used to measure the performance of companies that meet globally recognised corporate responsibility standards.

Measuring and publicizing social performance is a potentially powerfully approach to influencing corporate behaviour.

2.4.3 The Australian Context

In Australia, government plays an important role in encouraging external environmental reporting and encourages entities to follow GRI guidelines in preparing their Corporate Social Responsibility Reports. For the past decade, the Federal government has introduced two legislative requirements to do with environmental reporting. One (Section 299 1 (f) of the Corporation Act 2001) is for companies listed on the Australian Stock Exchange; the other (Environmental Protection and Biodiversity Conservation Law) is for Commonwealth government entities. They require compulsory environmental reporting. In addition to the compulsory environmental reporting, the Federal Government, using the GRI Guidelines Framework, introduced a voluntary public environmental reporting (PER) system in March 2000.

Corporate sustainability reporting in Australia uses many different names. A survey conducted by the Centre for Australian Ethical Research (Centre for Australian Ethical Research (CAER) 2004) showed that various names for the report had been used by organisation to disclose their sustainable performance. These names and users' statistics are shown as follows.

- Sustainability Report (26%),
- Environmental Report (20%),
- Environmental, Health, Safety & Community Report (16%),
- Environmental, Health, & Safety Report (9%),
- Corporate Social Responsibility Report (9%),
- Environmental & Social Report (8%),
- Triple Bottom Line Report (6%), and
- Others (6%).

Despite the different names of these reports, they are all rooted in the concept of Triple-Bottom-Line (TBL) reporting. The following two sections provide more details on the notion of TBL reporting and the emergence of GRI guidelines.

2.5 Triple-Bottom-Line (TBL) Reporting

The concept of TBL was developed during the 1990s by John Elkington (Elkington, 1997). TBL provides companies with a three-dimensional performance assessment (financial, environmental and social) framework to report corporate sustainable issues.

Advocates of TBL suggest that by providing disclosures on social and environmental performance in addition to financial performance, entities are compelled to recognise and improve upon their social and environmental sustainability practices. Since the emergence of the concept of TBL reporting, the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines (hereafter, GRI guidelines or the Guidelines) have been developed. They aim to assist "reporting organisations and their stakeholders in articulating and understanding contributions of the reporting organisation to sustainable development" (GRI, 2002, p.1).

TBL reporting suggests that traditional financial information regarding an organisation's economic performance be supplemented by non-financial information on a range of environmental and social performance indicators. Figure 2-1 (see Section 2.3.2) illustrates the indicators in these areas. Companies are encouraged to report their performance in the usage of renewable energy, reduction in water consumption and increase in biodiversity on specific sites. In addition, the reporting entities are encouraged to report their achievements in reducing green-house gas emissions, toxic effluent, and waste products. Apart from the environmental performance, social issues are also included. For example, an organisation might report its employment practices in developing countries, its sponsorship of the beneficiary activities of communities and its support of indigenous rights. In Australia, TBL reporting can be presented in the following forms (Group of 100 Incorporated, 2003, 20):

- environmental and social information included in the Corporate Annual Report;

- separate environmental and social reports;
- combined social and environmental reports;
- a full TBL report; and
- any other form of communication with stakeholders.

2.5.1 The Benefits and Shortcomings of TBL Reporting

TBL reporting is motivated by a desire to provide a reporting framework for companies making social, environmental and economic disclosure. The proponents of TBL argue that disclosure of social and environmental policies will reduce information asymmetry between corporate insiders and outsiders and thus facilitate transparency and accountability in corporate practices. They assert that TBL reporting might bring in the following perceived benefits (Group of 100 Incorporated, 2003).

- Enhancing reputation and brand
- Securing a social licence to operate
- Attracting and retaining high calibre employees
- Improving access to investors
- Reducing risk profile
- Identifying potential cost savings
- Increasing scope for innovation
- Aligning stakeholder needs with management focus
- Creating a sound basis for stakeholder dialogue.

However, lack of comparability in TBL reporting has been criticized. Despite its growth and acceptance, there had been no legally enforceable standard or initiative to guide TBL reporting. Companies voluntarily choose a structure/format for their TBL reports, which tends to focus on descriptive and narrative reporting. Because of the vague or imprecise nature of non-financial reporting criteria, the report users might have difficulty in comparing the performance of companies across countries and industries. Consequently opponents usually criticize that TBL reporting, by showing corporate responsiveness to sustainability practices, is used as tool to manage corporate relationships with powerful stakeholders groups (Owen and Lehman, 2000).

It was argued that there was an urgent need to develop a set of global accepted CSR/sustainability reporting guidelines (Jones et al., 2005, p.19) ,

> The diversity of reporting scope and format impedes comparison of environmental and social performance between entities...there is a need to develop more accessible approaches and guidelines to enable entities to discharge a broader accountability than is currently reflected in reporting practices in the public and private sectors in Australia.

The Global Reporting Initiative (GRI) was created in 1997, as a joint effort of CERES and the United Nations Environment Programme (UNEP), partly to respond to this and other criticisms. The initiative engaged a wide range of groups, including NGOs, businesses, investor organisations, accounting bodies and trade unions to build a set of globally acceptable reporting guidelines. The first GRI Sustainability Reporting Guidelines (GRI Guidelines) were released in June 2000, with revised versions issued in 2002 and 2006.

2.6 The Global Reporting Initiatives (GRI) Sustainability Reporting Guidelines

2.6.1 The Evolution of GRI Guidelines

The GRI, an independent institution based in Amsterdam, aims to develop and disseminate a set of globally accepted Sustainability Reporting Guidelines. The organisation first focused on environmental reporting, then expanded its concerns to social issues. GRI issued an initial version of its Sustainability Reporting Guidelines in 2000 and revised them in 2002 (GRI 2002). Building on past releases in 2000 and 2002, GRI released the latest Guidelines for Sustainability Reporting (G3 Guidelines), along with a full set of Indicator Protocols in August 2006.

The G3 version (GRI, 2006) highlights some key changes. These changes are chiefly aimed at increasing the user-friendliness of the Guidelines, and increasing the comparability of reports. In the G3 version, most GRI indicators are supported by a specific technical protocol. In this way, GRI attempts to address criticisms of social and environmental reporting being too descriptive and not quantitative enough. Other changes in the G3 version include:

- guidance on how to determine the issues to be reported and how to select material indicators via the Reporting Principles;
- provision of a set of self-tests to help with the application of Reporting Principles
- guidance on setting the report boundary;
- new disclosure items on strategy and analysis that highlight key issues, risks, and opportunities;

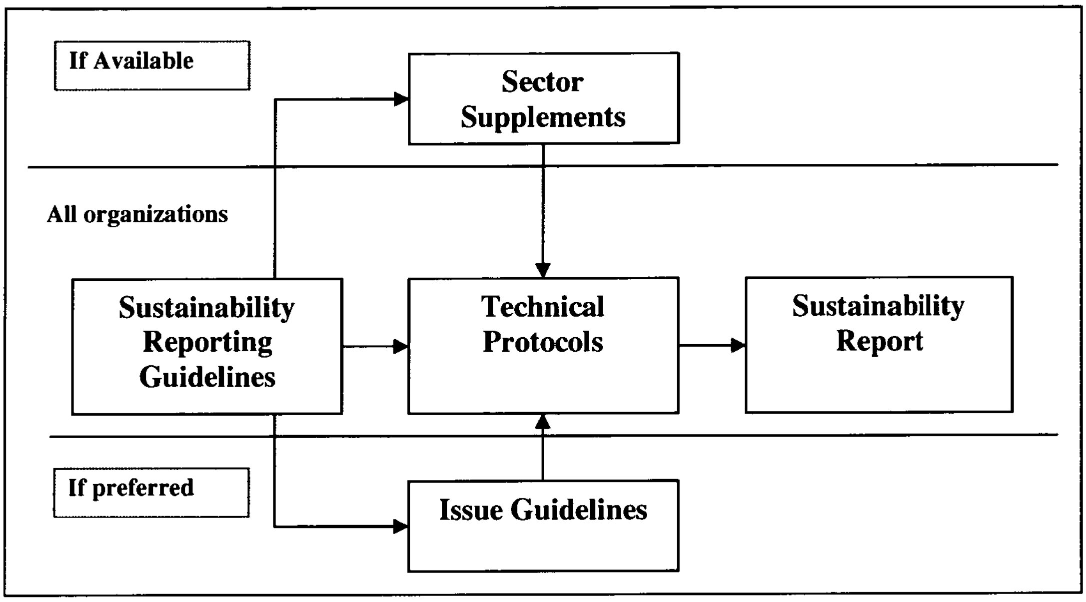
- restructured indicator sections which now contain two main elements–a "Disclosures on Management Approach" and "Performance Indicators"; and
- each performance indicator is accompanied by an Indicator Protocol, which contains definitions for words used in the indicator, compilation methodologies, and other useful resources.

The process that GRI uses in the development of GRI Guidelines is described by the GRI as a multi-stakeholder consensus-seeking approach. It is worth noting that since the release of the 2002 Guidelines, the GRI has undertaken a 'Structured Feedback Process' to revise its latest version. As part of this process, the public was invited to participate by submitting their comments on a draft version. The process used questionnaires and regional and issues-based workshops to gather feedback on the 2002 Guidelines from report preparers and users.

2.6.2 Reporting Using GRI Guidelines

The decision to switch from conventional financial accounting disclosure to TBL reporting is a major change for organisations intending to adopt G3. It is a shift in corporate strategy which requires more extended performance reporting. The challenge with this shift involves developing and adopting new measurement and reporting systems. Figure 2.3 summarises the reporting documents in the GRI family.

Figure 2.3 GRI Family of Reporting Documents



Source: GRI (2006)

The GRI family of documents comprises the reporting framework and supporting documents. As illustrated, the framework consists of Reporting Guidelines and Technical Protocols. Supporting documents include Sector Supplements and Issue Guidelines documents. Issue Guidelines are used to determine what issues to report on and how to select material indicators via the Reporting Principles (see Section 2.6.3). Using the Issue Guidelines, preparers might highlight key issues, risks and opportunities and decide on a strategy of disclosure items.

The GRI has been developing Sector Supplements for use in different sectors which may face unique challenges in reporting sustainability. Sector Supplements recognise industry differences in terms of sustainability issues, and this prevents a 'one size fits all' approach. At the time of writing (July 2009), Sector Supplements included various sectors as follows: (1) airports, (2) apparel & footwear, (3) automotive, (4) construction and real estate, (5) electric utilities, (6) events, (7) financial services, (8) food processing, (9) logistic & transportation, (10)media, (11) mining & metals (12) NGOs, (13) oil and gas, (14) public agency, and (15) telecommunications.

2.6.3 Principles Underlying GRI Guidelines

GRI Sustainability Reporting Guidelines (GRI, 2002, p.20-30) highlight ten principles to ensure comparability and a balanced representation of sustainability performance in companies' CSR reports. In referring to these ten principles, the GRI attempts to ensure key stakeholder issues are addressed in the CSR reports which have adopted GRI Guidelines. Principles under the GRI Guidelines include: transparency, inclusiveness, auditability, completeness, relevance, sustainability context, accuracy, neutrality, comparability, clarity, and timeliness (GRI, 2002, 22-30).

2.6.4 Content of the GRI Sustainability Report

The GRI Guidelines recommend that organisations include the following sections in their sustainability reports.

1. Vision and strategy: a statement from the CEO and discussion of its sustainability strategy.
2. Profile: an overview of the organisation, operation, and stakeholders of the reporting entity; the scope of the report is included.

3. Governance structure and management system: a description of the reporting entity's organisational structure, policies, management systems, and stakeholder engagement efforts.
4. GRI Content Index: a cross-reference table that allows users to understand the degree to which the reporting entity has satisfied the GRI Guidelines.
5. Performance Indicators: measures of performance of the reporting entity.

2.6.5 Performance Indicators

In the G3 version, most GRI indicators are supported by a specific technical protocol. The indicator section has been restructured and now contains two main elements: Disclosures on Management Approach and Performance Indicators. Each performance indicator is accompanied by an Indicator Protocol, which contains definitions for words used in the indicator, compilation methodologies, and other useful resources.

Table 2.3 summarises the indicator types and aspects recommended by the GRI. In this way, GRI attempts to rectify criticisms of social and environmental reporting as being too descriptive and not quantitative enough.

Table 2.3 Examples of GRI Performance Indicators

Indicator Type	Category	Aspect
Economic performance Indicators	Direct economic impact	Customers Suppliers Employees Fund Providers Public Sectors
Environmental Performance Indicators	Environment impacts	Materials Energy Water Biodiversity Emission, effluent & waste Regulation compliance Transport Overall
Social Performance Indicators	Labour Practices and decent work	Employment Labour management Health and safety Training and education Diversity and opportunity
	Human rights	Non-discrimination Labour/management relations Freedom of association & collective bargaining Child labour Force and compulsory labour Discipline practices Security practices Indigenous rights
	Society	Community Bribery and corruption Political contribution Competition and pricing
	Product responsibility	Customer health and safety Product and services

Source: GRI (2006)

However, some opponents suggest that there are too many core indicators and that some of them are too technical to be understood by the majority of the audience and that it is difficult to generate the relevant information (Certified General Accountants Association of Canada, 2005, p.84-85).

The GRI recommends that organisations should issue sustainability reports to coincide with other reports. By doing this, organisations may balance their reporting in economic, social and environmental performance. The sustainability report can also be used to reinforce the linkage between financial performance and economic, social, and environmental performance (GRI, 2002, p.17).

2.6.6 Disclosure Type

Organisations can release their sustainability report by either "referring to" or "in accordance with" GRI Guidelines. Once the organisations release their Sustainability Reports that refer to the Guidelines, they are required to inform and send a copy to the Secretariat. Reporting "in accordance with" means that organisations:

- report on the organisational profile, governance and management systems;
- include a GRI Content Index;
- respond to each core indicator either by reporting it or by explaining its omission;
- ensure the report is consistent with the Principle of the GRI Guidelines; and
- include a statement from the Director of the board or CEO, which indicates the report was prepared in accordance with the GRI Guidelines and presented the sustainability performance of the reporting entity by balancing the economic, social, and environmental accounts.

2.6.7 Self Declaration of Compliance with the Guidelines

All G3 reports must self-declare an Application Level (GRI, 2006) while this used to be optional in the previous versions. With advance notice, GRI can check the self-declared level prior to report publication. Once both sides agree on the Application Level, GRI will provide a special icon corresponding to the level, which could be used in online or printed reports. It is worth noting that the GRI Application Level check does not represent GRI's view on the value or quality of the report and its content. It is simply a statement about the extent to which the GRI Reporting Framework has been utilised.

The system of GRI Application Levels (as shown in Figure 2.4) provides stakeholders with information about which elements of G3 Guidelines have been applied in the sustainability report. There are six application levels: A, A+, B, B+, C, and C+. The 'plus' (+) levels (C+, B+, A+) can only be declared if external assurance has been applied to the report. A GRI Application Level check is not equivalent to external assurance and does not result in the 'plus' (+) status. When GRI is requested to check a plus status report, it will check for the presence of a statement from the assurance providers. Reporting organisations have to pay a fee for the GRI Application Levels check while the fees can be waived for stakeholders.

Table 2.3A GRI Application Level

Application Level	C	B	A
G3 Profile Disclosure	Report on 1.1 Statement from the most senior decision-maker of the organisation 2.1 Name of the organisation 2.10 Awards received in the reporting period 3.1 Reporting period for information provided 3.3 Reporting cycle 3.10 Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement 3.12 Table identifying the location of the Standard Disclosures in the report 4.1 Governance structure of the organisation, including committees under the highest governance body responsible for specific tasks 4.4 Mechanisms for shareholders and employee to provide recommendations or direction to the highest governance body 4.14 List of stakeholder groups engaged by the organisation 4.15 Basis for identification and selection of stakeholders with whom to engage	Report all criteria listed for Level C plus: 1.2 Primary brands, products, and/or services 3.9 data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the indicators and other information in the report 3.13 Policy and practice with regard to seeking external assurance for the report 4.5 Linkage between compensation for members of the governance body 4.13Membership in association and organisations 4.15 Basis for identification and selection of stakeholders with whom to engage 4.17 Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns, through its reporting.	Same as requirement for Level B
G3 Management Approach	Not required	Management Approach Disclosures for each indicator category	Management approach disclosed for each indicator category
G3 Performance Indicators & Sector Supplement Performance Indicators	Report on a minimum of 10 Performance Indicators, including at least one from each of : social, economic and environment	Report on a minimum of 20 Performance Indicators at least one from each of: economic, environment, human rights, labour, society, product responsibility.	Respond on each core G3 and Sector Supplement indicator with due regard to the materiality Principle by either: a) reporting on the indicator or 2): explaining the reason for its omission.
Report externally assured	C+	B+	A+

Source: G3 (2006)

2.6.8 Verification of the Sustainability Report

GRI Guidelines are for use by organisations in the economic, environmental and social dimensions of their activities, products, and services. To address stakeholders' concerns about the credibility of reports, GRI recommends that reports include statements of:

- the reporting entity's policies and internal practices for enhancing the credibility and quality of sustainability reports; and
- the reporting entity's policy and current practice with regard to providing independent assurance about the full report.

GRI encourages independent assurance of sustainability reports. A reporting organisation can enhance the credibility of its sustainability report by means of a third party's attestation.

GRI Guidelines are supported by other standards dealing with the independent verification of reports based on GRI, such as the AA1000 Standard and International Standard Assurance Engagement (ISEA 3000). In March 2003 AccountAbility published the AA 1000 Assurance Standard for assurance on sustainability reports (AccountAbility, 2003). The AA1000 Series Assurance Standard developed by AccountAbility, a UK-based organisation, deals with the process of independent verification of triple-bottom-line reports. It provides an audit/assessment framework and protocol designed to complement the GRI Guidelines and other standardized or company-specific approaches to disclosure. ISAE 3000 establishes basic principles and essential procedures for undertaking assurance engagements other than audits or reviews of historical financial information, applicable from January 1 2005. External independent verification of sustainability reports has been receiving attention. As noted by Chua (2006b, p.8), this area of assurance represents one of the largest growth areas in the business sector, with large accounting and consulting firms competing against specialist assurance firms in the market place.

2.7 Trends in the Use of Sustainability Reporting Guidelines

2.7.1 The Global Context

TBL reporting, in particular in the form of the GRI Guidelines, has entered the mainstream in most industrialized countries over the past two decades. A KPMG survey (KPMG, 2005) found that the number of companies applying TBL reporting to report their **corporate responsibility information** has been steadily rising since 1993 and particularly in the recent past (2003-2005). Until 2005, 52% of Global 250[3] (GL250) and 33% of National 100[4] (N100) companies issued separate CSR/sustainability reports, compared with 45% and 23%, respectively, in 2002. If annual financial reports with corporate responsibility information are included, the percentage is even higher: 64% (G250) and 41% (N 100).

Moreover, the statistics (Table 2.4) show that from 2000 more companies were using the GRI Guidelines to prepare their CSR/sustainability reports. Up to the end of 2007, more than 2352 copies of CSR/sustainability reports, based on the GRI Guidelines, had been disclosed in the website database (www.corporateregister.com). For the purpose of the

[3] Top 250 companies of Fortune 500
[4] Top 100 companies in 16 countries

study, it appears that the GRI Guidelines are preferred to other voluntary CSED instruments; say UN Global Compact or ISO 26000, in guiding CSR/sustainability reporting.

Table 2.4 The GRI CSR/sustainability reporting in the global website database

Year	2000	2001	2002	2003	2004	2005	2006	2007
Qty.	45	123	140	175	287	376	516	690
Total								2352

Source: (www.corporateregister.com) (06/02/2008)

2.7.2 Australian Trends

In Australia, the number of companies producing CSR/sustainability reporting has also increased in the past decade in particular from 2000 to 2006 (CAER, 2005). According to the database provided by www.corporateregister.com, by the end of February 2007, 229 Australian companies published 1259 copies of sustainability report (Refer to Table 2.5).

Table 2.5 Sustainability Reports released in Australian Entities (by the Year)

Year	GRI Adopters	Non GRI adopters	Total	Remarks
1998	0	42*	42	* include 94'-98'
1999	0	62	62	
2000	0	74	74	
2001	0	120	120	
2002	3	110	113	
2003	6	153	159	
2004	22	138	160	
2005	26	148	174	
2006	37	150	187	
2007	36	130	166	
2008	1	1	1	
Total	131	1128	1259	

Source: Corporateregister.com (06/02/08')

However Table 2.6 appears to show mining, water, electricity, steel & other metals and banking as sectors providing greater number of sustainability reports. From these sectors the researcher chose to compare mining and banks. The difference between mining and banking, from the perspective of CSR/sustainability reporting is further discussed in Sections 5.3.2 and 5.3.3.

Table 2.6 Sustainability Reports Released by Australian Entities: by the Sector

NO	Sector	G3[1]	G2[2]	Not GRI	Total
1	House goods & textile	0	0	1	1
2	Gas Distribution	0	0	2	2
3	Investment company	0	0	3	3
4	Leisure, Entertainment & Hotel	1	0	2	3
5	Media & photography	1	0	2	3
6	Life Assurance	0	0	4	4
7	Beverage	2	0	4	6
8	Tobacco	0	3	3	6
9	Packing	0	0	7	7
10	Education	1	1	7	9
11	Information Technology Hardware	0	0	9	9
12	Electronic & Electronic Instrument	1	2	7	10
13	Insurance	0	3	9	12
14	General Retailer	0	0	14	14
15	Automobiles & Parts	1	0	14	15
16	Food Production & Processors	0	0	16	16
17	Telecommunication Service	1	0	18	19
18	Real Estate	2	2	17	21
19	Specialty & Other finance	4	6	11	21
20	Forestry & paper	0	0	24	24
21	Oil & Gas	0	0	25	25
22	Construction & Building Material	1	0	30	31
23	Diversified Industry	1	1	32	34
24	Chemical	1	0	38	39
25	Support Services	1	3	35	39
26	Transport	3	2	36	41
27	Government, Authority & Agency	0	5	37	42
28	Multi-utilities	4	6	41	51
29	Bank	6	9	38	53
30	Steel & Other Metals	0	0	58	58
31	Electricity	3	2	81	86
32	Water	6	14	114	134
33	Mining	4	28	389	421
	Total	44	87	1128	1259

Source: CorporateRegister.com (06/02/08')

Note: 1. G3 is the version 3 of the GRI Guidelines. 2. G2 is the version 2 of the GRI Guidelines.

2.8 Focus of the Study

The development of sustainability reporting in Australia suggests that the time is now opportune to revisit these claims and counter-claims about CSR/sustainability reporting and particularly to the adoption of the GRI Guidelines (see Sections 2.5.1 and 2.5.2). According to Table 2.6, mining, water, electricity, steel and other metals and bank are the sectors which produce the most sustainability reports in Australia. If companies are selling coal, gas, oil and dirty electricity, which have high environmental impact, they need to address social and environmental issues. However, banks have 'low risk environmental impact', so why are they involved so much in sustainability reporting? In addition, why do companies in the same sector produce different types of sustainability reports? In aiming to shed light on the phenomenon of sustainability reporting by means of CSR/sustainability reporting in general and by adopting GRI guidelines in particular, this study investigates how variation arises in the adoption of GRI Guidelines between Australian mining companies and banks. More specifically, in the light of the differences of Australian mining companies and banks, two specific research questions addressed in this thesis are:

1. Why do Australian mining and banking companies see the need to engage in CSED, in particular to adopt GRI Sustainability Reports Guidelines in their CSED practices?
2. How do Australian mining and banking companies implement GRI Guidelines in their CSR/sustainability reports?

The primary objective of the current study is to investigate empirically the corporate motivation behind the adoption of the GRI Guidelines and examine how the managerial capture of CSR/sustainability reporting is advanced by means of the adoption of globally accepted CSR/sustainability reporting guidelines. As state previously, the literature indicates that there is ambiguity about the definition of CSR and sustainability. Some scholars (see review paper by Brown and Fraser, 2006), taking a critical approach, assert that the CSR/sustainability reporting cannot be viewed as an exercise in accountability. Instead, they criticize that managerial capture of CSR actions exists in the corporate engagement of CSR/sustainability reporting (Owen et al., 1997, Owen et al., 2000). Among these scholars, the term 'managerial capture' means that corporations, through the actions of their management, take control of the debate over what CSR involves by attempting to create their own definitions (O'Dwyer, 2003).

The GRI Guidelines is motivated by a desire to provide corporations with a better CSR/sustainability reporting framework. It is argued that the guidelines are to be facilitating transparency and accountability in corporate practices as well as increasing comparability of CSR/sustainability reports. However, the adoption of the GRI Guidelines in CSR/sustainability reporting and the application level of the guidelines are optional. Given this, it might be interesting to empirically investigate why there is a need for corporations to engage in voluntary CSED and how managerial capture relates to GRI reporting, in terms of the variation between Australian mining and banking companies.

2.9 Chapter Summary

Several key elements of CSR and CSR/Sustainability reporting have been reviewed in this chapter. It is concluded that the concept of CSR has been changed gradually from the 1920s through to the 1970s and then more dramatically, moving from a 'shareholder primacy' approach to a sustainable development approach in the decision-making of corporate management. Many standards, regulations, management systems, and certification schemes have been developed to implement the sustainable development agenda during the last two decades.

GRI Guidelines, a globally accepted form of TBL reporting has been discussed. Through the stakeholder approach in the development and revision of the GRI Guidelines, the 2002 version and G3 have been used as an instrument to report the efforts and performance of companies' sustainability practices. This chapter identified some major changes in the G3, released in August 2006, when compared to earlier versions of the GRI and a database (CorporateRegister.com) provided by GRI was analysed to identify the level of adoption of GRI Guideline in companies' CSR/Sustainability reports. In addition, some perceived benefits and impediments to companies' adopting GRI Sustainability Guidelines were discussed.

Based on the review conducted in this chapter, the current study investigates how variation arises in the adoption of the GRI Guidelines between Australian mining companies and banks. In order to understand why and how corporations engage in CSED and to what degree they adopt the GRI Guidelines in their CSR reporting, an appropriate theoretical context is needed. The following chapters (3 and 4) employ a multi-theory perspective to identify the drivers of the CSED and the variation of the implementation of GRI Guidelines in CSR/sustainability sustainability reporting.

CHAPTER 3
THEORETICAL PERSPECTIVES OF MANAGERIAL MOTIVATIONS FOR CSED

3.1 Introduction

In this chapter the aim is to review the theories underpinning the reasons for voluntary corporate social and environmental disclosure (CSED) identified in the literature. CSED stemmed from an idea that organisations ought to provide information designed to discharge their social accountability. Thus it has been broadly defined as 'the process of communicating the social and environmental effects of organisations' economic actions to particular interest groups within society and to society at large' (Gray et al., 1996, p.3). To be more specific, CSED refers to 'provision of financial and non-financial information relating to an organisation's interaction with its physical and social environment, as stated in corporate annual reports or separate social reports' (Guthrie and Mathews (1985), cited in Hackson and Milne (1996)). The literature suggests a number of theories why companies voluntarily disclose social and environmental information.

Although CSED has been the subject of substantial accounting research, it lacks a coherent theoretical framework (Gray et al., 1995a). Mathews (1995) identified three groups of arguments for expanding accounting beyond its traditional financial disclosure. The first group consists of market-related arguments, which are based on the premise that social responsibility disclosures may have a positive effect on market performance. The second is concerned with the management of organisational legitimacy. The theories in the third group are based on the concept of the social contract and argue that voluntary CSR reporting represents recognition of the company's moral accountability.

Gray et al., (1995a) also structured corporate social disclosure research into three areas, namely decision usefulness, economic and social and political. Underpinned by positive accounting theory, the decision usefulness approach argues that organisations disclose information that users find useful for investment purposes. The economic theory approach suggests that regulatory pressure is a political cost, and companies attempt to avoid or decrease their political cost through CSED. The proponents of the social and political theories argued that the issue of CSED cannot be explained merely by economic reasons; rather, a firm should be viewed as a party to a social contract with other stakeholders. Studies informed by this perspective offer the potential for far more interesting and insightful theoretical perspectives (Gray et al., 1995a). It has been argued that decision-usefulness studies are most likely to overlap with economic theories (Mathews 1997). O'Donovan (2000), following the view of Mathews (1997), integrated the two groups into one, and referred to it as market-based theories.

The current study follows the classification of these authors to group the motives for voluntary CSED into two: market-based motives and socially based motives. Market-based theories are based on neo-classical economic theory, in particular focussing on agency theory and signal hypotheses, which cover concepts such as information asymmetry, agency problems, adverse selection, moral hazard and mechanisms to mitigate agency problems. As far as socially based theories are concerned, most of them, originated from the concept of the social contract and are classified into the group of political economy theory, which includes legitimacy theory, shareholder theory and institutional theory. This chapter follows the structure above to review these theoretical perspectives.

3.2 Market Incentives to Voluntarily Disclose

Following their emergence as an explanatory model for corporate financial reporting (Watts and Zimmerman, 1986), agency theory (AT) and 'signaling hypotheses' (SH) became an appealing propositions as a rationale for CSED. In traditional accounting literature, AT and SH provide a rich theoretical premise for understanding organisational processes and design in voluntary disclosure from a principal-agent perspective. AT views the corporation as a nexus of contracts between principals (shareholders) and agents (managers) and suggests that shareholders will protect themselves against expected expropriations by management (see details in Section 3.4.3). In order to alleviate this loss, SH suggests that management voluntarily undertakes various actions, including disclosures and submission to monitoring via the release of annual reports, financial statements, and media press conferences. Drawing on the work of AT and SH, the main theoretical contention of this section is that the role of accounting disclosure can be viewed as a signal of improved social and environmental conduct and hence firms' reputation in the trend towards sustainability. Given that, the following section synthesizes propositions from agency theory and signal theory.

3.2.1 Definition of Agency Theory

The model of AT assumes a separation of ownership and management and the information asymmetry arising from that separation. A principal-agent relationship arises when one party (the principal) hires another (the agent) to perform a task and the agent needs to make decisions on behalf of the principal. Jensen and Meckling (1976, p.308) defined the relationship between principals and agents as

> a contract under which one or more persons (the principal(s)) engage another person (the agent) to perform some service on their behalf which involves delegating some decisions making authority to the agent.

A typical example of this relationship exists between the owners of an organisation and the managers. AT literature proposes that in the presence of information asymmetries, managers will choose a set of decisions to maximise their own utility instead of maximising shareholders' utilities. Consequently, the potential conflict between equity owners and managers arises from owners' ability to balance between writing cost-less contracts with managers and the cost of monitoring the behaviour of managers in reducing a firm's value.

Jensen and Meckling's (1976) agency theory provides a framework for linking disclosure behaviour to corporate governance by considering both as mechanisms of accountability. The primary feature of AT that makes it attractive to accounting researchers is that it allows the explicit incorporation of conflicts of interest, incentive problems and mechanisms for controlling incentive problems in the behaviour of corporate voluntary disclosure (Lambert, 2001, p.4).

3.2.2 Assumptions of AT

AT has two underpinning assumptions (Eisenhardt, 1989). First, the efficiency of this relationship is impacted by the degree of individualistic and opportunistic behaviour of principals and agent. Second, the situation may be exacerbated by incomplete information and uncertainty. In other words, the principal and the agent are utility maximisers; both parties seek to maximise their returns. The interests of both parties, however, are not always aligned. Thus, inherent in any principal-agent relation is the 'agency problem'. In a sense, the agent may not always act in the best interest of the principal. The agency problem is seen to be exacerbated under the condition of information asymmetry.

3.2.3 Information Asymmetry and Agency Problems

The primary notion of information asymmetry between management and ownership is espoused by Berle and Means (1932). Information asymmetry refers to one party having an information advantage over another party. Under ideal conditions, economies are characterised as perfect markets, which are free from information asymmetry and other barriers, but the real market is full of uncertainty. For example, the situation can exist in an exchange (trading) when information about the price and quality of products/services is not equal between suppliers and buyers (Akerlof, 1970). For example, without credible information, buyers have little incentive to offer an appropriate price for a used vehicle; rather, they withdraw from the market. In the same vein, the investors in the stock market are reluctant to invest in companies without sufficient information being disclosed. Information asymmetry also occurs in the agent-principal relationship. Most investors do not participate in the firm's daily management activities; they usually delegate these responsibilities to professional managers. This leads to information not being equally available to managers and investors. The level of information asymmetry becomes an important driver of investor uncertainty.

Information asymmetry may lead to two specific types of agency problem, moral hazard and adverse selection (Watts and Zimmerman, 1986). Moral hazard, also referred to as hidden cost, is related to a lack of effort by agents to honour their duty on the contract because some of their actions are difficult to observe. Adverse selection means that despite a manager's behaviour being observable, it is difficult for the principals to determine whether the manager's effort is the most appropriate action because managers do not share certain information. Under these conditions, managers have an incentive to signal if the disclosure leads to a higher compensation in return. This is also known as 'signalling hypothesis' (Watts and Zimmerman, 1986, p. 164-165). The SH suggests that under certain circumstances, true signals will be believed and false ones rejected.

There are some situations in which managers may voluntarily disclose the corporate information: (1) the information (signal) is thought to be hard to imitate; (2) the information is thought relevant; and (3) the information distribution is cost effective. The management of a firm is accountable to the firm's shareholders and debt holders. Hence, the firm must provide these shareholders with value-relevant information that will enable shareholders to evaluate management performance and assess the risk in the investment. In this respect, management's incentive to voluntary disclosure can be viewed as a process of reputation risk management (Bebbington et al., 2008, Hasseldine et al., 2005).

Using the example of the creation of corporate environmental reputation, Toms (2002) offers a resource-based view of the firm to include quality signalling through corporate voluntary disclosure. By empirical testing, the results showed that the disclosure of implementation, monitoring and disclosure of corporate environmental policies in their annual report contributed significantly to the creation of corporate environmental reputation. As an extension, Bebbington, Larrinaga and Moneva (2008) proposed that CSR reporting could be viewed as both an outcome of, and part of, the processes of reputation risk management.

Empirical studies on voluntary disclosure confirm that managers voluntarily enhance the visibility of a firms' financial profiles to: (1) reduce agency costs and contracting costs (Chow and Wong-Boren, 1987); (2) reduce its cost of capital (Botosan, 1997, Sengupta, 1998); and (3) enhance the value of the firm (Yeo and Ziebart, 1995, Frankel et al., 1995). They show that disclosure can individually or simultaneously achieve the above three outcomes. The motives for corporate voluntary disclosure, according to a seminal review paper by Healy and Palepu (2001) are summarised in Table 3.1.

Table 3.1 Motives for Voluntary Disclosure

Motive	Theory Description	Literature
Capital market transactions hypothesis	Managers who anticipate making transactions in the capital market have incentives to provide voluntary disclosure. By doing so, managers attempt to reduce the information asymmetry problem so as to reduce the cost of external financing.	Lang and Lundholm (1993) Healy et al. (1999)
Corporate control contest hypothesis	Given the risk of job loss due to poor stock and earnings performance, managers use corporate disclosure to reduce the likelihood of undervaluation and to explain away poor earnings performance.	Warner et al.,(1988) DeAngelo (1988)
Stock compensation hypothesis	When managers are rewarded in a stock-based compensation plan, they have incentives to engage in voluntary disclosure: • to meet restrictions imposed by insider trading rules • to increase the liquidity of firm's stock • to reduce contracting costs associated with stock compensation for new employees.	Noe (1999) Aboody and Kasznik (2000)
Management talent signal hypothesis	The market value of a firm is related to investors' perceptions of its manager's ability to cope with economic circumstances in the future. Talented managers have an incentive to make voluntary disclosure to reveal type of management.	Trueman (1986)

Source: Summarised by author from Healy and Palepu (2001)

However, most of these studies focused on the disclosure of financial data. How about the disclosure of non-financial information?

3.2.4 The Information Content of Non-financial Disclosures

Previous studies suggest that non-financial disclosures released by firms have been seen as an extension of financial reporting which contains value relevant information. Amir and Lev (1996) examined the value-relevance to investors of financial (accounting) and non-financial information of independent cellular (mobile) companies. They found that, on a stand-alone basis, financial information (earnings, book values, and cash flows) was largely irrelevant for security valuation. Non-financial indicators, such as POPS (a key market growth measure in cellular phone market) and Market Penetration (an operating performance measure), were highly value-relevant. Importantly they found that combined with non-financial information, earnings do contribute to the explanation of stock prices. Their study highlighted the complementarities between the value of financial and non-financial data.

The literature to date has provided some consistent findings on the consequences of a firm's non-financial voluntary disclosure. It is concluded that a firm's non-financial voluntary disclosures can: (1) reduce the information asymmetry between management and outside parties; (2) convey value-relevant information to fund providers; and (3) increase stock volatility and liquidity through institutional investment (Chua, 2006a, p.27). Despite these benefits, prior studies also showed that managers typically do not reveal all value-relevant information in certain situations. A voluntary disclosure will not be achieved when there are proprietary costs of disclosure (Dye, 1985).

3.2.5 Motives for Limited Voluntary Disclosure

It has been argued that the decision for corporate voluntary disclosure is based on the cost-benefit principle – "economic rationality" (Friedman, 1962). From a neo-classical economics perspective, Bird, Hall, Momente and Reggiani (2007) suggested managers should apply net present value (NPV) analysis to all potential CSR activities, although most CSR activities may not yield the mathematical tractability for NPV analysis. Managers thus hesitate to disclose corporate information when they perceive such information is not relevant or such information may cause proprietary costs. Considering the disclosure cost, most managers will choose not to disclose the information which they perceived to be lacking relevancy. In particular, when managers become aware that the fund providers cannot determine whether managers have such information, managers have little motive to disclose that information (Dye, 1985, Dye, 1986). In addition, firms may withhold certain information deliberately if managers perceive that the disclosure of this information may lead to a decrease in cash flow (Verrecchia, 1983). Such information is deemed proprietary information which may inflict damage and impose proprietary costs on firms. Considering these costs, Verrecchia (1983) noted that the threshold increases with the level of propriety costs incurred. Under such circumstances, managers will hesitate to disclose such information.

Drawing on the literature on voluntary disclosure, Healy and Palepu (2001, p. 420-427) identified two forces that drive companies to limited voluntary disclosure (in the capital market). These motives and hypotheses are summarised in Table 3.2.

Table 3.2 Motives for Limited Voluntarily Disclosure

Motive	Theory Description	Literature
Litigation cost hypothesis	The threat of litigation affects the managers' disclosure decision. Legal actions against managers for inadequate disclosures can encourage firms to decrease voluntary disclosure. Litigation can also discourage managers to further disclosure, particularly in forward-looking information. However, under such circumstance, managers might be questioned by court about their delay in the announcement of the bad news.	Skinner (1994)
Proprietary cost hypothesis	Several researchers argued that a firm's disclosure decision is subject to one major concern, whether such disclosures can damage their competitive position in the product market. Literature concludes that firms have an incentive not to disclose information that will reduce their competitive position, even if it costs the firm more to raise additional equity.	Verrechia (1883) Darrough and Stoughton (1990) Newman and Sansing (1993) Gigler (1994)

Source: summarised from Healy and Palepu (2001, p. 420-427)

Empirical findings in non-financial CSED contexts are consistent with this explanation. In the context of CSED, Li, Richardson and Thornton (1997) investigated the risk of sanction for a particular environmental incident. In their study, the decision to disclose information concerning a firm's environmental liabilities was modeled as a sequential game, which involved the firm, a capital market, and outside stakeholders who can impose proprietary costs on the firm. The hypotheses tested that a firm is more likely to disclose as: 1. its pollution propensity increases; 2. outsiders' knowledge of its environmental liabilities increases; and 3. the risk of incurring proprietary costs decreases. The empirical evidence showed that when a firm faces serious problems (such as in a lawsuit or toxic discharge), it is less likely to disclose information about these incidents. This is because this information could be used by third parties to sanction the activities of the company. With regard to a firm's decision not to disclose (keep silent) information, the finding of Li, Richardson and Thornton (1997) is consistent with the argument of Dye (1985) that external groups' uncertainty about information is a key factor that drives the company to decide whether to disclose the related information or not.

More recently, drawing on the voluntary disclosure literature (Dye, 1985; Verrecchia, 1983), Clarkson, Li, Richardson and Vasvari (2008) examined the relationship between the level of environmental disclosure and environmental performance. The evidence showed that a positive association existed between environmental disclosure levels and environmental performance. Based on the previous discussion, it is assumed that voluntary disclosure theory (Dye, 1985; Verrecchia, 1983) predicts a positive association between CSED and good corporate sustainable practices. The notion is that companies with superior performance in sustainable practices are likely to signal their better performance by pointing to objective sustainability performance indicators which are difficult to mimic by companies with inferior sustainability performance. In contrast, inferior performers will choose to disclose little on sustainability performance. By doing this, these companies wish to be placed in a pool where investors and other information users view them the 'average performers'. Accordingly, this study proposes that the rules sustaining this partial disclosure equilibrium are linked to proprietary costs associated with disclosure about sustainability performance and uncertainty as to whether the firm is informed regarding its sustainability type. Given the discussion above, it is therefore proposed:

Proposition 1: Managers do not voluntarily release CSED which increases proprietary costs.

As noted earlier, the literature in this area is arguably premised on the notion that 'higher quality disclosure[5] is efficient in that it leads to a reduction in the information asymmetry component of the cost of capital' (Verrecchia, 2001, p. 173). Consequently, these studies are supported by research that is primarily concerned with measuring the financial effects of voluntary disclosure.

However, the market-based motives based on agency theory cannot provide a satisfactory explanation for CSED. Based on agency theory, in the context of CSED the principal

[5] A higher quality disclosure refers to the disclosure with information content (value), which includes more relevant and reliable information.

would be society or certain groups of stakeholders and the agent is the corporation. A number of empirical studies (e.g., Belkaoui (1976)) testing the effect that different type of CSED have on capital markets in which the major concerns were focus on the wealth of shareholders or investors. Many potential users of CSED such as NGOs and organisations like Greenpeace are not considered. Apart from agency theory, social-based theories provide a more comprehensive perspective on CSED as they explicitly recognise that organisations evolve within a society that encompasses many political, social and institutional frameworks.

3.3 Socially Based Motives for Voluntary CSED

While some researchers approach voluntary corporate disclosure from economics-based theories (AT and SH), others employ socially based theories to obtain a more satisfactory explanation for the phenomenon of voluntary CSED. The proponents of socially based theories claim this approach allows researchers to focus on the role of information disclosure in the relationship(s) among organisations, individuals and groups (Gray et al., 1996). In particular, it focuses on groups other than shareholders and direct resource providers. This section explores the literature on the perception of a firm's managers about the social pressures exerted on firms by stakeholder groups (e.g., local community, customers and non-profit organisations) for voluntary CSED. The discussion is framed on two premises. First, firms do not operate in a social vacuum. Rather, they are embedded in national and industry-wide institutional settings that influence their strategic decisions (Aguilera and Jackson, 2003). Second, although a firm's main goal is to survive by means of achieving competitive advantage in the economic market, different mechanisms exist to sustain a firm's survival and efficiency.

Empirical studies of CSED from this view have produced a large body of literature. The core of these theoretical discussions is how companies seek to be legitimate with their stakeholders through CSR reporting. Most of the literature about CSED fits in one of two categories (Murray et al., 2006). The first category of the research has sought to examine how social and environmental disclosure can be seen as reflecting and discharging the responsibilities and subsequent accountabilities of the organisation. The second branch of research has taken a managerial approach, which seeks to explore how the company uses such disclosures to manage its stakeholders and how disclosure might secure the organisational legitimacy of an individual company and, at the extreme, capitalism itself. The earlier discussion about agency theory identified that managers may use voluntary corporate disclosure to discharge their responsibility and accountability with their stakeholders, (e.g., shareholders and debt holders) and signal their performance in management. To some extent, this section employs the concept of social contract and political economic theory to broaden the scope of firms' stakeholders to 'general publics'. Under this premise, the notions of stakeholder theory, legitimacy theory and institutional theory are reviewed.

3.3.1 The Notion of the Social Contract

Many of the socially based theories used in studies of voluntary CSED have origins in the concept of the "social contract". Social contracts usually refer to the mutual expectations, promises, and obligations that members of society hold in their relationships with businesses, governments, and each other (Kochan and Rubinstein, 2000). Highlighting the concept of the social contract, the operation of organisations is expected to comply with the expectations within the social contract.

The origins of the social contract are in political philosophy. As indicated by Mathews (2004), the early form of social contract described the process by which members of society accept influence over their individual freedoms in order to achieve collective goals. According to Deegan and Unerman (2006), the social contract was first discussed by philosophers such as Thomas Hobbes (1712-1778), John Locke (1632-1704) and Jean-Jacques Rousseau (1712-1778). However, it is only recently that the notion of social contract has been embraced in accounting research.

A social contract perspective suggests that individuals and organisations have an ultimate responsibility to society (Donaldson and Dunfee, 1999). In this view, social consciousness fuels relationships linking the good for any party to the good for all in the community. Maximising individual interests is a market-orientated notion. The social contract, in contrast, focuses on the maximisation of collective benefits. In the light of this concept, any social institution and business operates in society via a social contract expressly or implicitly (Shocker and Sethi, 1974). Consequently, it is argued that a business' survival and growth are based on:

1. the delivery of some socially desired ends to society in general; and
2. the distribution of economic, social, or political benefits to the groups from which it derives its power (Shocker & Sethi, 1974, p.67).

In the context of business operations, Mathew (1993, p.26) stated:

> The social contract would exist between corporations and individual members of society. Society provides corporations with legal standing and attributes and the authority to own and use natural resources and to hire their employees check. Organizations draw on community resources and output both goods and services and waste products to the general environments. The organization has no inherent right to these benefits, and in order to allow their existence, society would expect the benefits to exceed the cost to society.

Accordingly, it is argued that the aims of business are not only to maximise the economic profits for shareholders, but also to operate in a socially responsible manner. This view is consistent with an overarching political economy theory as its underlying philosophical base. But it should be noted that this has always been a difficult philosophical problem similar to Rousseau's *volonte de tous* and *volonte generale* (Rousseau, 1968).

3.3.2 Political Economy Theory (PET)

Unlike agency theory, PET goes beyond the market. Based on the notion of the social contract, political economy theorists assert that the operations of firms not only focus on the economic self-interest or wealth maximisation of the individual or corporation, but also consider the political, social and institutional framework in which the economic activity takes place (Gray et al., 1995b). According to Deegan and Unerman (2006), PET explicitly recognises the power conflicts and struggles that occur among various groups in society. PET provides a view that society, politics and economics are inseparable and economic issues cannot meaningfully be investigated without considering the contextual factors (such as the institutional framework) in which the economic activities take place. Cooper (1994) also argued that PET emphasises the interrelationships between political and economic forces in society and recognises the effects of accounting information on the distribution of income, power and wealth in society.

From this perspective, Guthrie and Parker (1989) viewed accounting and related disclosure (such as annual reports) as reflecting the demands of stakeholders and that these reports should be considered as social, political, and economic documents (Guthrie and Parker, 1990). They stated (p.166):

> The political economy perspective perceives accounting reports as social, political, and economic documents. They serve as a tool for constructing, sustaining, and legitimising economic and political arrangements, institutions and ideological themes which contribute to the corporation's private interests. Disclosures have the capacity to transmit social, political and economic meanings for a pluralistic set of report recipients.

The insights provided by legitimacy theory and stakeholder theory view organisations as embedded in the broader social system and are built on the framework underpinning political economy perspectives (Gray et al., 1996, Deegan, 2002). Legitimacy theory focuses on the expectation of the 'general public', whereas a stakeholder model attempts to identify who is the main audience and what issues companies should be accountable for in CSR reports. These are discussed in the following sections.

3.4 Legitimacy Theory

Legitimacy theory, derived from the concept of organisational legitimacy, is possibly the most pervasive type (Parker, 2005, p. 846) of research into motivations underlying CSED. Legitimacy is relevant to this study since it relates closely to perceptions. Many scholars have argued that legitimacy theory provides useful insights into explaining managers' decisions to voluntary disclosures that are made within corporate annual reports or other stand-alone reports such as CSR reports (Deegan, 2002, O'Donovan, 1999, O'Donovan, 2000, O'Donovan, 2002, van Staden and Hooks, 2007). For the purpose of this study, this section explores a number of issues in relation to legitimacy theory. This section starts by considering the nature of 'organisational' legitimacy, and then describes the basics of legitimacy theory. Finally, how companies manage their legitimacy through voluntary CSED is discussed.

3.4.1 The Notion of Organisational Legitimacy

Legitimacy can be defined as ' a generalized perception or assumption that the actions of an entity are desirable, proper or appropriate within some socially constructed system of norms, value, beliefs, and definitions' (Suchman, 1995, p.574). This broad definition is used to capture not only the strategic view of legitimacy adopted by Dowling and Pfeffer (1975), but also the institutional view adopted by others, like Meyer and Rowan (1977). The first view takes a managerial perspective concerned with the action of organisations to gather societal support. As noted by Dowling and Pfeffer (1975, p.123), 'a corporation is legitimate when it is judged to be just and worthy of support'. The second one is interested in environmental dynamics becoming constitutive of organisational life and structure. As noted by Lindblom (1994, p.2), cited by Deegan (2002) and Gray et al.,(1995a), legitimacy usually refers to

> a condition or status which exists when an entity's value system is congruent with the value system of the larger social system of which the entity is a part. When a disparity, actual or potential, exists between the two value systems, there is a threat to the entity's legitimacy.

Given the definition above, what an organisation considers to be legitimate is not a steady but a variable state. What is legitimate at present may not be legitimate in the future. For instance, using the fur of endangered animals to make luxury coats was once considered to be a legitimate activity but has become controversial and even illegal in some countries over the past few years hence the legitimacy of those activities is now questionable.

Legitimacy theory assumes that in order to achieve legitimacy, an organisation should be operating within the norms and expectations of the society. Legitimacy theory also suggests that the operations of the organisation can be constrained by societal perceptions. Deegan (2000) notes that

> [O]rganizations continually seek to ensure that they operate within the bounds and norms of their respective societies, that is, they attempt to ensure that their activities are perceived by outside parties as being 'legitimate (Deegan, 2000, p. 253).

In order to be legitimate, organisations are continually seeking to establish:

> congruence between the social values associated with or implied by their activities and the norms of acceptable behaviour in the larger social system of which they are a part (Dowling & Pfeffer, 1975, p.122).

3.4.2 Three Primary Forms of Legitimacy

Drawing on previous studies, Suchman (1995) identified three primary forms of legitimacy: pragmatic; moral; and cognitive. Pragmatic legitimacy refers to a utilitarian discursive evaluation by an organisation's interested parties based on their self-interests. In line with this concept, stakeholders analyse the behaviours of the organisations to assess the practical consequences of their operations. The pragmatic concept can be further divided into three forms, namely, exchange, influence and dispositional legitimacy.

1. *Exchange legitimacy* refers to the support granted by a certain interested parties (constituents or stakeholders) to an organisation's policy or strategy. These people will ascribe legitimacy to the corporation as long as they perceive to be benefited from corporation's activities.
2. *Influence legitimacy* is granted when a group of constituents considers that the organisation has provided certain functions/mechanisms to respond to their feedback, for example, incorporate representatives of the group member into its structure or into the process of decision-making.
3. *Dispositional legitimacy* is granted when a group of constituents acknowledge that the organisation shares the group's value or has their interests at heart.

Rather than focus on self-interest, moral legitimacy refers to a positive normative evaluation of an organisation and its activities from the perspective of a socially constructed value system. The constituents evaluate whether or not the organisation is doing the right thing (Schuman, 1995). Meyer and Rowan (1997) argued that by adopting institutional rules and myths (see discussion in Section 3.5), organisations would gain legitimacy. Consequently, organisations may use some symbol/ritual as a 'myth' to manage their legitimacy.

Finally, Suchman (1995) identified four forms of moral legitimacy, namely, consequential, procedural, structural and personal legitimacy.

1. *Consequential legitimacy* refers to a moral evaluation of an organisation based on what it accomplished and the proprieties of the outputs it produces, given that these proprieties are socially constructed and do not exist in a concrete sense (Suchman, 1995).
2. *Procedural legitimacy* refers to moral evaluation of an organisation based on the procedures that it uses to conduct its activities. Procedural legitimacy in the case of CSED requires a demonstration of stakeholder engagement in the procession of decision-making of the issues which the organisation should recognise. Within such a dual process, stakeholders perceive that their opinions have been submitted to public debate and obtain adequate justification for the final decision. Following this process will grant procedural legitimacy.
3. *Structural legitimacy* refers to assessing an organisational legitimacy from its structural characteristics; whether or not they locate in a morally favoured taxonomic category (Suchman, 1995, p.581). Individuals may provide support to an entity that adopts socially accepted structures or practices. This could be the case when these structures allow adequate representation of all constituencies.
4. *Personal legitimacy* refers to the charisma and values of individual organisational leaders. As noted by Meyer and Rowan (1977), the confidence and good faith of an organisation's internal participants makes external constituents legitimize the organisation.

Cognitive legitimacy, as the last primary form of legitimacy in Suchman's (1995) typology, is the most subtle and elusive one. This form of legitimacy is underpinned by assumptions that individuals can have about an organisation. Being different from the previous two primary forms of legitimacy which involve a discursive evaluation of an organisation and its activities, cognitive legitimacy accepts an organisation simply due to the acceptance of its culture (Suchman, 1995). In other words, cognitive legitimacy emerges when a society regards the structure of an organisation and its practices or behaviour as inevitable and necessary in a certain societal context. Based on this broadly shared consensus, the outputs of the behaviours and practices have been little questioned (Palazzo and Scherer, 2006). It is argued that cognitive legitimacy operates mainly at the subconscious level, and it is difficult for the companies to influence and manipulate it strategically (Oliver, 1991, Suchman, 1995). Once a manipulation attempt is revealed, cognitive legitimacy may collapse.

3.4.3 Manage Legitimacy: Strategic vs. Institutional Approach

Legitimacy can be understood as the confirmation of societal norms, values and expectations. As indicated by Ashforth and Gibbs (1990), an organisation is perceived as legitimate if it pursues socially acceptable goals in a socially acceptable manner. Legitimacy problems (disparities) are said to occur when societal expectations for corporate behaviour differs from societal perceptions of a corporation's behaviour. Sethi (1977) suggests that we can usefully understand this difference as a 'legitimacy gap'. Such threats could be evidenced through the fluctuations on the capital market, a boycott of products, or the legal requirements of governmental bodies. Accordingly, Sethi (1977, p.58) stated:

> A continuously widening gap would cause business to lose legitimacy and threaten its survival. A business must therefore strive to narrow this "legitimacy gap" to maintain maximum discretionary control over its internal decision making and external dealings.

The existence of a widening legitimacy gap drives corporate efforts to manage legitimacy. Considering environmental issues and events, O'Donovan (2002, p.346-347) provides a two-circle Venn diagram to illustrate the idea of legitimacy. One circle represents society's expectations and perceptions of a corporation's activities; the other represents corporation's actions and activities. Where the circles overlap represents congruence between corporate activity and society's expectations of the corporation and its activities, based on social values and society's perceptions of what theses action should be. Where the circles do not overlap represent 'illegitimacy' or the legitimacy gap. The aim of the corporation legitimation is to ensure area X is as large as possible, thereby reducing the legitimacy gap.

3.4.4 Legitimacy Management through a Strategic Approach

Suchman (1995) proposes that legitimacy can be managed by two approaches: strategic and institutional. The strategic approach sees organisational legitimacy as an 'operation resource' (Suchman, 1995) which is manageable (Ashforth and Gibbs, 1990). From this perspective, organisational legitimacy relies on the organisation's ability to 'instrumentally manipulate and deploy evocative symbols in order to garner societal support ((Suchman, 1995, p.572), cited by (Palazzo and Scherer, 2006, p.74)). In the context of CSED, a number of strategic and disclosure approaches may be employed to reduce the legitimacy gap.

The strategic approach suggests that management can influence the perceptions, which the general public has of the firm. Based on legitimacy theory, companies whose organisational legitimacy is threatened have the motivation to increase CSR/sustainability disclosures. If the management of a business consider a social issue or event significant enough to threaten its legitimacy, it may attempt to respond in many different ways so as to gain, maintain or repair legitimacy. For example, Sethi (1978, p.58) suggests four possible strategies for managing a widening "legitimacy gap".

1. Do not change performance, but change public perceptions of performance through education and information.
2. If changes in public perception are not possible, change the symbols used to describe business performance.
3. Attempt to change societal expectations of business performance through education and information.
4. When strategies 1 through 3 are unsuccessful in completely bridging the legitimacy gap, bring about changes in business performance, thereby closely matching it with society's expectations.

Drawing on the above, Lindblom (1994) also identified four kinds of tactic that management can employ to maintain legitimacy by information disclosure.

1. Seek to educate and inform its "relevant publics" about the organisation's changes intentionally in the performance and activities;

2. Seek to change the perception of the "relevant publics" caused by a particular issue/event, but not change the actual behaviour of the organisation;
3. Distract or manipulate the perception of the "relevant publics" by deflecting attention from the issue/event of the concern; and,
4. Seek to change external expectations about the organisation's performance.

The management of legitimacy involves choosing and implementing one of the above strategies and most importantly communicating the message. Without communication or disclosure, organisations may still face legitimacy threats.

3.4.5 Legitimacy Management through an Institutional Approach

An institutional approach asserts that organisational legitimacy results from the organisational culture embedded and displayed in its compliance with norms, values and procedures accepted by the society (DiMaggio and Powell, 1983, Dowling and Pfeffer, 1975). From this perspective, the institutional approach views organisational legitimacy as a continuous and usually unconscious adaptation of expectations in which the organisation reacts to external pressures or expectations. Drawing on Perrow (1970), Dowling & Pfeffer (1975, p.127) suggested the actions that organisations can implement to ensure their continued legitimacy include:

1. the organisation can adapt its output, goal and methods of operation to conform to prevailing definitions of legitimacy;
2. the organisation can attempt, through communication, to alter the definition of social legitimacy so that it conforms to the organisation's present practices, output and values; and

3. the organisation can attempt, again through communication, to become identified with symbols, values or institutions which have a strong base of social legitimacy.

Dowling & Pfeffer (1975, p.127) thus indicated that,

> Since the changing of social norms is a difficult process, it is likely that most organizations will either adapt to the constraints imposed by the requirement to be legitimate or will attempt to identify their present output, values and methods of operations, with institutions, values or outputs that are strongly believe to be legitimate. Legitimation, therefore, involves a change in the organization's mission or the use of symbols to identify the organization with legitimate social institutions or practices.

Thus, as noted by Suchman (1995), with the institutional approach, the potential really to manage legitimacy is limited. Most often, organisations will adapt the necessary practices to respond to external expectations (Oliver, 1991)

Evidence of increased CSED reporting related to these points is prevalent in the literature. Patten (1992) focused on the change in the extent of environmental disclosures made by oil companies in North America after the Exxon Valdez oil spill in Alaska in 1989. Patten's results show increased environmental disclosure by the companies in the petroleum industry after the incident. This is consistent with a legitimization perspective. Brown and Deegan (1998) also noted that the CSED in annual reports has been used as a tool to legitimize organisational operation when an issue related to a company or an industry gains media attention.

Deegan, Rankin and Tobin (2002) conducted a longitudinal study examining CSED and media attention (a proxy for social concerns about social and environmental issues). They examined the annual reports of BHP (now BHP Billiton) over the period 1983 to 1997 and found positive correlations between media attention to certain social and environmental issues and the volume of CSED in annual reports. Legitimacy theory suggests that management do attempt to influence the general publics' perceptions of a firm by making CSED.

Newson & Deegan (2002, p.185) contend that "legitimacy is assumed to be influenced by disclosures of information and not simply by (undisclosed) changes in corporate actions". Deegan, Rankin, and Voght (2000) confirm this notion that managing legitimacy is linked with CSED. Without repeated communication or disclosure designed to change the perceptions of stakeholders, organisations can still face legitimacy threats. Consequently, the aim of disclosure is to demonstrate legitimacy. O'Donovan (2002) found that one way that business has responded to legitimacy threats is to increase its CSED, although it is also claimed that legitimacy may be protected in some instances by reducing or avoiding disclosure (de Villiers and van Staden, 2006).

The process of legitimization, therefore, may involve the portrayal of goals, methods and outputs in ways that the relevant public or stakeholders (further discussion sees Section 3.5) may accept. CSR/sustainability reports thus play an important role in the process of communication. Given the discussion above, it is proposed that

Proposition 2: Companies design and disclose information in their CSR reports in order to manage the expectations and perceptions of 'general public' (stakeholders).

Despite the gain in credibility, legitimacy theory is still considered a relatively under-developed theory of managerial behaviour (Deegan, 2002, p.298). First, while legitimacy theory focuses on how to meet the expectations of 'society', it lacks specificity in both the definition of legitimacy and the way these norms, values and beliefs are institutionalized to measure and ensure legitimacy. Secondly, legitimacy theory ignores concepts of accountability and transparency to the so called 'general public'. Thus, it still suffers from an insufficient ability fully to anticipate and explain managerial behaviours and disclosure decisions. In order to overcome these pitfalls, other complementary theories (e.g., stakeholder theory and institutional theory) have been used in an attempt to explain managerial behaviour and CSED decision-making will be discussed next. Stakeholder theory, viewing CSED through an instrumental lens, can be a supplementary theory to the strategic approach by identifying who are the 'general public' of CSED. Institutional theory, emphasizing social norms and values, can be an accompanying theory to the intuitional approach to understand the expectations of these 'general public'.

3.5 Stakeholder Theory

The concept of stakeholders emerged in the management literature in the 1960s. By the 1970s, several variants of stakeholder theory were already being tested by major corporations (such as GE (General Electric)). However, at that time the stakeholder approach remained scattered and peripheral to management scholarship. It remained so until Freeman (1984) gathered various eclectic ideas in this area and constructed a coherent and systematic framework of stakeholder management.

From an instrumental perspective, Freeman (1984, p.25) defines stakeholder as 'any group or individual who can affect or is affected by the achievement of the firm's objectives'. Further, he suggested that there is a need for an integrated model to deal with multiple stakeholders on multiple issues (Freeman, 1984). CSR reports provide information about the impact of a corporation's activities on a broad range of constituents. In line with Freeman's thinking, the question about voluntary CSED is how to manage different stakeholders with different information needs.

While the stakeholder model was introduced to general management theory, the concept has become one of the major management theories in CSR research (Donaldson and Preston, 1995). The unique feature of the stakeholder management framework is that it centres on the purpose of a corporation in a different way–survival; rather than competition. Stakeholder theory posits that the survival of a corporation is affected by shareholders as well as by other stakeholders, such as employees, government, community and customers. Since stakeholder theory recognises the importance of the relationships and normative foundations of non-shareholders, it has implications for CSR and CSED.

While Freeman framed and demarcated stakeholders as elements of corporate strategic planning, he demonstrated the importance of stakeholders for the mission and purpose of the company. Many scholars thus assert that the survival and continuing success of companies depends upon the ability of management to create sufficient wealth, value or satisfaction for all 'primary' (for further discussion sees Section 3.5.2) stakeholder groups (Clarkson, 1995). Following such thinking, companies employ a variety of communication mechanisms to overcome the difficulties of identifying and engaging in dialogue with their stakeholders. Through reaching a consensus on their social responsibility, a company attempts to discharge its social responsibility and ensure that its operations are congruent with social norms and values; the company has legitimacy.

Social accountability arose from the notion of social contract and requires organisations to provide information to stakeholders as evidence that their activities are accountable. Stakeholder accountability, in contrast to shareholder accountability, attempts to identify stakeholders to whom a company may have responsibility. To discharge stakeholder accountability, companies need to be answerable to a wider group of stakeholders on the issues with which they are concerned. Based on stakeholder theory, two fundamental questions thus have been addressed in terms of voluntary CSR reporting.

1. Which groups of stakeholders are the main audiences of CSR reports?
2. What kind of information (such as disclosure form and contents) is needed for these main audiences?

By identifying the main audiences and the information needs of various groups of audiences, CSED managers have attempted to ensure that their CSED are consistent with the expectations of 'general publics' which is the tenet of legitimacy theory.

3.5.1 Identifying Stakeholders Salience

Many attempts have been made to identify and distinguish stakeholder groups. Clarkson (1995) divides stakeholders of a company into two categories: primary and secondary. Primary stakeholders are people who bear some form of risk because of having invested human or financial capital, and other resources in the organisation. These people are directly influenced by companies and are eligible to affect the decisions of companies. Secondary stakeholders are people who do not control critical resources of the focal company in its operations. They may not have attributes of saliency but they might be placed at risk as a result of the firm's activities. Secondary stakeholders can only influence the focal company directly via primary stakeholders (Rowley, 1997, Frooman, 1999). In order to ensure continuous of critical resources needed in operation, companies need to seek the approval of these stakeholders. The more powerful the stakeholders, the more the company must adapt to their requirements.

Mitchell, Agle and Wood (1997) tried to produce a comprehensive model to set up the priority of stakeholders on three key dimensions: power, legitimacy and urgency. Working with previous studies, they developed a descriptive stakeholder theory which is helpful in prioritising the main categories of stakeholders. Their propositions about stakeholder identification and stakeholders' salience to corporate managers rely on three things: the moral legitimacy of a stakeholders' claim, the stakeholder's power to influence the firm and the urgency of the stakeholder's issue. Based on the concept of salience, Mitchell et al. (1997) further categorized stakeholders into eight groups. From the most important to the least, they are definitive, dependent, dangerous, dominant, demanding, discretionary, dormant and non stakeholders. The central thesis of the theory is that stakeholder salience is positively related to the cumulative number of stakeholder attributes of power, legitimacy, and urgency. It is the role of managers to balance stakeholders' demands so that they can achieve organisational objectives. It is helpful for managers to apply these notions to identify who the stakeholders are and determine the salience of the stakeholders.

Applying the above notion to study the main audience of CSR reports, Chua (2006a) identified significant CSED users into five groups. They included individual investors, institutional investors, financial analysts, review and oversight boards and NGOs (non-government organisations). Individual investors refer to shareholders and ultimate owners. They include individual shareholders, consumers and employees. Institutional investors, compared with individual ones, have huge funds under management and corporate voting power. They include banks, financial institutions and professional investing funds. Financial analysts help disseminate information in capital markets and can play an important role in the pricing of firm value. Their opinions are usually expressed in the form of surveys conducted by these institutions. Organisations (such as industry or consumer associations) that perform a review or oversight function can have a significant impact on corporations. They can shape and reflect public attitudes/opinion and influence policy and regulatory decision-making. Finally, the growing interest in social and environmental responsibility and reporting has often been attributed to NGO's (non-government organisations). They can be powerful influencers of public opinion while also lobbying government and industry.

However, the question remains as to whether the organisation should be accountable to all stakeholders equally or selectively respond to salient stakeholders. Unerman and Bennett (2004) claim that businesses, in practice, may seek to protect or advocate their own interests and ignore or neglect the interests of lower priority stakeholders. In practice, most organisations usually do not respond to all stakeholders equally. As usual, the most powerful stakeholders receive more responses from the company than other stakeholders. Consequently, some scholars have suggested a theoretical alternative to what may be called undemocratic managerial prioritizing of social contractual responsibilities, based on the economic power of stakeholders. For example, Gray et al., (1996) claimed that it seems fundamentally unjust and undemocratic for those with little direct financial influence to have little or no voice in determining corporate policies and actions which might have a significant impact upon them. These scholars support Habermas' [6] 'communicative theory', which posits allowing all stakeholders (irrespective of economic power) an equal opportunity to participate in a debate aimed to establish an inter-subjective moral consensus regarding the acceptability of different corporate actions (Unerman and Bennett, 2004).

[6] German sociologist Jurgen Habermas developed the idea of discoursing ethics in which all stakeholders must engage and be heard in an equal and power-free dialogue in order to promote democracy.

To investigate whether this approach is practical in the real business world is beyond the scope of this study. But their suggestion reflects a critical issue: as the nature of stakeholder accountability changes over time, managers need to assess stakeholder needs continuously. Consequently stakeholder engagement is necessary for management to conform to the changing needs of stakeholders.

3.5.2 Stakeholders' Information Needs on CSED

Using the stakeholder groups categorized by Chua (2006a), the following is an analysis of previous empirical studies about stakeholder views on CSED.

1. **Individual Investors' Perspective**

   Epstein and Freeman (1994) surveyed 246 United States shareholders and asked whether individual investors demanded CSED and, if they did, what type of information they wanted to see disclosed. They concluded that most shareholders wanted to see more CSED. Based on the sample, social disclosures ranked second to economic performance. However, they did not want the company to disclose the economic impacts of social and environmental issues. In the Australian context, Deegan and Rankin (1997) conducted a survey of 60 Australian shareholders on the materiality of environmental issues to their concerns about a company. Of those surveyed 72.4% considered environmental issues as critical.

2. **Institutional Investors Perspective**

   Within the same survey, Deegan and Rankin (1997) found that 66% of managers of institutional investors considered environmental information to be material in their decision-making, although environmental information was less important than financial information. The result is consistent with a much earlier survey conducted by Buzby and Falk (1978) of 102 mutual fund presidents in the USA. They surveyed mutual fund directors to determine if social information was considered in the investment decision. The evidence showed that most fund-presidents deal with social issues on a case-by-case basis. At that time their concerns about social issues were largely confined to alleged illegal contributions and bribes.

3. Financial Analysts' Perspective

Deegan and Rankin (1997) also showed that financial analysts did not consider environmental information to be important in their investment analysis, but argued that this might be caused by the lack of quality reporting practice. The discrepancy in reporting practices made reports hard to analyse and compare. As reflected in the recent development of the Equator Principles[7], the Dow Jones Sustainability Index (DJSI)[8], and the FTSE4 Good Index[9], corporate responsibility performance seems to have acquired a 'value' in the capital markets. As a result, more recent comments by investment analysts and leading financial services firms suggest that the previous perceptions regarding the demand for or materiality of CSR reporting may have been changing.

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[7] The Equator Principles are a benchmark for the financial industry to manage social and environmental issues in project financing. See http://www.equator-principles.com/

[8] The Dow Jones Sustainability Group Index (DJSGI) is a family of indexes used to identify and track the sustainability performance of companies. The DJSGI was introduced in September 1999. Corporations, NGOs and governmental agencies often refer to the DJSGI for illustrating that integrating economic, environmental and social factors into the operations and management of a company increases shareholder value and business activity transparency. The DJSGI is also used by global corporations to legitimize the efforts they put into sustainability.

[9] The FTSE4Good Index Series has been designed to measure the performance of companies that meet globally recognised corporate responsibility standards, and to facilitate investment in those companies. See http://www.ftse4good.com/Indices/FTSE4Good_Index_Series/index.jsp

4. **Review and Oversight Board's Perspective**

Focusing on environmental reporting, Deegan and Rankin (1996) surveyed 12 Australian review organisations. These organisations were identified from public listings and consisted of the Australian Council of Trade Unions (ACTU), environmental lobby groups, industry associations, and consumer associations. The results show that 83% of the organisations in their sample considered environmental issues to be material to their decision-making. More importantly, they considered CSED to be more important than traditional financial data. These organisations obtained environmental data from the annual reports of the companies. They were strongly supportive of more mandatory environmental disclosure and government or accounting professional guidance on CSD.

5. **NGOs (Non-Government Organisations) Perspective**

Tilt (1994) investigated the view towards CSED of pressure groups in Australia. Tilt (1994) provided the first investigation of such pressure groups and their potential influence on the production of CSED. Tilt (1994) surveyed 58 external groups to determine if they used CSED within the annual reports. The result showed that 82% of the respondents sought to obtain CSED from annual reports, but only 19% believed the disclosure level in annual report was sufficient. Some respondents indicated that the amount of CSED in annual reports was sufficient but was not useful. In terms of credibility of CSED in annual reports, which were considered the most credible resource, their scores were just above the medium level. The survey also showed that NGOs tended to support companies with good CSED practices. In contrast, they directly or indirectly lobbied against companies which do not produce social and environmental information. These pressure groups are users of CSED and do attempt to influence companies' disclosure practices. More recently, O'Dwyer, Unerman and Bradley (2005) investigated NGOs' perception of CSED in Ireland. The result showed that a demand for the development of stand-alone, mandated, externally verified CSED dominated the perspectives of interviewees. In the Australian context, Deegan & Bloomquest (2006) explored the influence an initiative of World Wildlife Fund (WWF)-Australia had on the environmental reporting practices of the Australian minerals industry. The findings suggest that the WWF's initiative influenced revisions of the industry code, as well as the reporting behaviour of individual mining companies. However, how much Australian mining companies have really changed in their quality and quantity of CSED with the change of this industry code is still questionable.

Given these studies, it is clear that some groups of stakeholders are supportive of greater CSR (sustainability) reporting although the investing community, especially analysts, remains sceptical of the value of such information. However, the emergence and development of sustainability indices in capital markets suggests that social and environmental behaviour and thus CSED is here to stay.

3.5.3 Stakeholder Management

Hill and Jones (1992) suggested that firms can be seen as a nexus of contracts between stakeholders with managers as the central node. Managers are the only group which enters into the contractual relationship with all other stakeholders. They also control the process of decision-making, including resource allocation. The attitudes of managers have potential influence on the claims (such as compensation plan, dividends and salary) of many stakeholder groups. This discussion suggests that factors such as power, legitimacy, urgency and managers' attitude determine the salience of various stakeholder groups in the eyes of the firm. The more critical the claims of the stakeholder group are perceived to be by the managers, the higher the chances that the demands of stakeholders will be addressed.

Jones (1995) takes a more instrumental perspective to enrich the framework of stakeholder theory. Jones (1995) related the stakeholder theory to economic models (e.g., agency theory, team production theory and transaction cost) in CSR research. He aimed to construct an 'instrumental stakeholder theory' with strong predictive capacity. Drawing on the basic behaviour assumptions of a firm and actor, Jones (1995) linked the actions and outcomes together and provided a number of testable hypotheses. He argued that stakeholder theory could be a central paradigm in CSR research. Thus, it has been claimed that integrating social and environmental accounting research with stakeholder management concepts could lead to a better understanding of motivations for voluntary CSED (Ullmann, 1985, Neu et al., 1998, Roberts, 1992, Deegan et al., 2006).

Ullmann (1985) argued that the power of the stakeholder is related to the strategic posture adopted by the corporation. A company's strategic posture describes the mode of response of an organisation's key decision makers towards social demands. Organisations may adopt a reactive or proactive strategic posture. It is important to note the specific reference to important stakeholders in this context. The more critical stakeholder resources are to the success and viability of the organisation, the more likely the organisation will satisfy the demands of these stakeholders. Drawing on the same framework, Roberts (1992) found that levels of social disclosure were related to stakeholder power and, in particular, to an overall corporate strategy for managing stakeholders and meeting creditor expectations. He concluded that stakeholder power, strategic posture and economic performance are significantly related to levels of CSED.

Neu, Warsame and Pedwell (1998) explicitly link the use of stakeholder theory with the concept of organisational legitimacy. The authors attempted to explore CSED by interrelating two perspectives (stakeholder theory and legitimacy theory). Reviewing annual reports of Canadian public companies in sensitive industries over the 1982 to 1991 period, Neu et al., (1998) concluded that the disclosure type and level of CSED in annual reports are primarily influenced by an organisation's stakeholders and the communication strategy adopted by the companies to deal with the power conflicts among these stakeholders. Neu et al., (1998) further made some suggestions in relation to these 'different publics'. They state:

> because of these different publics, the relation between environmental disclosures and an organization's method of operations and output will always be partial in that these disclosures attempt to emphasize environmental successes, re-frame challenges raised by important publics and ignore challenges raised by marginal publics (1998, p.274).

Neu et al. (1998, p.279) indicated that their findings support the view that:

> In situations of conflicting interests, organizations attempt to communicate legitimating characteristics to the most important relevant publics and to defy or ignore less important publics.

In summary, stakeholder theory is essentially an economically (self-interest) driven approach in which resource dependency determines the importance of the stakeholder. In addition, the priority of salient stakeholders determines the contents of disclosure, which includes type, issue of importance and priority of feedback to stakeholders. Under this notion, the more salient the stakeholder group is to the reporting entity the higher priority it is given when CSED decisions are made. The problem for management is to decide which groups deserve or require management attention. The CSED (CSR/ Sustainability report), as a formal communication tool between a company and its stakeholders about its sustainability performance, should reflect the priority and needs of these salient stakeholders. Thus, it is posited:

Proposition 3: The presentation format and content (issues and related indicators) of CSED reflect the concerns of salient stakeholders and their information needs.

However, in practice, one of the difficulties in establishing whether CSED are needed and used is in deciding which groups of stakeholders want what kind of information. It is difficult to collect, evaluate and integrate the divergent information needs of diverse groups of stakeholders, such as shareholders, social activists, employees, local communities and government agencies (Dierkes and Antal, 1985). They further claimed that the interests of these different group are not only significant, but also conflict on certain issues. As a result, any decision to CSED for a specific group of stakeholder is a delicate matter for the corporation (cited by O'Donovan (2000, p.30)). It is clear that how to cope with stakeholder conflict is a challenging issue for CSED managers. Facing such problems, CSED managers may adopt a set of externally accepted reporting guidelines (such as the GRI Guidelines) to balance the expectations (information needs) of various groups of stakeholders in CSED practice. Sections 3.6.2 and 3.6.3 discuss how the GRI Guidelines, viewed as a set of institutionalized CSR/sustainability reporting guidelines, can help corporations in CSED practices to solve such difficulties. Before that, the notion of institutional theory is briefly discussed.

3.6 Institutional Theory

Institutional theory emphasises the role of social and cultural pressures which are imposed on organisations. Institutional theorists view organisations as operating within a social framework of norms, values, and taken-for-granted assumptions about what constitutes appropriate or acceptable economic behaviour (Oliver, 1997). Businesses usually operate in an uncertain environment and this leads to pressures on business organisations. Institutional theory focuses on how organisations may manage pressures by adopting widely accepted structures and practices. Thus, institutional theory has been used to explain existing organisational structures and show the structures, processes, procedures and practices employed to cope with pressures from stakeholders who expect to see particular practices in an organisation.

Drawing from previous work and institutional theory, Kostova and Roth (2002, p.216) define an organisational practice as

> [a]n organization's routine use of knowledge for conducting a particular function that has evolved over time under the influence of the organization's history, people, interest and actions.

From this perspective, this study views CSR/sustainability reporting as an organisational practice to communicate companies' concerns about and performance of sustainability to their stakeholders. As an organisational practice, CSR/sustainability reporting comes to reflect the shared knowledge of the organisation and has been accepted and approved by organisation members (Kostova and Roth, 2002). Meyer and Rowan (1977) suggest that organisational practices may have a social meaning which is shaped by the institutional context. They state,

> [Organizational practices] are deeply ingrained in, and reflect widespread understanding of social reality [and are] enforced by public opinion, by the views of important constituents, by knowledge limited through the education system, by social prestige, by the laws (p.343).

Suchman's (1995) procedure and structure legitimacy (Section 3.4.2) assumes that organisations adopting structures and management practices considered to be legitimate may increase their legitimacy and then increase the probability of entity survival. The internal structures and procedures adopted may reflect the rule, procedures, myths and norms that are prevalent and generally perceived to be 'right' within society (Meyer and Scott, 1983). The following section examines various types of institutionalized practices and identifies their nature in terms of who makes them and how they are enforced (Ingram and Clay, 2000).

3.6.1 The Nature and Type of Institutionalized Practices

From an institutional theory perspective, Ingram and Clay (2000) suggested institutions that make organisations legitimate can be classified on two dimensions by considering who makes the institutional practice and how the institutional rules are enforced. Table 3.4 illustrates the various positions. According to who makes it, the institutionalized practice can be further grouped into public and private. Governments produce public institutions while organisations and individuals generate private ones. According to the way the institutionalized practice is enforced, it can be divided into centralized and decentralized categories. Terlaak (2007) notes that centralized institutionalized are enforced through designated central functionaries, whereas decentralized practices rely on diffuse individuals to punish institutional violations' (P. 970).

Table 3.3 Institutional Classification of Social Initiatives

Enforcement/ Creators	Private	Public
Centralized	Private-Centralized Institution (e.g. Industry program/code)	Public-centralized Institution (e.g. Laws)
Decentralized	Private-centralized institution (e.g., Certified Management Standard, Voluntary Social Initiatives)	

Source: Summarised from Ingram and Clay (2000)

As shown in Table 3.3, laws are typical examples in the classification of public central institutionalized practices. They are classified as public-centralized because laws are created by the State and enforced by a designated functionary–a court system. The classification of Ingram and Clay (2000) includes public laws as well as private laws. Hierarchies and industry codes are examples of private-centralized institutions. They are private because these codes are created by organisations other than States; they are centralized because these industrial codes are enforced by an authorized organisation, such as various industry associations. In contrast, the private-decentralized institutionalized practices usually rely on various stakeholders to punish the individual who fails to comply. These initiatives include ISO14000 (environmental management standard), SA8000 (labour management standard), and GRI Guidelines (sustainability report standard). The adoption of these practices is explained by organisations' conformity to institutional pressures driven by legitimacy motives (DiMaggio and Powell, 1983). The following section adapts the notion of institutional myth from institutional theory to explain why as practices become institutionalized, they become viewed as legitimate in the society.

3.6.2 Institutional Myths

Meyer and Rowan (1977) explained how the rationalized meanings (or myths) attached to organisational structures or practices gained legitimacy. Meyer and Rowan (1977) argue that legitimacy or social fitness is gained or maintained through 'rational myths'. The myths are a prescription generally accepted as being true because of their highly institutionalized nature; nevertheless they are largely untested. Meyer and Rowan (1977) stated that rationalized myths are a kind of institutional rationality that guides individual behaviour. These rational myths include procedures or organisational structures within a certain industry. By adopting a formal structure that adheres to the prescription of myths in the institutional environment, an organisation demonstrates that it is acting in a proper and adequate manner. In contrast, organisations that fail to incorporate these rationalized myths seem 'negligent and irrational' (Meyer and Rowan, 1977, p.350).

For example, Deegan and Blomquest (2006) provided evidence that the Australian minerals industry developed an industry-wide environmental management code which could bring legitimacy to the industry generally. At the time of the development of the Code, the industry was suffering from serious legitimacy problems because of environmental catastrophes and work safety accidents. According to Deegan and Blomquest (2006), the Australian minerals industry tried to associate itself with a symbol of legitimacy, known as the Code of Environmental Management. Having a Code of Environmental Management could arguably be seen as a symbolic commitment to improved environmental performance by the industry that developed the Code, and by those companies who subsequently committed to it. The existence of the Code and the number and names of signatories was publicized in a widespread manner by the industry body. Individual companies also indicated they were signatories to the code. By complying with these myths, organisations may be able to increase their stability, access to resources and to facilitate their chances of survival.

The GRI Guidelines, as a set of globally recognised guidelines in CSR/Sustainability reporting (Section 2.6) practice, can be viewed as a sort of 'rational myth', by which an organisation may try to confer legitimacy on itself by adopting it. A company may use the adoption of the GRI Guidelines in the production of CSED to indicate to its stakeholders that it is serious about its CSED. By doing that, a company may enhance the credibility of its CSR/sustainability report and facilitate its social and environmental reputation. The GRI Guidelines are used as a symbol to manage the expectations and perceptions of stakeholders in CSR/sustainability reporting. Given the above discussion, it is proposed:

Proposition 4: Companies adopt the GRI Guidelines in their CSR reporting in order to manage positively the expectations of their main stakeholders.

To address stakeholders' concerns about the credibility of CSR/sustainability reports, the GRI Guidelines offer a self-declared compliance system and encourage independent assurance of sustainability reports (see Section 2.6.6). Upon completion of the CSR/sustainability reporting, organisations have the option to contract GRI and request an Application Level Check. With advance notice, GRI can check the self-declared level prior to report publication. Once both sides agree on the Application Level, GRI will provide a special icon corresponding to the level, which could be used in online or printed reports. In addition, a reporting entity could enhance the credibility of its sustainability report by means of third parties attestation. Given the above discussion, it is proposed:

Proposition 4b: Entities adopting the GRI Guidelines in their sustainability reporting will use the application-level check and third party assurance to enhance the credibility of their reports.

3.6.3 The Notion of Isomorphism

Another central tenet of the institutional perspective is that organisations sharing a similar organisational field will employ similar practices and become 'isomorphic'. Isomorphism is a process by which external institutions permeate internal structures and procedures. Thus, institutional isomorphism usually refers to the process by which organisations in a similar organisational field tend to adopt the same practices or structures to cope with institutional pressures. An organisational field means a business operational environment which consists of,

> those organizations that, in the aggregate, constitute a recognized area of institutional life: key suppliers, resources and product customers, regulatory agencies, and other organizations that produce similar services or product (DiMaggio and Powell, 1983, p.148).

Two components of isomorphism are offered–competitive and institutional isomorphism (DiMaggio and Powell, 1983). Competitive isomorphism highlights how competitive forces drive organisations towards adopting least-cost, efficient structures and practices. In contrast, institutional isomorphism portrays such permeation (such as the adoption of GRI Guidelines in CSR reporting) as a predominantly cultural and political process. Accordingly, institutional theorists suggest that the institutional environments of organisations contain various pressures that influence their structure and practices. They also assume that the mechanism of isomorphism makes organisations in the same institutional field look more alike within a given domain because organisations like to conform to expectations of the wider institutional environment. By doing so, organisations attempt to enhance their institutional legitimacy.

3.6.4 Three Types of Isomorphism

DiMaggio and Powell (1983) further identified three types of institutional pressures (mechanisms), namely, coercive, mimetic, and normative, which influence the diffusion of structures and practices among organisations. Coercive isomorphism results from the formal or informal pressures exerted by external parties. Regulatory systems, intellectual property regimes, tort laws, and anti-trust laws constitute the regulatory aspect of the institutional environment. These regulations influence the way the business contract is undertaken. The regulatory side of the institutional environment might potentially have an important impact on the transaction costs incurred by firms. But non-compliance with institutional regulations, particularly those imposed by urgent and powerful stakeholders, might result in loss of earnings, a damaged reputation, or loss of 'a social licence to operate' (Oliver, 1991, Pfeffer and Salancik, 1978).

Mimetic isomorphism is a process that takes place when organisations attempt to imitate a more successful referent organisation. Firms actively attempt to reduce the level of uncertainty in their operations. By means of imitation, businesses may benefit from the successes of their peers. Organisations might cope with uncertain problems by imitating the structures, practices, or activities of similar successful firms (DiMaggio and Powell, 1983). Firms are more likely to mimic the visible and well-defined activities of similar organisational institutions to cope with uncertain problems. Imitation, in particular, occurs when these activities have to be reported to outsiders.

Normative isomorphism stems from professionalization; whereby organisations adopt the structure and procedures advocated by particular dominant professions, professional bodies and/or consultants. Larson (1979) and Collins (1979) viewed professionalization as the collective struggle of members of an occupation to define the conditions and methods of their work, to control "the production of producers" (Larson, 1979:49-52), and to establish a cognitive base and legitimation for their occupational autonomy.

However, it is worth noting that the professional project is rarely achieved with complete success because professionals must compromise with non-professional clients, bosses, or regulators. Thus, organisations are most likely to adopt practices or structures which professionals in the organisations claim are proper procedure (Larson 1979). Moreover, while various kinds of professionals within an organisation may differ from one another, they exhibit much similarity within their professional counterparts in other organisations. In addition, in many cases, professional power is as much assigned by the state as it is created by the activities of the professions.

Consequently, through coercive, mimetic and normative mechanism, organisations conform to law and adopt certain institutionalized practices, such as structures, programs, policies and procedures to achieve legitimacy in their environment and increase their chances of survival and success (DiMaggio and Powell, 1983).

DiMaggio and Powell (1983, p.150) noted that the concept of institutional isomorphism is a useful approach to understand the politics and ceremony that pervade modern organisations. Furthermore, they argue that managerial decisions are strongly under the influence of these three institutional mechanisms. These mechanisms create and diffuse a common set of values, norms and rules to produce similar practices and structures among organisations sharing a common organisational field. The greater the dependence of one organisation on another organisation, the more similarity it will bear to that organisation in structure (DiMaggio and Powell, 1983).

Given the earlier discussion, an institutional approach which can be seen as a broader external system which emphasises how institutional processes were negating the more rationalistic accounts and focus on that 'organisation sharing the same environment will employ similar practices' (Kostova and Roth, 2002, p.125). From this perspective, practices are adopted for symbolic reasons, seeking organisational legitimacy in the eyes of stakeholders. This presents a challenge to a rational view, which assumes that the adoption of practices is driven by economic efficiency (Section 3.2 Market Incentives to Voluntary Disclosure).

For example, in the study of the adopting of new procedure or practices in an organisation, various groups of scholars detailed how institutional pressures were distinct from technical pressures and rational decision. These studies emphasised how imitation and isomorphism are more likely to be found in institutionalized contexts. Lounsbury (2008) thus claims that the use of institutional theory in accounting research has placed too much emphasis on the power of isomorphism and too little on rationality which may lead to the heterogeneity of organisations and organisational practices. Further, Lounsbury (2008) asserts that although many scholars often seek a distinction in their approaches by expressing discontent with the narrow conceptualizations of rationality found in neo-classical economics and equivalent economics or the rational choice approaches in sociology and political science, most of them are careful not to abandon the notion of rationality. The above argument confirms the call by Greenwood and Hinings (1996) for renewed attention to how broader institutional dynamics affect intra-organisational processes.

3.7 Reasons for Variations in Voluntary CSED

In the light of legitimacy management (Sections 3.4.3-5), two approaches are suggested by Lounsbury (2008) to explore a variety of organisational practices. The first is to study how the instrumental rationality of actors leads to different motives and actions. For instance, Oliver (1991) identified several active strategies that can be used to respond to institutional pressures. She further argued that organisations did not always blindly mimic one another or acquiesce in the face of institutional pressure. In her work on organisational responses to institutional pressures, Oliver (1991) noted that an organisation's decision to become isomorphic by implementing institutionalized structures or practices (the adoption of GRI Guidelines in this thesis) will be influenced by its perceived dependence on the institutional environment. When the perceived dependence is high, organisations will tend to acquiesce; instead, when it is low, they may defy and manipulate the environment. For example, organisations can also seek compromise with multiple constituents, engage in avoidance tactics, and try to manipulate sources of pressure or merely defy or ignore institutional demands. Oliver (1991) implied a manipulation strategy, co-opting, influencing and controlling, to cope with the social pressure.

In the context of CSED, the deployment of an instrumental approach to making rational decisions to CSED in the face of institutional pressures has been demonstrated by O'Donovan (2002). O'Donovan (2002) aimed to extend the applicability and predictive power of legitimacy theory through an investigation of how companies chose tactics to gain, maintain, or repair legitimacy. He used vignettes in interviews to gather data directly from management about their perceptions and their choice of specific legitimacy tactics. He found that there is significant evidence to support the legitimacy theory that an environmental issue/event has a major effect on environmental disclosure decisions. Also, the study shows that most corporations include voluntary environmental information in their annual reports in order to present themselves in a positive light, which is consistent with many other findings.

Apart from the above approach, the second approach to understand the heterogeneity of organisational practices (such as CSR/sustainability reporting) is through examining institutional logic. According to Thornton (2004, p.69), 'institutional logic' is defined as:

> The socially constructed, historical pattern of material practices, assumptions, values, beliefs, and rules by which individuals produce and reproduce their material subsistence, organize time and space, and provide meaning to their social reality'

The concept of institutional logic refers to the broader cultural beliefs and rules that structure cognition. For example, in the CSED context CSED managers will focus on a set of regulatory, cognitive and normative institutions in a given country (Australia in this study). The regulatory component reflects the existing laws and rules in Australia that promote certain types of behaviours and restrict others (Kostova and Zaheer, 1999). The cognitive component reflects the widely accepted CSED practice (such as disclosure form and content) used by companies in the same sector. The normative component reflects the values, beliefs, norms and assumptions about sustainability or CSR in Australia. The differences in the regulatory, cognitive and normative institutions reflect different facets of CSED in Australia, and they may invoke different types of motivation (such as coercive, mimetic or normative) for CSED and for adopting the GRI Guidelines. Different motivations may lead to different types of CSED and different application levels in CSR reporting.

It is worth noting that although the institutional approach emphasises the role of a broader structure in the process of decision making, it is not a deterministic one. Meyer and Rowan (1977, p.356) suggested that 'institutional environments are often pluralistic, and societies promulgate sharply inconsistent myths'. This statement is important because it highlights how multiple forms of rationality may exist and interact with the contexts. This provides a foundation for explaining how and why organisational practice varies. The variations are rooted in reasons particular to each institution. In order to understand an organisation's response in pluralistic environment, the join effects of possible explanations for CSED patterns are examined in this investigation. By the pattern of

CSED, this study refers to whether or not a company adopts the GRI Guidelines in their CSR reporting and the application level with which a company complies.

3.8 A Limited CSED and Ceremonial Adoption of the GRI Guidelines

As discussed in the previous sections, the possible explanations for CSED are profitability (economic efficiency; see Section 3.2) and legitimacy management (social and political pressure; see Sections 3.3-3.6). The particular pattern of interest in this study is a reactive or ceremonial adoption (Kostova and Roth, 2002), which refers to 'a formal adoption of a practice on the part of a recipient unit's employees for legitimacy reasons, without their believing in its real value for the organisation' (Kostova and Roth, 2002, p.220) In this study, ceremonial adoption thus means the adoption of GRI Guidelines in CSED practice without a belief in their value for the organisation from an economic efficiency point of view. Ceremonial adoption can be expected when CSED is perceived to be required by the expectations of the general public, while market incentives are less favourable for it. For example, the CSED managers in the Australian mining companies may perceive strong pressures from a legitimating environment to release voluntarily CSED or adopt the GRI Guidelines, but they may also perceive that CSED or the adoption may lead to proprietary costs (Proposition 1). This dual effect challenges CSED managers in CSR reporting practice.

From an institutional perspective, ceremonial CSED can be expected when the regulatory institutional profile requires and enforces practices through coercive mechanism while the cognitive and normative profiles are less favourable for it. In practice, CSED and the adoption of the GRI Guidelines are required by certain environmentally sensitive industries, but limited CSED or a lower application level can be found in companies' CSR/sustainability reports because of other contextual factors. Given the above discussion, it is proposed

Proposition 5a: A company will limit its CSED or take a lower application level in the adoption of the GRI Guidelines when the manager perceives that coercive mechanism driven by regulatory institutional profile is not consistent with mimetic and normative mechanisms driven by cognitive and normative components.

Proposition 5b: A company will limit its CSED or take a lower application level in the adoption of the GRI Guidelines when the CSED manager perceives that legitimacy risk driven by social and political pressures is not consistent with the economic efficiency measured by cost/benefit principle.

3.9 Chapter Summary

Previous studies have provided a great deal of research into why companies involve themselves in CSED. Various researchers in CSED have provided different explanations about why organisations may engage in CSR/sustainability reporting. Based on accounting and management theories, seven propositions are developed. Table 3.4 shows a summary which links the research questions to the propositions about voluntary CSR/sustainability reporting and the theories on which they are based.

Table 3.4 Summary of propositions, research questions and related theories

Research Problem	Is there any consensus among corporations about what ought to be reported and the reasons for reporting?
Research Questions	Q1: Why do Australian mining and banking companies see the need to engage in CSR/sustainability reporting, in particular, to adopt GRI Sustainability Reports Guidelines in their CSR/sustainability reports? Q2: How do Australian mining and banking companies implement GRI Guidelines in CSR/sustainability reporting practices?
Management &Accounting theories	Propositions related to research questions
Agency theory	Proposition 1: Managers do not voluntarily release CSED which increases proprietary costs. (Q2)
Legitimacy theory	Proposition 2: Companies design and disclose information in their CSR reports in order to manage the expectations and perceptions of 'general public' (stakeholders).(Q1)
Stakeholder theory	Proposition 3: The presentation format and content (issues and related indicators) of CSR/sustainability reflect the concerns of salient stakeholders and their information needs.(Q2)
Institutional theory	Proposition 4a: Companies adopt the GRI Guidelines in their CSR reporting in order to manage positively the expectations of their main stakeholders.(Q1) Proposition 4b: Entities adopting the GRI Guidelines in their sustainability reporting will use the application-level check and third party assurance to enhance the credibility of their reports.(Q1) Proposition 5a: A company will limit its CSED or take a lower application level in the adoption of the GRI Guidelines when the manager perceives that coercive mechanism driven by regulatory institutional profile is not consistent with mimetic and normative mechanisms driven by cognitive and normative components.(Q2) Proposition 5b: A company will limit its CSED or take a lower application level in the adoption of the GRI Guidelines when the CSED manager perceives that legitimacy risk driven by social and political pressures is not consistent with the economic efficiency measured by cost/benefit principle.(Q2)

Traditional agency theory asserts that voluntary CSED is something that managers used to reduce the information asymmetry between agents and principals. As a result, firms can reduce their equity cost. However, one of the important competing rationales for managers' decision making about information disclosure is the cost of proprietary information. Once management considers that the information may have a negative impact on the firm's product or capital market and may damage cash flow in the future, they will hesitate to disclose the information if the market does not know whether or not the managers have such information.

Apart from market-based theories, three dominant social-based theories: legitimacy theory, shareholder theory and institutional theory were examined in this chapter. The notion of social-based theories suggests that firms are involved in CSED due to social and political pressures faced by the organisations. To the extent of the threat to legitimacy, organisations will attempt to employ different legitimacy management approaches in CSED, a strategic and an institutional one. A strategic approach assumes that voluntary CSED can change the perceptions of the stakeholders, while an institutional one asserts that organisational legitimacy results from compliance with norms, values and procedures accepted by the society. As indicated by Adams (2002, p.224), all these theories provide a complementary perspective and provide backdrops to the research questions about voluntary CSED.

An interpretative framework from an institutional logic prospective was provided to examine firms' legitimacy management through the adoption of GRI Guidelines in their CSED practices. GRI Guidelines have been conceptualized as a sort of private decentralized institutionalized practice. By seeing GRI Guidelines as institutionalized global voluntary CSR reporting practice and by exploring how firms adopt and implement the GRI Guidelines in their CSR/Sustainability reporting, the current study attempts to make clear the research question: why do the variations exist in CSED, particularly in the application level of the adoption of the GRI Guidelines?

As noted in this chapter, extant literature focuses on possible explanations of voluntary CSED. These theories can explain the motive for CSED or the diffusion of adopting GRI Guidelines in CSR reporting, but few researchers have studied why firms in similar institutional fields have varied practices, such as different application level in adopting GRI Guidelines in their CSR reports, when these firms are under the influence of isomorphic mechanism. The next step in the current study is to employ a preliminary model to explore the practices variance existing in CSR reporting practice. The preliminary model and the conceptual framework are introduced in Chapter 4.

CHAPTER 4
CSED AND THE ADOPTION OF GRI GUIDELINES
: AN INSTITUTIONAL LEGITIMACY MANAGEMENT APPROACH

4.1 Introduction

The purpose of this chapter is to develop a preliminary model which can be used to explore further multiple logics for CSED decision-making. As noted in Chapter 3, most studies underpinning institutional theory have focused on the mechanism of isomorphism, which has often been used to explain the homogeneity of the organisational structure and practices. This has been recently subject to much criticism (Lounsbury, 2008). The question: 'why do the variations exist in CSED within similar institutional fields, despite experiencing isomorphic institutional pressure?' has been raised. In the context of this investigation, the question becomes: why and how do the variations in CSED exist among organisations within the same sector?

As noted in Chapter 2, Australian companies within the mining and banking sectors apparently respond differently in making voluntary CSED as a response to social and environmental pressures. Moreover, it was noted that variations exist in mining companies' adoption of the GRI Guidelines in their CSED. The models from Adams (2002) and Gibbins, Richardson and Waterhouse (1990) are employed to investigate this phenomenon.

The chapter is organised as follows. Section 4.2 examines factors influencing voluntary CSED and in Section 4.3, the preliminary model of voluntary CSED, which highlights the relationship between institutional theory and rationality, is examined. Section 4.4 is the chapter summary.

4.2 Factors Influencing Voluntary CSED

Drawing on previous work, O'Donovan (2000, p.33) summarised key factors which influence the information content of voluntary CSED. They are: (1) the perceived purpose of the report; (2) the identification of important stakeholders; and (3) the characteristics of corporations and industries in which they operate. These arguments are basic concepts which provide an important starting point for further investigation. The literature review (Chapter 3) identified three major purposes for CSED: to comply with the expectations of public (legitimacy theory); to build better stakeholder relationships (stakeholder theory); and to acquire economic/financial competitive advantages (agency theory and signal hypothesis).

Adams (2002) reviewed the literature on the factors influencing the extent and nature of CSR reporting and summarised the factors that influence corporate "social" reporting into three categories: corporate characteristics; general context; and the process and attitude internal context (Adams, 2002). The internal context was further divided into two groups: process; and attitude. The factors in each category are summarised in Table 4.1. Adams' (2002) model provides a starting point to understand the factors influencing businesses in their voluntarily CSED reporting practices. She also notes that the companies used in prior research were different in size, industrial composition, country, time period as well as having other different variables. This makes deducing and generalizing from the results difficult. Despite the above criticism, some relationships have been identified. It is apparent that nationality, corporate size and industry membership are important variables which are related to CSED decisions.

Table 4.1 Model for readiness to disclose CSR/sustainability information

Category	Factors
General Context	• country of origin • political context • economic context • social context • cultural context and ethical relativism • time • pressure groups • media pressure
Corporate Characteristics	• size • industry group • corporate age • financial and economic performance • share trading volume; price risk (BRTA) • decision horizon (long-term or short-term) • debt/equity ratio • political contributions
Internal context	Process: • chair and board of directors • corporate social reporting committee • corporate structure and governance procedure • the extent of involvement of accountants Attitude: • views on recent increase in reporting, reporting bad news, reporting in the future, regulation and verification • perceived costs and benefits of reporting • corporate culture

Sources: adapted from Adams (2002, p.246)

4.2.1 Nationality of the Company

The influence of nationality of the company on disclosure practice is evident. Utilizing determined global expectations, Newson and Deegan (2002) conducted two large international surveys in 1998 and 1999. The results indicated a minimal association between global expectations and social disclosure policies of large multi-national corporations. This is consistent with previous research indicating that country of origin and industry of operation appear to influence significantly disclosure practices. Kolk (2008) examines to what extent and how current sustainability reporting of Fortune Global 250 companies includes corporate governance aspects. The findings indicate many multi-nationals, particularly in Europe and Japan, have started to pay attention to board supervision and structuring of sustainability responsibilities, to compliance, ethics and external verification. Some generally accepted practices can be found in the form of voluntary sustainability initiatives noted in Section 2.4.1.

4.2.2 Industry

It has been found that CSED in certain industries is higher than that of other industries. A positive correlation has been found between the companies operating in an environmentally sensitive industry and the amount of CSED (Deegan and Gordon, 1996). In relation to the GRI Guidelines and as shown in the preliminary survey (see Table 2.6), companies from different industries vary in the adoption of the GRI Guidelines in their CSED.

4.2.3 Size of the Company

The literature has consistently found that larger companies disclose greater amount of CSED. As suggested by Dowling and Pfeffer (1975, p.133), larger organisations that receive more political and social benefits would tend to engage more heavily in legitimating behaviour. Most CSED studies have confirmed that larger companies will face greater political pressure (Patten, 1991). Aerts and Cormier (2009) and Cormier, Magnan and Velthoven (2005) further indicated that companies that are more 'visible' or rely on political or social support would voluntarily report more CSED information because of the public attention received. Empirically, a number of studies, such as Adams and Harte (1998) and Harrison and Freeman (1999), also have provided evidence to confirm the above argument.

However, as noted by Adams (2002), these factors are part of the general context and organisational characteristics but do not take account of the attitude of the decision-makers and the process of CSR reporting. To be more sophisticated, it is necessary to explore the actor (corporation) that precipitates these motivations and their interactions with other institutions. Particularly, the construct and their underlying relationships need to be more specific to be more predictive.

As a starting place, this model has two limitations. First, it lacks a process that illustrates the relationships and mechanisms among these variables that are working in CSR reporting. Consequently, the constructs and their underlying relationships require greater precision in order to be predictive. Second, these concepts are not sophisticated enough to explain why firms in similar field respond differently in their voluntary CSR reporting practices, in particular when they all proclaim that they adopt GRI Guidelines to prepare their CSR/Sustainability reports. Given these reasons, the current study needs to explore further the contexts that precipitate these motivations and interactions.

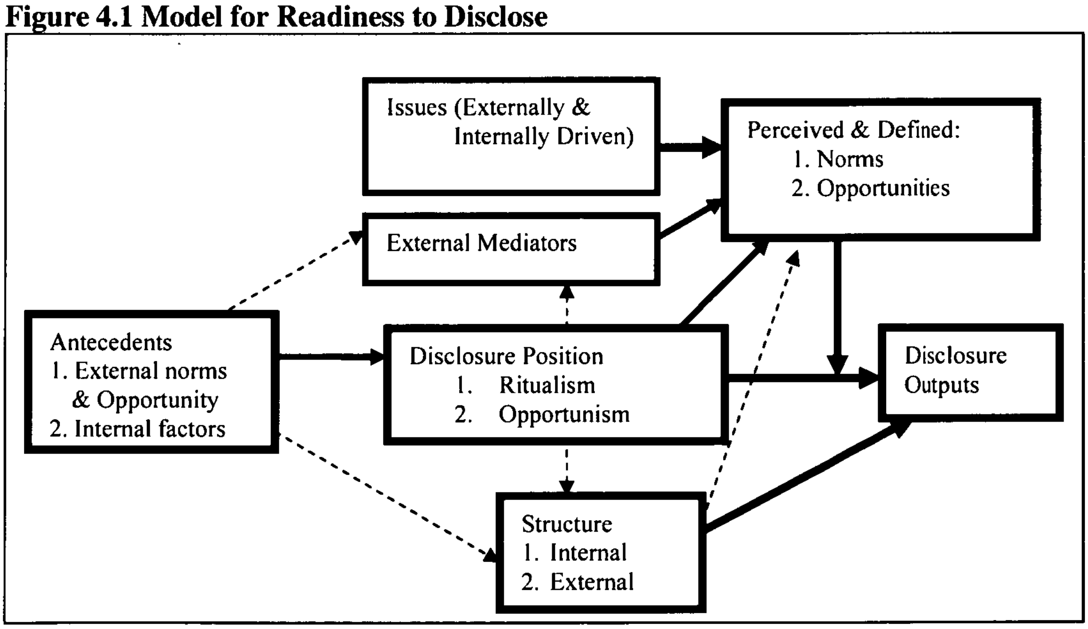
4.3 Preliminary Model of Corporate Financial Disclosure

According to Gibbins et al. (1990, p.128), the output of corporate financial disclosure depends on the stimuli on a firm's predisposition and existing response structure, and they are in relation to various antecedent conditions. Gibbins, Richardson and Waterhouse (1990) first defined corporate financial disclosure as

> any deliberate release of financial information, whether numerical or qualitative (narrative), required or voluntary, or via formal or informal channels (Gibbins et al., 1990, p.122).

Figure 4.1indicates that the firm's readiness to disclose is a function of its developed disclosure position, the existence of internal or external structures for handling disclosure and the presence of auditors, consultants, or other external mediators. The arrows suggest the order in which the elements are considered by managers and the interactions of these elements.

Figure 4.1 Model for Readiness to Disclose



Source: modified from Gibbins et al. (1990, p.128)

Disclosure position has a number of significant internal and external antecedents, which may have an influence on structure and the use of external mediators, as well as may affect disclosure position itself. As these effects are not explored in this study, they are shown as dotted lines in Figure 4.1. While there are probably many interactions among the components, the current study emphasises the (a) effects of antecedents on disclosure position; and (b) effects of perceived norms and opportunities, disclosure position, and structure on disclosure outputs (as shown by wide solid lines).

CSED literature has found that many threats to an organisation's legitimacy are related to issues or specific events, for example, the social backlash against the Exxon Corporation after the environmentally disastrous oil spill occurred in Prince William Sound in Alaska in March 1989. Patten (1992) and Walden and Schwatz (1997) noted that this spill linked the environment as an issue to the legitimacy of both Exxon and the oil industry, and resulted in a serious threat to Exxon's legitimacy in that period of time. Issues management thus is important in dealing with legitimacy. In light of the organisational legitimacy, an issue management can be described as,

> [c]onsists of the tracking of broad societal and industry trends; the assessment and determination of issues that pose a specific threat or opportunity, and the stakeholders that are associated with those issues; the assessment of the power of the opposition versus that of the company in shaping issues; and the impact of opposing stakeholders on the products, services, manufacturing processes and reputation of the company

Based on the above description, issue management is usually categorized into three areas: (1) identify an issue and important stakeholders; (2) analyse the issue with respect to its likely impacts on the organisation; and (3) develop responses in relation to issues.

Once the management perceives that an issue has a disclosure implication, the disclosure norms and opportunities might be identified. Disclosure position, mediators and structure might affect the identification of issues and the perception of associated norms and opportunities. The disclosure output (forms and contents) is then a function of the disclosure position (ritualistic and/or opportunistic) and any existing structures. However, the relationship among these variables is moderated by corporate management perceptions (norms or opportunities). There are likely to be many interactions among the components in Figure 4.1. The independent variables (IDVs) and dependent variables (DVs) are identified and discussed in the following sections.

4.3.1 Independent Variables

As shown in Figure 4.1, disclosure position is influenced by a number of significant internal and external antecedents. These antecedents as well as disclosure position affect structure and the use of external mediators, such as external auditors and consultants. Table 4.2 summarises the key points influencing corporate financial and non-financial disclosure (Gibbins et al. 1990). Since the management's perceptions are the most important factor that influences the form and content of the disclosure, this framework was used to develop the questions to interview the management of the case-companies about their perceptions of CSED (see Chapter 5). Key aspects of the independent variables in this framework are also summarised in Table 4.2.

Table 4.2 Summaries of Variables Influencing Corporate Voluntary Disclosure

Independent Variables	Definition	Key Points
Issues / Events and Pressures perceived	The way in which issues perceived by the management according to norms and opportunities	• Norms usually refers to external requirements/ regulations and internal factors. • Opportunities are the benefits and costs believed by the firm's management to be associated with specific disclosure issues.
Disclosure Position	A relatively stable preference for the way disclosure is managed	• Two dimensions are identified: Ritualism vs. Opportunism • These two dimensions can exist within the same firm for different kind of disclosure.
Antecedents	Two categories are classified: Internal vs. External Internal antecedents: corporate history (tradition/learning), corporate strategy and internal politics	• Corporate history: 1. firm's tradition of doing things 2. Rewards/penalties received due to previous disclosure • The formation of corporate disclosure strategy (e. g. considering the market to enter and the place to list the shares) • Internal politics: 1. the attitude of CEO 2. the internal consensus on disclosure issues
	External antecedents: institutional and market	• Institutional elements: 1. legislation, standards and regulations, 2. existence of inter-organisational networks 3. existing industry norms for disclosure. • Market elements: 1. operation in regulated market requiring specific disclosure 2. the frequency of use of financial market 3. the involvement in factor market 4. the influence of disclosure on firm's competitive position
Structure	A general activating force which responds to issues or events	• Internal structure: 1. the extent to which responsibility for the management of the disclosure process is assigned to particular positions 2. the extent to which disclosure is guided by clearly understood policies and procedures. • External structure: 1. external demands for information 2. channeled through organisations that claim to represent third-party activities
External Consultants & Advisors	Help company identify disclosure issues and related norms and opportunities	• The roles of external consultants and advisors: 1. Assist in identifying issues 2. Identify the specific formal or informal rules associated with a particular disclosure 3. Provide technical advice and opinions 4. Add credibility to disclosure 5. May be used as a strategic resource in bargaining situations

Source: summarised by author from Gibbins et al (1990)

4.3.2 Dependent Variables: Disclosure Outputs

Gibbins et al. (1990) found that the process of disclosure actually is a set of components which include a set of management activities. Components in the output that firms attempt to manage include: (1) information set; (2) content; (3) redundancy; (4) timing; (5) ex ante interpretation; and (6) ex post interpretation. They are briefly described as follows.

1. Information Set: The information set usually refers to a standard format or a set of classifications which exists in advance that the content of the output can be put in each. In the context of CSR (Sustainability) reporting, the information set refers to what format is used to report firm's sustainability performance. In this study, the format includes whether or not the company adopts GRI Guidelines in CSR reporting and, if it does, with what kind of application level the company complies.
2. Content: The content of the reports can be words or numbers disclosed. Considering the focus of the research questions, the current study pays attention to the theme, issues/events and performance indicators disclosed in the firms' sustainability reports.
3. Redundancy: Redundancy arises when management directs the release of information through multiple media to a specific audience (stakeholder) for a particular disclosure. For example, CSED can be posted on a company's website and published in a concise version (e.g., sustainability highlights) or a comprehensive one (e.g., full CSR/sustainability report). By doing this, the management selects a sub-set of information for some specific stakeholders such as

the local community, and produces a full disclosure version to more technical stakeholders such as institutional investors and analysts.

4. Timing: Management is concerned about the timing of releasing information, either good or bad news.
5. Ex ante interpretation: Management attempts to manage how the information released will be interpreted by the audience.
6. Ex post interpretation: Management is concerned with how to alter stakeholder interpretations of previously disclosed information, if necessary.

The model suggests that once management decides to disclose information relating to a certain issue, the disclosure norms and opportunities might be identified. The form and content of the disclosure then is a function of the perceived norms and opportunities, the disclosure position (ritualistic and/or opportunistic), and any existing structures. Although Gibbins et al.'s model (1990) provides a foundation for further investigation, it has its limitations. The framework focuses on economic issues/events and is not fully specific to the practices of CSED. Consequently, to understand the adoption of GRI Guidelines in CSR reporting, the current study needs to explore the contexts that precipitate these elements and their interactions as noted in Section 4.2.

4.4 Chapter Summary

One of the aims in the current study is to discover whether companies consider specific audiences in their CSED practices, in particular in the adoption of the GRI Guidelines, the self-declared application level, the reporting issues and key performance indicators.

For the purpose of the study, a preliminary voluntary corporate disclosure model was adapted from Gibbins et al., (1990) and Adams (2002). It is argued that different industries need to face different issues and CSED need to meet the expectations of various audiences. Considering the salience of the audiences and their information need, corporations may vary in CSED practice, which includes different levels of application in the adoption of the GRI Guidelines, disclosure issues and key performance indicators. As suggested as an area for further research to contribute to the body of knowledge by Lounsbury (2008), this thesis seeks to identify variations in CSR reporting practice and link such variations to the institutional logics related to voluntary CSED. In turn, once identified these logics and their interaction with CSED managers could help to explain the different CSR reporting practice configurations found in the Australian mining companies and banks.

CHAPTER 5 RESEARCH METHODOLOGY AND RESEARCH METHOD

5.1 Introduction

The purpose of this chapter is to describe the research method and justify the methodological assumptions in the current study. Research design is a logical plan which the researcher follows in those activities in order to get from an initial set of questions to a set of conclusions (Yin, 1994). An applicable research design should lead a researcher to a more focused data collection and data analysis than would occur if this design were not presented. It is clear that choices about methodological assumptions and research design, such as research settings and the design in data collection and data analyses, have important implications for the accumulation of knowledge over time. In line with the above notion, the current study is a structured and rigorous process to assist the author in conducting and evaluating the research.

The remainder of this chapter is structured as follows. In section 5.2, a theoretical overview of research strategies employed in the literature of accounting and management is examined. By means of this discussion, the author links the research questions to the research method applied in the current study. Sections 5.3 and 5.4 discuss the issues of data collection, which include the selection of companies and how interview and archival data were collected. Section 5.5 contains the protocol of data analysis. Two data analysis approaches were applied in the current study; first is an index content analysis and then an inductive analytical method. Applying these two approaches to different sources of data (e.g., CSR reports and interview data) presents a systematic auditable process to meet the requirement of triangulation. Section 5.6 explains how the results of data analysis are displayed. Section 5.7 links the quantitative data to qualitative data. By doing so, the strength (validity and reliability) of the study is enhanced. Finally, a section (Section 5.8) of ethical issues relevant to the current research concludes this chapter.

5.2 Linking the Research Questions to the Research Paradigm

5.2.1 Research Questions

The current study uses the context of Australian mining companies and banks to explore why and how the variations in CSED exist among selected companies. Tables 2.5 and 2.6 show there are CSED variations among the Australian mining and banking companies. The literature review in Chapter 3 has shown that various researchers employed different theories to explain why organisations may get involved in CSR reporting. However, as indicated by Adams (2002, p.224), no single theory is able to portray the whole picture and to provide a significant insight into the mechanics making the CSED function in real settings. In addition, research in CSED to date is largely silent about why organisations see the need to adopt globally recognised sustainability reporting guidelines (the GRI Guidelines) in their CSR/Sustainability reports and how organisations implement the GRI Guidelines so differently. The variations in CSED could be caused by various motivations (needs) for CSED or different responses to these motivations. At the operational level, a preliminary model (see Chapter 4) is adopted to explore the following questions:

1. Why do Australian mining and banking companies see the need to engage in CSED, in particular, to adopt the GRI Guidelines in their CSR/sustainability reports?
2. How do Australian mining and banking companies implement GRI Guidelines in corporate social disclosure practices?

In particular, the current study is an attempt to employ the notion of institutional logic in legitimacy management to explain why and how corporations implement the GRI Guidelines differently in their CSED.

5.2.2 Various Research Paradigms in Accounting Research

This section uses the framework from Chua (1986), cited by Searcy and Mentzer (2003), to describe the various world views in accounting research. Based on a two-dimensional framework, the world views can be roughly divided into three groups: positivist; interpretative (social science); and critical (social science) view. Each world view above has its particular perspectives on ontology, epistemology and methodology. Further detailed discussion on this can be found in Searcy and Mentzer (2003, p. 134-135). In the light of the dimensions related to research, the differences of these three approaches are summarised by Neuman (2000) in Table 5.1.

From a methodological view, Mathews (1987) structured CSED theories into three paradigms, the functionalist, interpretative and radical. The functionalist paradigm includes theories based on neo-classical economic theory and considers limited user group, typically fund providers. The interpretative paradigm considers that human nature is important and extends the audience of CSED to a wider pluralistic set of users (Mathews, 1987). Theories within this group include social contract, organisational legitimacy and accountability. The radical paradigm also considers a wider range of users but it focuses on the conflicts between users and institutions in society. The political economy theory is the dominant one in this group.

Table 5.1 A Summary of Difference among the Three Approaches to Research

Approaches Dimension/	Positivism	Interpretative Social Science	Critical Social Science
Reason for research	To discover natural laws so people can predict and control events	To understand and describe meaningful social action	To smash myths and empower people to change society radically
Nature of social reality	Stable preexisting patterns or order that can be discovered	Fluid definitions of a situation created by human interaction	Conflict filled and governed by hidden underlying structures
Nature of human being	Self-interested and rational individuals who are shaped by external forces	Social beings who create meaning and who constantly make sense of their words	Creative, adaptive people with unrealised potential, trapped by illustration and exploitation
Role of common sense	Clearly distinct from and less value than science	Powerful everyday theories used by ordinary people	False beliefs that hide power and objective conditions
Theory looks like	A logical, deductive system of interconnected definitions, axioms and laws	A description of how a group's meaning system is generated and sustained	A critique that reveals true conditions and helps people see the way to a better world
An explanation that is true	Is logically connected to laws and based on facts	Resonates or feels right to those who are being studied	Supplies people with tools needed to change the world
Good evidence	Is based on precise observations that others can repeat	Is embedded in the context of fluid social interactions	Is informed by a theory that unveils illusions
Place for value	Science is value free, and values have no place except when choosing a topic	Values are an integral part of social life: no group's values are wrong, only different	All science must begin with a value position; some positions are right, some are wrong

Source: Adapted from Neuman (2000, p.85)

Recently, Brown and Fraser (2006) provided an analysis of these differences by comparing three broad approaches to CSED: the business case; stakeholder-accountability; and critical theory approaches. From the perspective of business cases, CSR or CSED is an extension of management's existing tool kit for enhancing shareholders' value. The management of the firm attempts to increase the value of the firm by improving the corporate reputation, promoting social marketing or enhancing employee relationships. From the point of stakeholder accountability, CSED could increase the accountability and transparency of the organisation. And these two components are the essence of a democratic society. However, the critical theory provides a sceptical insight into CSED reporting. The researchers supporting critical theory argue that real accountability should be questioned in the absence of radical change in capitalist society.

5.2.3 Research Paradigm of the Current Study

Following the orientation of Miles and Huberman (1994), the current study is informed by the tradition of 'transcendental realism', which means

> Social phenomena exist not only in the mind but also in the objective world–and that some lawful and reasonably stable relationships are to be found among them. The lawfulness comes from the regularities and sequences that link together phenomena. From these patterns we can derive constructs that underlie individual and social life. The fact that most of those constructs are invisible to the human eye does not make them invalid. After all, we are surrounded by lawful physical mechanism of which we're, at most, remotely aware. (Miles and Huberman, 1994, p.4).

In the light of the research questions and the framework of institutional and strategic legitimacy management approaches (Chapter 4), the main goal of adopting this approach is to provide an insight into how managers perceive and interpret the social pressure on sustainability issues and how they respond to this pressure by reporting their efforts to engage in sustainable practices subject to economic and societal considerations. In light of the goal of the research, this study takes a normative stance and focuses on the influence of social (public) pressures and economic considerations in the adoption and implementation of GRI Guidelines in firms' CSR reporting.

As indicated by Miles and Huberman (1994, p.4), 'human relationships and societies have peculiarities that make a realist approach to understand them more complex–but not impossible'. Unlike research in natural science (e.g., physics), research in social science usually contends with institutions, structures, practices and conventions that people reproduce and transform. Human meanings and intentions usually have to work within these social structures. For the people in the field, this framework may be invisible, but it is real and exerts strong influences over their activities. Thus, things that are believed become real and can be inquired into. Phillips (1990), cited by Miles and Huberman (1994), stated that researchers are fully able to investigate beliefs and other forms of cognition. He further indicated that,

> We can inquire into the beliefs of a society, how they came about, what their effects are and what the status is of the evidence that is offered in support of the truth of the beliefs. And we can get this matter right or wrong–we can describe these beliefs correctly or incorrectly, or we can be right or make mistakes about their origins or their effects. It simply does not follow from the fact of this social construction of reality that scientific inquiry becomes impossible or that we have to become relativists. (p.42)

Thus, in the current study, the interpretative social science view is followed, which assumes that knowledge is a social and historical product and that 'facts' come to us laden with theory. Given this world view, answers to the research questions flow from an account of how differing structures produced the events or the 'facts' observed. Rather than simply to document the influence of the adoption of GRI guidelines in CSR reporting, it is interested to look for an individual or social process, a mechanism and a structure at the core of adopting and implementing GRI Guidelines in CSR reporting. This phenomenon can be captured to provide a causal description of institutional rationality at work. As noted by Miles and Huberman (1994), 'transcendental realism' requires not only causal explanation but also evidence to show that each entity or event is an instance of that explanation. As a result, in the current study an explanatory structure is needed as well as a grasp of the particular configuration such as the independent variables in Figure 4.1. This is also the reason why, in the current study, the inductive analysis method is employed to analyse qualitative data from interviews.

5.2.3.1 Triangulation

Another key issue discussed in the theoretical overview section is the concept of triangulation and the degree of validity (internal, external, construct, and reliability strength). They are summarised in a conceptual scheme presented by Scandura & William (2000, p. 1249). They concluded that researchers could have obtained better understanding of their research issue by approaching from multiple references. From a methodological point of view, most CSED literature inferred a relationship by using merely secondary data (e.g., annual reports or media reports); few of the studies (notable exceptions being O'Donovan, (2002); O'Dwyer, (2002), Ataur Rahman Belal and Owen (2007), Muhammad and Deegan (2008)) directly seek the views of management about factors that drive them to CSED. As a result, there is little evidence directly from management about what external pressures they perceive are imposed on them by specific stakeholders. Similarly, how such pressures, in turn, have impacts on the behaviours of corporate social and environmental reporting has been little researched. In the light of this shortfall, some seminal review papers (e.g. Gray, 2002, Parker, 2005, Adams and Larrinaga-González, 2007) call for researchers to engage directly in the field to explore these questions further.

5.2.4 An Overview of the Research Design: Multiple Case Comparisons

A comparative case study approach is utilised to reexamine the relationship between the perception of managers in respect of the social and environmental pressures on companies, the motivation for disclosure, disclosure strategy and the outcome of CSED (in particular, the application level of adoption GRI Guidelines in reporting themes, the issues and the key performance indicators). Highlighting the link between the research questions and the design, a two-stage data collection approach is employed which seeks to address the methodological limitations mentioned above better to understand the phenomena captured.

The first stage of data collection consists of field interviews among selected Australian mining corporations and banks. The second stage consists of conducting a content analysis to review CSR reports from the companies interviewed as well as those from a selected few leading companies in the industry that were not interviewed and the press articles related to selected companies. A content analysis based on the GRI Guidelines version 3 (G3) is developed to illustrate the difference of CSED among the case-companies. These data provide multiple-resources auditing to ensure whether or not the social pressures and responses revealed by the interviewees match with the output of their CSED. The multi-stage data collection is designed to facilitate the understanding of the phenomenon, while also providing triangulation.

5.3 Selection of Companies

Theoretical sampling has been applied in selecting corporations for interviews. As recommended by Dezin (1989), theoretical sampling is an appropriate approach to analytical induction. In statistical sampling, a sample is designed to be representative of a population, however, in theoretical sampling, the researcher selects the cases to highlight theoretical issues and to refute or challenge the theory being tested (Eisenhardt, 1989). Consequently, *maximum variation* strategy (Kuzel (1992), cited by Mile & Huberman, 1994, p.28) is applied in the corporation selection. 'Maximum variation' refers to looking for outlier cases to see whether main patterns still hold. Guba and Lincoln (1989) advocated that *maximum variation* strategy is a deliberate hunt for negative instances or variation.

This process may take the form of questions to probe informants, when talking to a person of 'less dirty or less sensitive industries', such as banks, why does your bank see the need to engage in CSR reporting? As indicated by legitimacy theory, companies in 'dirty industries', such as mining, are more likely to engage in CSED because of social pressures perceived by the management. However, as shown in Tables 2.5 and 2.6 (see

Chapter 2), most Australian mining companies are likely to claim that their sustainability reports are prepared in accordance with the GRI Guidelines. However, only a few of them are seriously adopting GRI Guidelines in their reports, based on their self-declared application level. In contrast, banks are not perceived as being part of 'dirty and sensitive' industries, but as shown in Table 2.6, most major Australian banks (except the Commonwealth) have adopted GRI Guidelines and released their CSR reports with the self-claims of the highest application level–A^+. Given that the interest in the current study is to explain differences in responses among firms in similar and different industries, mining and banks in one country (Australia) were selected. Case analyses of CSED in eight corporations in two industries were conducted. Table 5.2 summarises the major demographic data of these selected companies.

Table 5.2 Demographic Data Relating to Selected Companies

		Size	
Company selected	Main product	No. Of Employee[1]	Revenue (2007)[2]
Mining companies			
BHP	Various mining products	More than 40000	59,473
M1	Coal	About 1,500	About 2,300
M2	Coal	Abour 3,000	About 1,700
M3	Copper /gold	About 2,500	About 1, 500
M4	Gold	Less than 100	Less than 3
Banks			
ANZ	Financial services	More than 34,000	12,159
B1	Financial services	More than 20,000	More than 10,000
B2	Financial services	More than 20,000	More than 10,000

1: According to company's 2007 sustainability report
2: US$ million in mining companies, AUD million in banks

5.3.1 Industry and Size Contextual Imperative

Industry and size of the corporation have a significant effect on CSED. In recent times, regulators and other industry associations have recognised the importance of 'industry' and suggest taking this into consideration when releasing their CSED. The impact of industry sector on type and extent of environment reporting has been identified comprehensively in previous studies. Stray and Ballentine (2000) indicated that there were different reporting levels by sectors in the UK. The difference of reporting levels are correlated with their different levels of impacts in operations. Thus, they (Stray and Ballentine, 2000) suggested that motivations to engage in CSR reporting would be higher in a 'sensitive industry', such as mining and metal. In contrast, sectors with lower environmental pressures such as banking would be lower in reporting level.

Apart from the industry, size is an important factor in CSED. The literature supports the assertion that large companies are more likely to engage in CSED. As noted by Watts and Zimmerman (1986), large firms are excessively exposed to reputation and political costs. Arora and Cason (1996) found a positive relationship between size and the participation in environmental programmes, for example, CSED. Alvarez, Burgos and Cspedes (2001) confirmed that a similar trend occurred in the service sector. The current study views 'size' as one of important factors influencing CSED.

5.3.2 Mining Industry

In the Australian context, the mining industry was selected for the following reasons. First, the mining industry has had a significant impact on the notion of sustainability (Jenkins, 2004) . Several reasons have made the mining industry among the most prolific disclosers of CSR/sustainability reporting. They include: (1) the finite nature of non-renewable resources; (2) the diverse environmental impacts associated with their extraction and use; (3) the economic importance of primary extraction industries in some countries; and (4) the social impact on local communities associated with mining activities. Second, it is important to select an industry in which most firms produce CSR/sustainability reports in order to identify different types of CSED and the implementation of the GRI Guidelines (Jenkins and Yakovleva, 2006). Third, the mining industry is connected tightly to its constituents so that the institutional aspects and pressure will be apparent (Jennings and Zandbergen, 1995). In other words, more sustained social pressures are put on the industry through institutionalization over the last decade. These social pressures suggest that the mining industry would be likely to try to improve its social and environmental performance. All of the reasons above make the Australian mining industry important to regulating government bodies, local communities, and environment-conscious publics.

5.3.3 Banking Industry

Banks, acting as financial services institutions, do not produce hazardous chemicals or discharge toxic pollutants into the air, land or water. Nevertheless, through their lending practices, banks are inextricably linked to commercial activity that degrades the society and the natural environment (Gray et al., 1996). They can be seen as facilitators which influence social and environmental activities through their lending policies.

The evidence of banks' significance in social and environmental activities was shown when these banks[10] signed the United Nations Environment Programme's *Statement by Banks on the Environment and Sustainable Development* (UNEP, 1992). The UNEP Statement publicly recognised that sustainable development must be ranked among the

[10] The Australian banks in the signatories include ANZ, the Commonwealth Bank of Australia and Westpac.

highest priorities of banks. It asserts that the banks are an important contributor towards the achievement of sustainability. The signatories will endeavour to ensure that their policies and business actions promote it. To be more specific, the statement commits signatories to pursue common principles of social and environmental protection by using best practices of environmental management in their internal operations. Also, the statement integrates social and environmental risks into the normal checklist for risk assessment and management. How much difference signing the UNEP Statement makes is a debatable point. But the Statement stands as a public recognition of a potential link between bank lending and the environment. Similarly, it also applies to the banks who sign up to the Equator Principles, which are self-regulated benchmarks for the financial industry to manage social and environmental issues in project financing.

5.4 Data Collection

Data were collected from interviews with management from companies and secondary data. In-depth interviews were conducted with senior officers, responsible for corporate sustainability/CSR reporting in the selected companies. Archival data were collected from CSR/sustainability reports of case companies and newspaper and magazine reports in relation to the selected companies.

5.4.1 Interviews

Research in CSR reporting to date is still largely silent about how an organisation implements GRI Guidelines, a global reporting standard in its disclosure process. Given that this study was exploring the pressures being exerted on the industries through various institutions, and how these pressures/needs influence the companies to engage in CSR reporting, then the most direct way to access the information was to interview the senior officers, responsible for the CSR reports in the focus companies. As stated by Burgess (1982, p.107),

> Interviews provide the opportunity for the researcher to probe deeply to uncover new clues, open up new dimensions of a problem and to secure vivid, inclusive accounts that are based on personal experience.

A total of 7 interviews with 8 senior officers about CSR reporting were undertaken among 2 Australian banks and 4 Australian mining companies from May to August 2008. The list of interviews is provided in Table 5.3. The companies relevant to where interviews took place are disguised to ensure confidentiality. Appendix A shows the invitation letter.

Table 5.3 List of Interviews

Date	Informants	Industry	Major Product	Informant's position
06/05/2008	M1	Mining	Coal	Manager, Social Policy & Sustainability Development
07/05/2008	M2-1	Mining	Coal	Manager, Sustainable Development
07/05/2008	M2-2	Mining	Coal	Manager, Environment
19/05/2008	M3	Mining	Copper/ Gold	Group manager, Health Safety, Environment and Community
20/05/2008	M4-1	Mining	Gold	Community Affairs Coordinator
20/05/2008	M4-2	Mining	Gold	Health, Safety & Environment Manager
25/07/2008	B1	Bank	Financial services	Group Manager Sustainable Business Practices Group Corporate Affairs
21/08/2008	B2	Bank	Financial services	Advisor, Corporate Responsibility and Sustainability

The interviews serve two purposes. First, they provide insight on why the selected companies see a need to engage in CSED and how these selected companies implement the Guidelines in their CSED. For this purpose, as cited by O'Connor, Chou and Wu (2004), the advantage of the interview approach was that 'it permitted following up on 'how' and 'why' questions (Yin, 1994) to map novel, dynamic and/or complex phenomena ignored or inadequately explained by existing theories' (Keating, 1995, p.69). Second, based on the preliminary model in Chapter 4 (Figure 4.1), the researcher attempted to utilise the interviews: (1) to develop a vocabulary of constructs and variables to describe processes; and (2) to identify relationship among these constructs and variables to enable the researcher to understand the perception of these senior officers in relation to motivations underlying CSED and the adoption of the GRI Guidelines in their CSR reporting.

Although the semi-structured interview method used in this project is rich in heuristic potential, it may be subject to the bias of intrusive effects caused by the interviewer during the interview or in the later data analysis. In order to ensure the creditability of theory building and refining, as recommended by Lillis (1999, p. 84-85), some tactical approaches were used to limit the bias.

1. An interview sheet: An interview sheet was designed to ensure the completeness and consistency of the themes in each interview. Additionally, through the pre-specification of neutral questions and probes, the purpose of using the interview sheet is to minimize the interviewer's intrusions.

2. Structured questions: The use of structured questions provides a participant-related quantitative response, which can be used to test convergence with the findings in qualitative data.
3. A systematic auditable process: A systematic auditable process was used to explore or refine theories from the qualitative data. This process was broadly based on Mile and Huberman (1994). For more discussion sees Section 5.5 Analysis Protocol.

5.4.1.1 Instrument Design-the Interview Sheet

The interview sheet used in the study (see Appendix B) is divided into two sections, experience survey and focus interview. The 'experience survey' section includes an introduction and seeks the background information about the informant's company, such as the position of the interviewee and a brief introduction to the company's organisation chart. The focus interview provides related information about reasons for, and the process emerging in, CSR reporting, in particular the adoption of GRI Guidelines in CSR reporting. Each section contains a series of general questions and probes to be used in exploring the theme.

The interview guide is also designed to ensure completeness in covering the terms of reference of the study in each interview. The questions in the interview sheet were developed with reference to the model in Figure 4.1. Based on the definitions and key points of the independent variables presented in Table 4.2, the interview questions were developed. How these key aspects in the framework were transformed into the related questions in the interview sheet is demonstrated in the Tables 5.4 (1)-(5), which reconcile the order of independent variables shown in Table 4.2. Nevertheless, the questions in the interview guide are not necessarily addressed to informants in tandem.

Table 5.4 (1) Independent Variables, Key Aspects and Related Reporting Questions

Independent Variable: Issues/Events and Pressure Perceived	
Key Aspects	**Related Questions in CSR Reporting**
• Norms usually refers to external requirements/ regulations and internal factors.	Individuals and groups that are concerned about sustainability issues, such as natural environment, social equity (human rights) etc., could consider your industry/ firm as a target for their political action. What do you think about this?
• Opportunities are the benefits and costs believed by the firm's management to be associated with specific disclosure issues.	Has your industry received a high level of scrutiny from groups and individuals concerned about sustainability issues, such as natural environment, social equity (human rights) etc.? Yes (please elaborate)/ No
	Since some firms in the industry are releasing their sustainability reports, this may lead to external individuals and groups questioning companies which do not or have not released the CSR report. What do you think about this?
	In the light of the aim of CSR reporting, who are the critical stakeholders of your company? (E.g. shareholders, customers, suppliers)
	Are your customers asking about a certified CSR reporting? Are they showing a serious interest in whether the company does or is going to pursue it? Yes (please elaborate on it)/ No
	Does our firm have tie network relationships (such as supply chain) with other industries or other countries?
	Some members of our customer's industry or other down-stream industries have begun requiring suppliers to release a certified sustainability report. Is this happening to your industry or your company?
	Some other firms in the industry with whom we are competing are releasing or have released certified sustainability reports, and these firms let customers know about it. What do you think about this?
	Does the company export our product to developed countries? (Can you tell me approximately how many percent of your sales are exported?)

Source: Developed by the author based on the framework of Gibbins et al (1990)

Table 5.4 (2) Independent Variables, Key Aspects and Related Reporting Questions

Independent Variable: Disclosure Position

Key Aspects	Related Questions in CSR Reporting
• Two dimensions are identified: Ritualism vs. Opportunism	In your opinion, does your company see the CSR reports as the main vehicle for following the norm of sustainability or to seeking firm's competitive advantages in the current trend forward sustainability?
• These two dimensions can exist within the same firm for different kind of disclosure.	Why does your company see the need to adopt GRI Guidelines in CSR reporting? Why does your company see the need to certify your CSR reports? In your opinion, what would be the most significant barriers to producing a sustainability report *in the future*?

Source: Developed by the author based on the framework of Gibbins et al (1990)

Table 5.4 (3) Independent Variables, Key Aspects and Related Reporting Questions

Independent Variable: Antecedent

Key Aspects	Related Questions in CSR Reporting
• Corporate history: 1. firm's tradition of doing things 2. Rewards/penalties received due to previous disclosure	When was the first corporate sustainability report released? Has your company received any rewards/penalties due to previous corporate sustainability reports?
• The formation of corporate disclosure strategy (e. g., considering the market to enter and the place to list the shares)	Why does your company see the need to adopt GRI Guidelines in CSR reporting?
• Internal politics: 1. the attitude of CEO 2. the internal consensus on disclosure issues	In your opinion, what is the attitude of CEO toward CSR reporting? In your opinion, how does your company reach a consensus on CSR reporting?
• Institutional elements: 1. legislation, standards and regulations, 2. existence of inter-organisational networks 3. existing industry norms for disclosure.	Concerns about sustainability issues, such as natural environment, social equity (human rights) etc., by external individual and groups could result in increased regulation of the industry or the firm. What do you think about this? Have members of your industry sought to establish standards in the past as a way of increasing social legitimacy with external individuals and groups? Yes (please elaborate)/ No

To be continued

Continued

Table 5.4 (3) Independent Variables, Key Aspects and Related Reporting Questions

Independent Variables: Antecedents	
Key Aspects	Related Questions in CSR Reporting
• Market elements: 1. operation in regulated market requiring specific disclosure 2. the frequency of use of financial market 3. the involvement in factor market 4. the influence of disclosure on firm's competitive position	Does your company export your product to developed countries which require CSR (sustainability) reporting? In your opinion, does the company benefit from CSR reporting in financial market? Please elaborate on it.

Source: Developed by the author based on the framework of Gibbins et al (1990)

Table 5.4 (4) Independent Variables, Key Aspects and Related Reporting Questions

Independent Variables: Structure	
Key Aspects	Related Questions in CSR Reporting
• Internal structure: 1. the extent to which responsibility for the management of the disclosure process is assigned to particular positions 2. the extent to which disclosure is guided by clearly understood policies and procedures	Would you please describe briefly the departments which get involved in the CSR reporting? • According to the organisational chart, can you identify the related departments that are involved in preparing company's CSR reporting? • How do these departments cooperate in the process of preparing CSR report? • To what extent is the communication/PR department involved in the decision-making process of CSR reporting? • To what extent is the process structured and formal as opposed to being ad hoc and informal? Does your company have a formal stance or policy on this?

Source: Developed by the author based on the framework of Gibbins et al (1990)

Table 5.4 (5) Independent Variables, Key Aspects and Related Reporting Questions

Independent Variables: External Consultant and Advisor	
Key Aspects	Related Questions in CSR Reporting
• The roles of external consultants and advisors: 1. Assist in identifying issues 2. Identify the specific rules associated with a particular disclosure 3. Provide technical advice and opinions 4. Add credibility to disclosure	Did you seek any external or expert assistance in compiling your report? Yes /No Please describe the nature of assistance required, for example, the type of organisation that provided it, the quality of the assistance etc.

Source: Developed by the author based on the framework of Gibbins et al (1990)

5.4.1.2 Process of Interview

The interviews were conducted in three steps. The first step, an "experience survey" (Sellitz et al., 1959, p. 55-59) was employed. In this step, informants were asked to describe generally their companies and their operation, their titles or roles in the range of disclosure processes to which they had been exposed. The second step covers the first part of "focus interview". In this step, the interviewer attempts to understand the motives for companies to engage in CSED. Sixteen closed-ended questions cover the following topics: (1) the economic, social and environmental pressures perceived by managers; and (2) the main stakeholders (audience) identified by the managers. In order to measure the perception of the pressures on managers, a 5 point Likert scale is provided in the administered questionnaire. Based on their perceptions, the informants were asked to answer the statement using the scale provided. Also, the informants were welcome to comment on the questions. Based on their comments, the interviewer further probed the questions if it were necessary.

The third step covers the second part of the 'focus interview' which focuses on the process of CSED, how the case companies respond to these stakeholders (audience) in the light of their information needs. Based on the framework of Gibbins et al. (1990), the interviewer unfolded the questions in an interview sheet. The interviewer tried to keep the questions open-ended and short in an effort to allow the informants to do most of the talking. The open-ended questions cover the following topics:

1. Organisational constituencies involved in the decision-making of CSR reporting;

2. The process that the company uses to decide the format, the content (issues and performance indicators) and the application level (if the GRI Guidelines is adopted);
3. The role of consultants, auditors in the process of CSED;
4. The impacts of the adoption of GRI Guidelines in CSED practice; and
5. The perception of the fitness of the current CSED.

In order to ensure that interviewees' commentaries were focused on the motives of CSR reporting and the topics related to disclosure process, the interviewer remained inquisitive but not intrusive throughout. The interviewer referred to the interview sheet during the interview. If the informant did not address all the themes on the list, the interviewer asked the questions at the end of the interview. The interviews, lasting from 60 to 90 minutes, were digitally audio-recorded with the permission of each interviewee. The digitally audio-taped interviews were transcribed using a professional transcription service. Then copies of the transcripts were sent to interviewees to verify the accuracy of the transcripts. No significant changes were made by any interviewees to the transcripts which had been given to them.

5.4.2 Archival Data One: CSR/Sustainability Reports

All CSR (sustainability) reports released by the corporations selected were obtained through companies' website or website database (http://www.corporateregister.com). BHP and ANZ were not companies interviewed, but as they are seen as benchmarking companies[11] in CSR reporting in their industries, their CSR (sustainability) reports are included. The period is from 2002, when the more sophisticated GRI Guidelines (GRI 2002) were released. The selection criteria are subject to comparability and consistency in data analysis. The list of CSR reports selected is presented in the Table 5.5.

Table 5.5 List of CSR Reports of Sampling Companies

Industry	Mining companies					Banks		
Year/company	BHP	M1	M2	M3	M4	ANZ	B1	B2
2008	√	√	√	√	√	√	√	√
2007	√	√	√	√	√	√	√	√
2006	√	√	√	√	√	√	√	√
2005	√	√	√	√	√	√	√	√
2004	√							
2003	√							
2002	√							
Subtotal by company	7	4	4	4	4	4	4	4
Subtotal by industry					23			12
Total								35

Sources: http://www.corporateregister.com

Data in the CSR reports of the selected corporations provided background information for the interviews. A preliminary study of the publications by the selected corporations was conducted prior to the interviews. The information provided in individuals CSR/ sustainability reports served to confirm the reliability of the interviewees' elaborated responses and permitted more directed and detailed probing in the interviews. For instance, if a mining company reported that their main audience is the local community, the interviewer would ask: 'if your claim was true, why did your sustainability reports not report the performance indicators suggested by the GRI Guidelines and try to provide more information about the issues of concern relevant to the local community?' This type of probing highlights the relationship between CSED rationales, process and

[11] BHP and ANZ are members of The Australian SAM sustainability Index and Dow Jones Sustainability index.

outcomes. Apart from archival data from CSR/sustainability reports, data from print media were also collected. They are discussed in the following section.

5.4.3 Archival Data Two: Press Articles

The proponents of the institutional approach argue that press media sources may impact on the perceived legitimacy of an organisation. Research (such as Zucker (1987)) indicated that main stream news media are the most appropriate indicators of social values and public pressure in relation to an organisation's legitimacy. Media effects have been shown to shape social values and attitudes. Thus, when a large number of archival data from press media are available, analysing the content of those public sources provides significant evidence of social pressures and organisational legitimacy of a corporation (Baum and Oliver, 1996, Baum and Powell, 1995). This is consistent with media-setting theory as tested by Brown and Deegan (1998).

News media content was extracted from ANZ References Centre. The ANZ References Centre is a database, which combines Australia and New Zealand specific magazines, newspapers and newswires, reference books, and company information to create a collection of regional full text content. Particularly, this database provides full text for leading Australia/NZ newspapers and newswires, such as The Australian, The Courier Mail (Brisbane), The Advertiser (Adelaide), The Daily Telegraph (Sydney), The Herald Sun (Melbourne) and The New Zealand Herald.

This database covers the period from 1995 to the present (2009) and is available via the EBSCO Host platform. The key words, the name of the selected companies, 'sustainability' and 'corporate social responsibility' were used to search the database by year. Up to the January 2009, 716 articles were found about selected companies based on the key word search criteria. The detail of the number of articles and years in relation to selected companies are summarised in Table 5.6.

Table 5.6 List of the Number of Articles Related to CSR/sustainability about Case-companies

Year/Industry	Mining companies					Banks		
Selected companies	BHP	M1	M2	M3	M4	ANZ	B1	B2
2008	17	12	0	1	0	18	12	26
2007	18	6	0	0	0	21	6	18
2006	34	11	0	0	0	26	18	36
2005	23	8	0	1	0	15	9	28
2004	9	3	0	0	0	19	18	16
2003	18	5	0	0	0	25	6	17
2002	30	4	0	0	0	45	8	18
2001	36	3	0	0	0	46	7	19
Subtotal by company	185	52	0	2	0	215	84	178
Subtotal by industry					239			477
Total								716

Sources: ANZ References Centre (31/01/09')

5.5 The Qualitative Data Analysis Protocol

The purposes of this section are twofold. First, it justifies the method used in the data analysis and second, it explains how the current approach adopted avoids bias in the analysis of qualitative data. As noted in the earlier section, in line with the research questions, data were collected from interview transcripts, the print media and the CSR/sustainability reports of the selected companies. Addressing the theoretical framework based on Chapter 4, this section describes how the data were analysed to create a vocabulary related to discussing research questions and to identify relationship among concepts (see Figure 5.1 for detail process). In processes of data analysis such as reduction, summarisation, classification and interpretation, the author particularly focused on the steps taken to avoid bias in the analysis of qualitative data. In order to reach the above objective, a systematic analytical protocol proposed by Miles and Huberman (1994) was used.

As noted by Lillis (1999), this data-display approach can enhance the trustworthiness of the results of qualitative analysis in the following ways. First, it provides an audit trail from texts to the results through successive stages of data reduction and summarisation. Second, it ensures that all cases are used in the evaluation of support for the emergent propositions in the data. Third, it provides an analytical framework within which propositions can be tested, and with which new propositions emerging from the on empirical data can be tested, too. While no analytical framework can totally eliminate potential bias in the process of qualitative data analysis, paying attention to techniques which promote completeness and impartiality can minimize the bias and increase the reliability and the validity of the results.

Given the earlier discussion about the influence of world view and paradigm, an analytical induction approach was applied as well as an index content analysis scheme in coding qualitative data. As shown in the previous section, data in relation to the selected companies were collected from interviews, print media and companies' CSR/ sustainability reports. Most of these data are in the form of (transcribed) text. There are several approaches commonly used to analyse qualitative data. In the light of the research purposes and research questions, content analysis and analytical induction methods were utilised for the current study. The analytical induction approach was employed to collect the data from interviews among the selected companies. An index content analysis coding scheme was applied to the parts of performance indicators in CSR/sustainability reports. The approach of content analysis and the procedure of analytical induction are briefly discussed below.

5.5.1 Content Analysis Approach

Content analysis is defined as a research method that utilises a set of procedures to make valid inferences from text. Krippendorff (1980, p.21) defines content analysis as 'a research technique for making replicable and valid inferences from data according to their context'. From the procedure perspective, Weber (1985) describes 'content analysis' as a method of codifying the text (or content) of a piece of writing into various groups (or categories) according to selected criteria. Following coding, quantitative scales are derived to permit further analysis. The inferences drawn from the text seek to analyse published information systematically, objectively and reliably (Guthrie and Parker, 1990). Content analysis has been commonly employed in the CSED literature to evaluate the extent of disclosure and identify differences in disclosure (Guthrie and Parker, 1990, Habermas, 1993).

5.5.1.1 Units of Analysis

Content analysis is typically applied to the analysis of archival data. According to Unerman (2000, p.668), there is a variety of methods to analyse the quantity of CSED.

These methods include counting by number of words, number of sentences, number of pages, percentage of pages devoted to and percentage of total disclosure. Different researchers have their own arguments in favour of using different methods. Apart from counting words and sentences in a narrative context, Unerman (2000) argued for the usefulness of measuring non-narrative CSED (e.g., charts, tables, and photographs) in terms of proportions of a page. According to Guthrie and Abeysekera (2006), this argument is based on the fact that CSED documents commonly establish meaning with figures, charts, tables and paragraphs as well as through the reporting of words or sentences. Wilmshurst and Frost (2000) employed this approach in their study but excluded pictures from their analysis. They indicated that pictures might be used to impress on stakeholders companies' approaches towards the management of environmental issues. However, they admitted that it was hard to quantify the impact of pictures. On the one hand, "a picture may be worth a thousand words". On the other, to measure pictures by assigning them a word-account weight is highly subjective. Additionally, pictures are usually accompanied by a caption. These arguments complicate the debate as to what weight should be given to a picture. In sum, although these different measurement methods have their own assumptions and arguments, they focus more on the quantity than the quality of CSED.

In this study, a coding scale was developed to quantify a firm's CSED and to attempt to measure the quality of CSED by means of compliance with key performance indicators suggested by the GRI Guidelines. This allows the researcher to integrate different types of information into a single figure which can be comparable across corporations, and it allows the researcher to rate firms' CSEDs in a comparatively consistent judgment.

For the purpose of this research and to assist in the coding scale, four recent studies are considered to be most pertinent due to their methodology and subject. Morhardt, Baird and Freeman (2002) first analysed the content of non-financial reports using GRI 2000 Guidelines. Mathews, Pearce, Owili and Mulyani (2004) then employed a similar approach but used the 2002 Guidelines to analyse the content of non-financial reports in mining companies. In addition, Frost, Jones, Loftus and van der Laan (2005) extended their data capture to annual financial reports, non-financial reports and websites of Australian listed companies. Table 5.7 summarises the content analysis indices utilised in these studies.

More recently, Clarkson et al. (2008) focused on discretionary environmental disclosures and developed a content analysis index based on GRI Guidelines. Clarkson et al. (2008) claimed that performance indicators are the 'hard' data that firms can disclose to convince stakeholders about their sustainability commitments. Clarkson et al. (2008) assert that,

> Disclosing actual performance indicators in the above context can convey critical information for stakeholders to assess the firm's long-term environmental performance (and commitments) (p.8).

Table 5.7 Summaries of the Content Analysis Index Based on the GRI Guidelines

Morhardt, Baird & Freeman (2002)	
Grade	Criteria
0	Not mentioned
1	Anecdotal or briefly mentioned
2	More detail, but characterizing only selected facilities or using only self-comparison metrics
3	Company-wide absolute or relative metrics that could be compared with other companies
Matthews et al. (2004)	
Grade	Criteria
0	There is no evidence of reporting-the issue is not addressed.
1	There is an explanation of why an issue id addressed.
2	The issue is mentioned but with little information
3	The issue is addressed with additional information and/or with examples.
4	The issue is addressed and specific examples are given including actions and/or plan, such as a case study.
5	The issue is integrated with other elements in the report and the presentation exceeds the requirements of the GRI Guidelines.
Frost, Jones, Loftus and Loan (2005)	
Grade	Criteria
0	The existence of performance indicator
1	No existence of performance in indicator
Holder-Webb, Cohen, Nath and Wood (2008)	
0	Not mentioned of [the issue]
1	Mentioned but only in reference to another document or statement
2	Brief mention with little or no detail
3	Discussion with some detail but not extensive detail
4	Detail discussion
5	Discussion comprises over 50% of the document text
6	Completely dedicated to discussion

Source: Morhardt, Baird & Freeman (2002), Matthews et al. (2004), Frost, Jones, Loftus and van der Laan (2005) and Holder-Webb, Cohen, Nath and Wood (2008)

Consequently, the current study adopted content analysis procedures from Clarkson, Li, Richardson & Vasvari (2008) and Frost, Jones, Loftus and van der Laan (2005), and modified them to meet the requirement of the current study. The author employed this index method to assess the extent of discretionary disclosures in environmental and social responsibility reports. As the extent of Clarkson et al's index is limited to environmental information, for the purpose of the current study, some modifications have been made to include social information.

5.5.1.2 The Disclosure Index

Based on G3 (GRI 2006), the disclosure can be divided into two parts–Profile of the Company and Sustainability Performance Indicators. The performance indicators are divided into six categories and these categories are as follows: (1) Environmental, (2) Human Rights, (3) Labour Practices and Decent Work; (4) Society; (5) Product Responsibility; and (6) Economic. Since the purpose of the current study is to tell the differences in CSED, in particular in report profiles, disclosing issues and their related key performance indicators, the index developed for the content analysis focuses on the performance indicators. Clarkson et al. (2008) argue that the design in 'hard' disclosure categories makes it relatively difficult for firms with poor performance to mimic the disclosures of firms with good performance. Also, with the test of the index ('0' for no existence of the indicator; and '1' for the existence of indicator), it is easy to tell the difference between sustentative compliance and symbolic compliance. This study employs the spirit of the design and extends it to social and economic domains to assess the quality of firms' compliance with GRI Guidelines in the selected companies.

ANZ and BHP Billiton are selected as benchmarks of the Australian mining and banking sectors. The comparison of these two companies shows the difference caused by the factor of sector discrepancy. The comparison between these two companies with other selected companies in the same sectors reveals the result of limited disclosure in CSED. The results of the index content analysis are illustrated in Tables 6.7 and 6.8.

5.5.1.3 The Limitations of Content Analysis

As noted in earlier discussion, many authors have made suggestions about the complex issue (such as unit of analysis and disclosure index) of measuring the material disclosed. However, these authors (e.g., Gray et al., 1995b, Hackston and Milne, 1996) do not go beyond some quantitative measurement of the disclosures; there has been no definitive resolution to the problem of measuring quality.

Recently, the technique has been applied to qualitative analysis of open-ended survey responses with the aim of corroborating more quantitative survey data. In these applications, content analyses are more qualitative than quantitative and may be used to examine latent factors inherent in the data, such as the meaning of phrases used (Holsti, 1969). As indicated by Lillis (1999, p.88), such applications may blur the difference between content analysis and grounded theory. She claimed that the applicability of these content analytical techniques in a more interpretative context is less well established than grounded theory.

In the light of the data collected from interviews, traditional content analysis approaches were considered too limiting to uncover managers' perceptions of social pressures and the need for CSED. The analyses therefore take traditional inductive analytical analysis into account.

5.5.2 The Analytical Induction Approach

In contrast to the enumerative induction method such as traditional content analysis, the analytical induction approach is designed to find the latent or embedded meanings in data. Miles and Huberman (1994) adopt inductive analytical techniques to make the process of data analysis formal and orderly. This process focuses on data reduction, data display and conclusion drawing/verification, and interpretation to make sense of the unedited text. According to Miles and Huberman (1994, p.10),

> Data reduction refers to the process of selecting, focusing, simplifying, abstracting and transforming the data that appear in written-up field notes or transcriptions

Data reduction occurs not only in the stage of data analysis but also through the life of data collection. For example, data reduction occurred in the form of written summary, coding, teasing out themes, making clusters, making partitions and writing memos. The data reduction or transformation process continues after fieldwork. It will not be completed until the end of the study. Consequently, data reduction is part of data analysis. It is also known as data condensation.

The second major step of data analysis is data display. A display means an organised, compressed assembly of information that can be used in conclusion-drawing, the next step of analysis activity. The original unreduced bodies of (transcribed) text are usually too dispersed to be seen as a whole. These texts are usually poorly ordered. The structured data display refers to a well arranged procedure which permits a viewing of a systematic set of data to answer the research questions. Structured data displays are the basic tool to make qualitative data analysis traceable. There are three key features in the processes of structured data display (Lillis, 1999, p.89):

1. they use reduced data;
2. precise records are kept of actual criteria and decision rules used; and
3. the display design parameters are determined by the nature of the research questions.

The application of these techniques to the current study results in several matrix-form data displays shown in the data display section 5.6.

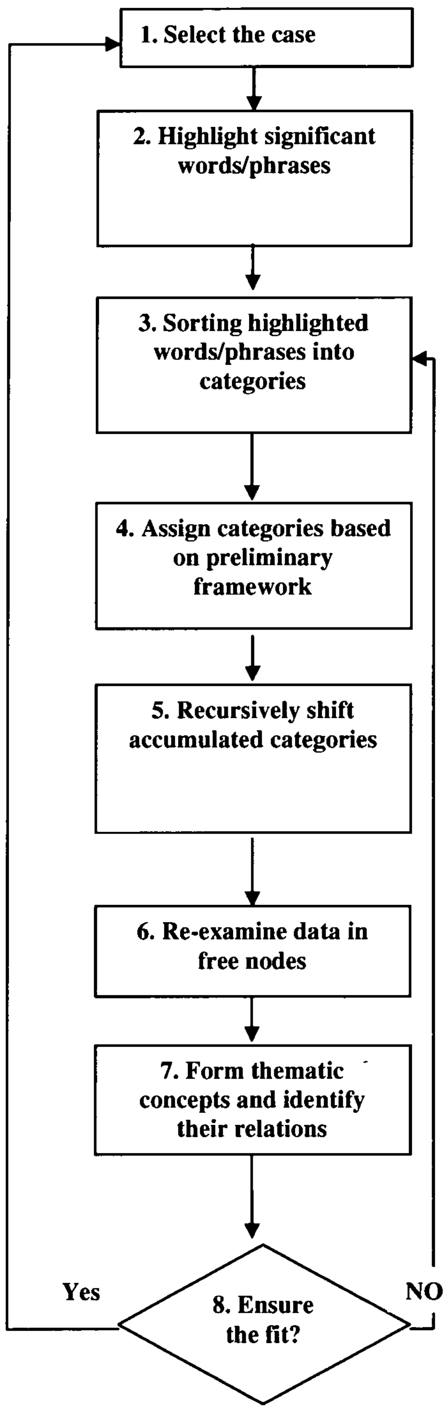
The third stage of data analysis activity is conclusion drawing and verification. From the beginning of data collection, the researcher, as an instrument of data analysis, needs to decide what things mean based on regularities, patterns, explanations, possible configurations, causal flows and propositions (Miles and Huberman, 1994). The researcher then holds these conclusions temporarily and maintains openness and scepticism. It is not until the increasingly explicit and grounded data emerge that the 'final conclusion' appears. However, conclusion-drawing is only half of a 'Gemini configuration'(Miles and Huberman, 1994, p.11). In other words, they are also verified as the analyst proceeds, which may be viewed as second thoughts crossing the analyst's mind. To ensure their validity, the meanings emerging from the data have to be tested 'for their plausibility, their sturdiness, their conformability' (Miles and Huberman, 1994, p.11). The next section describes the application of these techniques in the context of the current study.

5.5.3 Data Coding: An Analytical Induction Method

Coding is an important part of qualitative data analysis. Miles and Huberman (1994, p.57) describe codes as 'tags or labels for assigning units of meaning to the descriptive or inferential information compiled during a study', and coding as 'how you differentiate and combine data you have retrieved and the reflections you make about this information'. Drawing on the previous work, Gibbins et al., (1990, p.139) developed a mixed procedure which combined analytical induction and grounded theory methods. This procedure is simplified to an analytical induction one, and used in data analysis. Figure 5.1 demonstrates how this procedure is employed in the coding.

Figure 5.1 Flowchart of the Coding Procedure

Flowchart



Explanation

1. One of the edited interview transcripts is selected as the first "case" to be analysed. The current study stared from a company in mining industry.
2. The 'significant' words and phrases in the transcript are highlighted. The significant words or phrases succinctly capture aspects of the case which may be used to understand or explain the needs, process and organisational fit of CSED. Two types of phrases were regarded as significant; a phrase by which the informant attempts to make sense of the phenomenon and a phrase by which researchers can link cases to their prior knowledge.
3. The highlighted phrases are sorted into the categories based on the intuitive sense of similarity. At the same time with this process, the author noted any relationships which may exist in the data. The relationship may be suggested explicitly by an interviewee or may emerge inductively as the researcher attempts to make sense of the transcripts.
4. In line with the preliminary framework shown in Chapter 4, the criteria used to establish the categories developed are identified explicitly; in the form of 'free nodes'. These 'free nodes' were grouped into categories ('tree nodes') in the light of their relationships.
5. The accumulated categories are shifted recursively. In order to identify more thematic concepts, this sort of reorganizing of categories allows the combination of two or more of empirically defined sets.
6. The categories which are logically possible but missing from the data are identified.
7. The concept of the "free nodes" developed in step 3 is used to identify the central thematic concepts involved in the case. In this study, the nodes are intended to be converged into the tree nodes of needs for CSED and the process of corporate sustainability reporting practices, in particular, the adoption of GRI Guidelines. Since CSED is a voluntary disclosure, the actual disclosure may be varied with the same theme. The relationships among categories around the thematic concepts are identified.
8. All ideas developed are confirmed to "fit" as the relationship is being refined. Repeat step 1 through 8 for a second case and then other cases in the bank sector.

Source: modified by the author from Gibbins et al. (1990, p.139)

It is worth noting that in the coding the author/researcher compared the structure of the theory and constructs developed in case 1 to those from case 2. In an intra-sector comparison, the case 1 and case 2 are companies in the same sector. In an inter-sector comparison, case 1 is mining sector and case 2 is banking. The author identified situations where the latter were contradictory and attempted to develop a theoretical elaboration to account for this contradiction. Also, the author identified situations where the emerging theory predicted phenomena but none were found. The author then identified the factors involved in this situation and modified the theory to account for the anomaly. The procedure in Figure 5.1 was repeated for each remaining case.

In line with the research questions of the current study, data were first categorized into: (1) the needs for CSED (motivations); and (2) the process (responses) of CSED, including the implementation of GRI Guidelines. The data were coded into a number of categories deduced from the preliminary model and the research questions (Yin, 1994). For example, with regard to the need for CSED, the data were categorized into the following categories: capital markets; product markets; customer's view; peer pressures; and supply chains. These factors were attributed to 'economic efficiency (market competition)'. In relation to 'Legitimacy (caused by social and environmental pressures)', which has been identified in the literature review, data were further categorized into: becoming a political target, increasing regulations, increasing social scrutiny and way to obtain social approval.

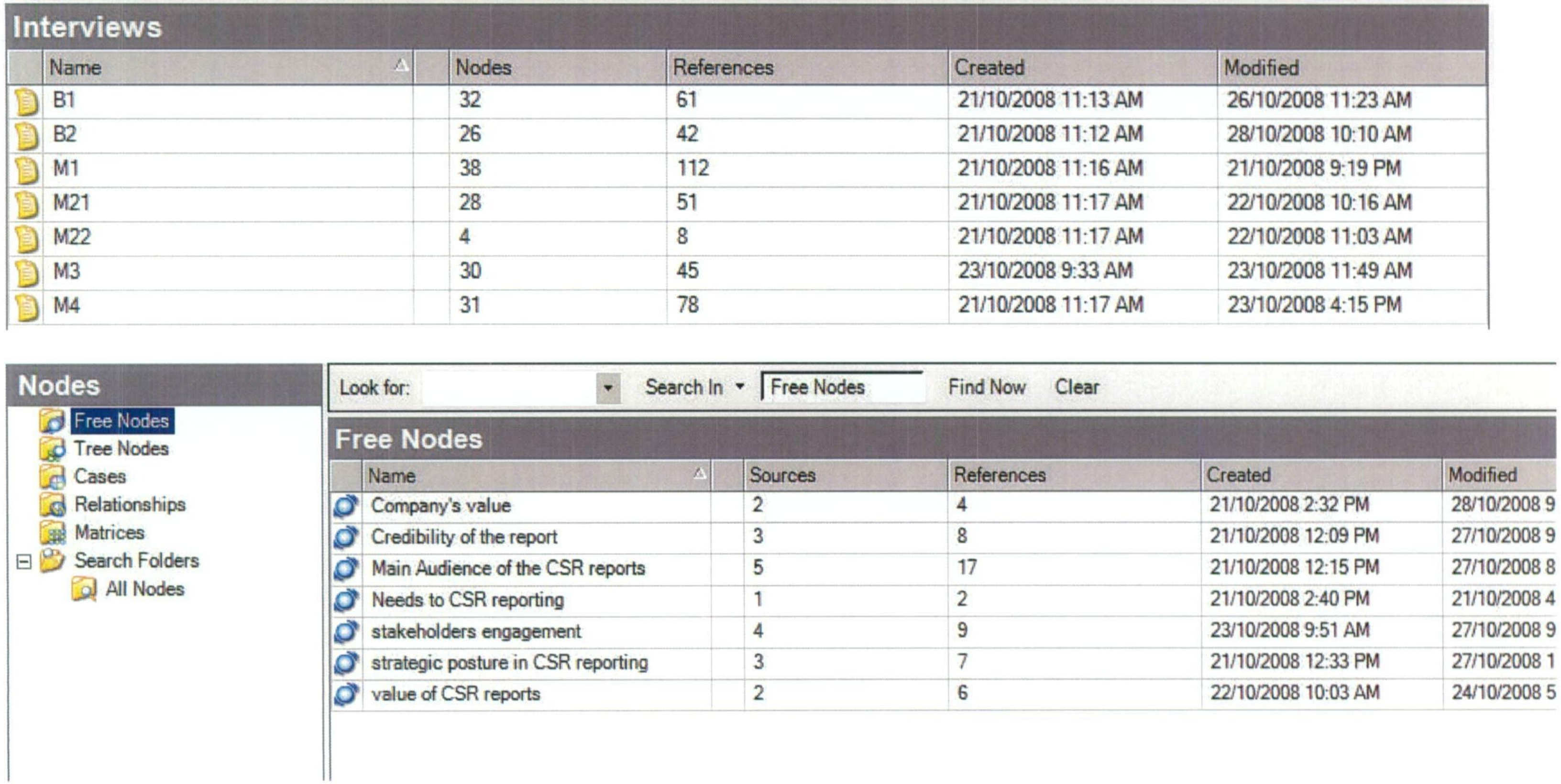
For the data which did not fit into those groups, categories were temporarily grouped as 'free nodes' in QSR NVivo6. Later, these nodes were re-examined and put into appropriate existing or new categories. Consequently, an early draft of the resulting analysis and theoretical proposals were developed. An index content analysis was applied to selected companies' sustainability/CSR reports to 'audit' the validity of the concepts and theoretical structures as representations of the data (Section 5.7 Linking Quantitative Data to Test Qualitative Data Section).

QSR NVivo6 software was used to code and organise the data. By using this software, the researcher could flag and mark pieces of text with one or more codes. The software was applied to the entire raw, un-summarised interview transcripts, by associating the sentences in the transcript with one or more themes defined in a hierarchical coding structure. The coding at this stage was a thematic grouping of text units rather than a scoring process, and there was minimal potential for bias. Once the transcripts were coded, the texts associated with a code were viewed. Further, the codes associated with the text were refined into more descriptive codes. Using this software for coding is superior to margin coding due to its ability to process large amounts of text. Calls can be made on the QSR NVivo6 database (consisting of all transcripts) to collect text relating to a particular theme from each interview. All text coded in relation to the specified theme can be reported after editing in Microsoft Word. Examples of using QSR NVivo6 in coding the needs of CSR reporting are illustrated in Figure 5.2 and Figure 5.3.

The coding scheme presented above is a disciplined approach to data extraction (coding) and analysis that promotes completeness and impartiality. It is believed that multiple independent data coders would contribute to the reliability and validity of the process.

But, considering the cost/benefit trade-off, a multiple independent coding was not applied in this context. As noted by Lillis (1999, p.97), for qualitative data used in theory building/refinement, it is argued that such investments are less valuable than for qualitative data used in theory testing. However, the coding was conducted by a double check approach. The first reading of the data was performed with the tape of the transcript playing and the second without the audio backup. As suggested by O'Dwyer (2000) and Fiedler and Deegan (2007), the two readings were separated by one month. The break was to create 'separateness' from the data. By doing this, the researcher attempted to ensure a more objective coding in the second reading. There was no major change between the first coding and the second coding.

Figure 5.2 Illustration of Coding Interview Data in QSR NVivo6



Interviews

Name	Nodes	References	Created	Modified
B1	32	61	21/10/2008 11:13 AM	26/10/2008 11:23 AM
B2	26	42	21/10/2008 11:12 AM	28/10/2008 10:10 AM
M1	38	112	21/10/2008 11:16 AM	21/10/2008 9:19 PM
M21	28	51	21/10/2008 11:17 AM	22/10/2008 10:16 AM
M22	4	8	21/10/2008 11:17 AM	22/10/2008 11:03 AM
M3	30	45	23/10/2008 9:33 AM	23/10/2008 11:49 AM
M4	31	78	21/10/2008 11:17 AM	23/10/2008 4:15 PM

Free Nodes

Name	Sources	References	Created	Modified
Company's value	2	4	21/10/2008 2:32 PM	28/10/2008 9
Credibility of the report	3	8	21/10/2008 12:09 PM	27/10/2008 9
Main Audience of the CSR reports	5	17	21/10/2008 12:15 PM	27/10/2008 8
Needs to CSR reporting	1	2	21/10/2008 2:40 PM	21/10/2008 4
stakeholders engagement	4	9	23/10/2008 9:51 AM	27/10/2008 9
strategic posture in CSR reporting	3	7	21/10/2008 12:33 PM	27/10/2008 1
value of CSR reports	2	6	22/10/2008 10:03 AM	24/10/2008 5

Source: the author

Figure 5.3 Examples of Tree Nodes Used in Coding 'the Needs of CSR Reporting'

Tree Nodes

Name	Sources	References	Created	Modified
Disclosure Process	1	1	21/10/2008 4:37 PM	26/10/2008 10:17 AM
Data insufficiency	2	2	21/10/2008 4:37 PM	26/10/2008 10:26 AM
GRI adoption	0	0	21/10/2008 8:32 PM	21/10/2008 8:32 PM
decision rules	6	11	21/10/2008 8:43 PM	28/10/2008 9:30 AM
Means	2	2	21/10/2008 8:36 PM	26/10/2008 11:11 AM
Perceived benefits	4	6	21/10/2008 8:26 PM	27/10/2008 9:19 PM
Perceived cost	2	6	21/10/2008 5:08 PM	23/10/2008 4:15 PM
Procedure	2	2	24/10/2008 4:54 PM	28/10/2008 9:14 AM
reasons to not adopt	4	6	21/10/2008 9:04 PM	27/10/2008 12:48 PM
Role of consultants	1	1	28/10/2008 9:37 AM	28/10/2008 9:52 AM
issues & format	6	19	21/10/2008 8:11 PM	28/10/2008 9:13 AM
Needs to CSR reporting	0	0	21/10/2008 4:42 PM	21/10/2008 4:42 PM
Market competition	0	0	21/10/2008 11:35 AM	21/10/2008 11:35 AM
Capital market	0	0	23/10/2008 9:17 AM	23/10/2008 9:32 AM
Customer's view	3	4	21/10/2008 2:17 PM	23/10/2008 10:10 AM
peer pressures	5	11	21/10/2008 2:23 PM	27/10/2008 8:58 PM
Product market	3	7	23/10/2008 10:02 AM	27/10/2008 9:10 PM
suppliy chain	4	7	21/10/2008 2:09 PM	27/10/2008 8:57 PM
Social pressures	0	0	21/10/2008 11:30 AM	21/10/2008 11:30 AM
become a political target	6	7	21/10/2008 12:04 PM	27/10/2008 12:38 PM
Increse regulation	6	12	21/10/2008 12:00 PM	27/10/2008 12:35 PM
social scrutiny	6	12	21/10/2008 11:44 AM	27/10/2008 9:16 PM
Way to obtain social approva	6	20	21/10/2008 11:49 AM	27/10/2008 12:32 PM

Source: the author

5.6 Data Display

The current study applied thematic conceptual matrices, suggested by (Lillis, 1999) and (Miles and Huberman, 1994), to develop several matrix-form data displays. Miles and Huberman (1994, p.91) identify the importance of utilizing matrices to present the data collected in data displays. They indicated:

> A visual format that presents information systematically, so the user can draw valid conclusions and takes needed action.

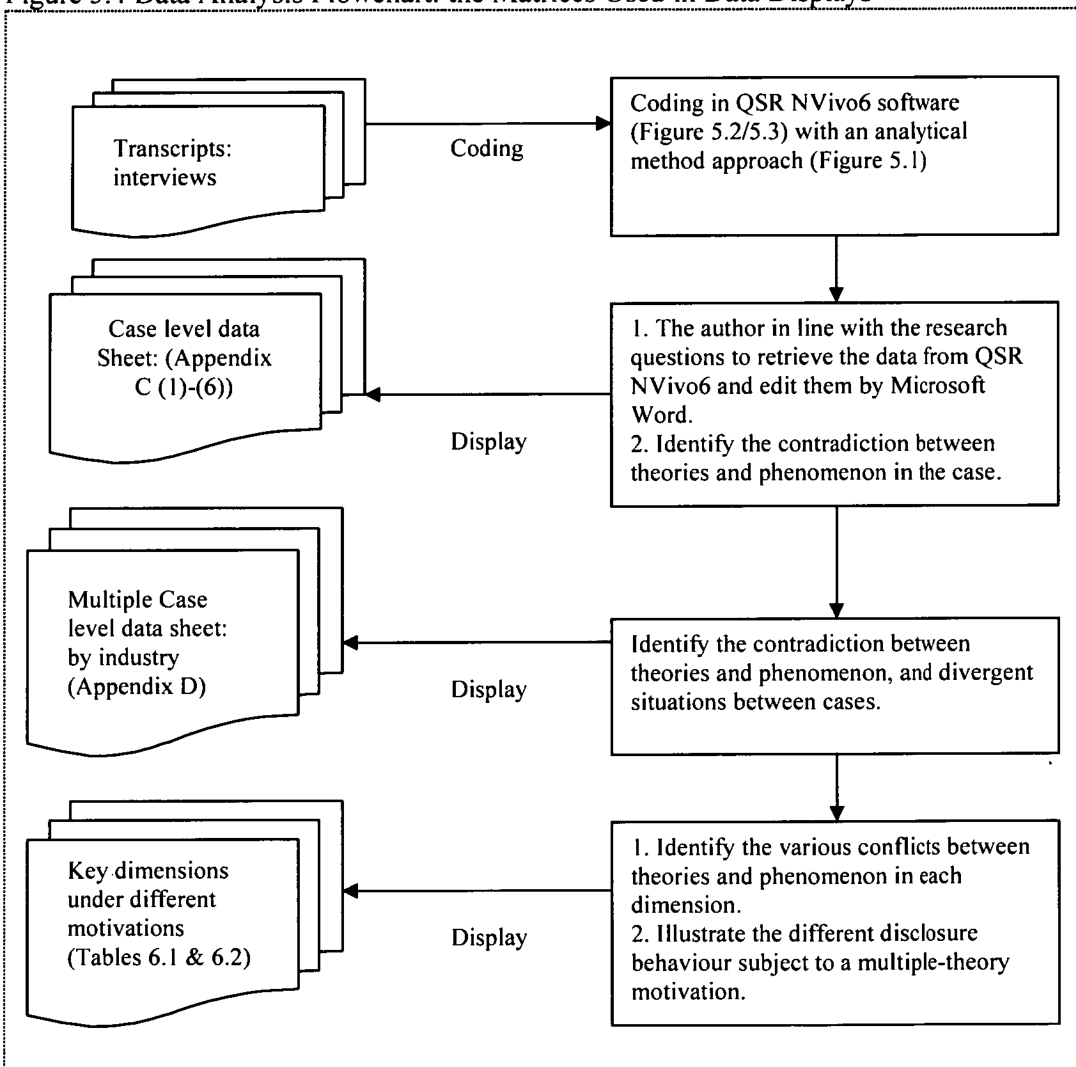
By means of these metrics, the researcher allows for 'careful comparisons, detection of difference, noting of patterns and themes, seeing trends and so on' (Miles and Huberman, 1994, p.92).

A flow chart of data displays (see Figure 5.4) is provided to illustrate and summarise the relationship of these matrices. The first matrix-form, 'Extract of case-level sheet', is used to extract the interview data for each selected company. An example of this matrix is provided in Appendix C. The data sheets were prepared in line with the sequence of interview questions, which covered following topics:

1. the motives (legitimacy vs. economic efficiency) for social and environmental disclosure;
2. the way responding to different motives, which includes pattern of CSED and the adoption of GRI Guidelines CSED; and

3. the reasons for variations in CSED (limit disclosure of issues, key performance indicators suggested by the GRI Guidelines).

Figure 5.4 Data Analysis Flowchart: the Matrices Used in Data Displays



The data sheets prepared for each transcript were then combined in a multi-case matrix format for each industry (Appendix D). For the purpose of this research, these matrices provided evidence of the variables to be related between selected companies. This variable-orientated approach attempts to find a broader pattern of voluntary CSED via case comparison, which has been little explored (Miles and Huberman 1994 p.174). The theory testing and theory refinement are all based on the themes found across cases. The output of CSED was proposed to be related to several independent variables. These variables could be identified in the qualitative data obtained from interviews.

In terms of motivation, competitiveness or organisational legitimacy, the elaborated responses in relation to relevant factors were then sorted in Tables 6.1 and 6.2. In line with the framework of Gibbins et al. (1990), the current study then highlighted the variables that influence the output of CSR/sustainability: the goal of the disclosure, the antecedents, disclosure positions, main audience, decision to disclose and disclosure rule. All of these factors have some impact on the output of companies' CSR/sustainability reporting.

These thematic conceptual matrices were developed to support the exploratory analysis of emergent themes of interest. The structure of these matrices reflects the attempts in the current study to explore the relationship between variables. In particular, these matrices were intended to examine the causal relationships between various motives or needs for CSED and different types of responses in CSED. The discrepancy includes the reporting profile, the issues disclosed and the key performance indicators selected for certain issues.

5.7 Linking Quantitative Data to Qualitative Data

While the prior section focuses on a systematic approach to the analysis of qualitative data, this section links quantitative data to these qualitative data to provide triangulation. These quantitative data were obtained from different sources using multiple methods: the scale responses from the interviewees, press articles from the database and the CSR/sustainability reports. It is believed that the benefit of triangulation is to convey a sense of rigour and discipline in data analysis.

5.7.1 The Scaled Responses from the Interviewees

In the current study, managers' perception of social pressures were not only obtained from the elaborated responses in the interviews, but also measured by scaled responses in three themes: the rise of social scrutiny; the increase of regulation in the industry or firms; and the possibility of becoming a political target. Also, when identifying the main audience of CSED, the scaled responses reflect the priority of the audience in the mind of the managers. The scaled responses intend to illustrate concrete evidence of the differentiation in motives for CSED between selective companies in the same and between the different sectors. These scaled responses from interviewees are shown in Table 5.8 to illustrate the analysis techniques used.

Table 5.8 List of the Scaled Responses of the Interviewees

Questions/Scaled Responses	M1	M2-1	M2-2	M3	M4-1	M4-2	B1	B2
	Interviewees							
1. Your industry is likely to receive a high level of scrutiny from groups and individuals concerned about the sustainability issues, such as natural environment, social equity (human rights) etc.	5	5	5	4	4	4	4	4
2. Your industry has sought to establish CSR standards in the past as a way of increasing social approval with external individuals and groups.	5	4	5	5	5	5	4	4.5
3. Concerns about the sustainability issues, such as natural environment, social equity (human rights) etc., by external individual and groups could result in increased regulation of the industry or the firm.	5	5	5	4	4	4	3	4
4. Individuals and groups that are concerned about sustainability issues, such as natural environment, social equity (human rights) etc., could consider your industry/ company as a target for political action such as media attention.	4	5	5	4	4	5	4	5
5. Since some firms in the industry are producing sustainability reports, this may lead external individuals and groups to be more suspicious to those companies not producing sustainability reports.	3.5	2.5	2	3	3	3	3	3.5
6. Shareholders are the main audience for your sustainability reports.	2	2	2	3.5	2	3	2	2
7. Suppliers are the main audience for your CSR reports.	2	2	2	2	1	1	2	3.3
8. Customers are the main audience for your CSR reports.	2.5	2	2	2	1	1	3	3.5
9. You perceive that your customers are showing a serious interest in whether your company has been verified.	1.5	3	2	2	3	3	1	1
10. Your company has network relationships (such as supply chain) with other industries or other countries?	4	5	4	2	NA	NA	4	4
11. You perceive that down-stream industries using your product increasingly require that your company produce a verified sustainability report.	1.5	3	2.5	2	NA	NA	3	2
12. You perceive that down-stream industries using your product increasingly desire that your company produce a verified sustainability report.	5	3	3	2	NA	NA	3	3
13. Competing companies in your industry are releasing verified CSR reports.	5	5	5	5	5	4	4	4
14. Competing companies in your industry actively promote the action of their releasing verified CSR reports.	5	3	4	4	NA	2	4	4
15. Most of the products (services) of your company are exported to international markets?	5	5	5	5	5	4	NA	2
16. Your company sees the production of a sustainability report or reporting as valuable?	5	5	4	4	5	5	5	5

* NA means interviewee though this question was not applied to his/her companies.

5.7.2 The Content Analysis from CSR/Sustainability Reports

The requirements for validity and reliability directed the research project. The companies participating were major units in their industries; the people interviewed were members of senior management; and the archival material used was all official company documentation. Transcriptions of the digitally audio-taped interviews were checked by the interviewees and the analysis of those transcripts was substantially audited by my supervisors.

As shown in Table 5.5, thirty -two copies of CSR/ sustainability reports released by the selected companies from the year of 2002 until 2008 were reviewed. These reports show how the selected companies are different subject to their motivations (needs) for disclosure. The scales provided by the index of content analysis reflect the differentiation in adopting GRI Guidelines in selected companies.

Based on the Tables 2.5 and 2.6 (see Chapter 2), companies have shown different application levels in adopting GRI Guidelines. The content analysis shows whether or not they are also diverse in report profile, selecting issues and key performance indicators. By means of reviewing the linkage between the managers' perceptions and disclosure behaviours, the current study can explain the phenomenon from an institutional and strategic legitimacy management perspective. In other words, how the selected companies adopt various pattern of CSED to respond to the information needs of their main audience (stakeholders), when these companies perceive the needs motivated by pressures such as organisational legitimacy or competitiveness.

The combined analysis of elaborated and scaled responses in the interviews tested the convergent validity as well as enriched the understanding of the empirical manifestation of the variables under study. The measurements of constructs such as the perceptions of managers, the organisational legitimacy, the motivations for CSR disclosure, the disclosure position of the companies and the output of CSR/sustainability reports were triangulated and supported by data collected from different sources and using multiple methods. The key issues with respect to validity and reliability as applied to the current study are shown in Table 5.9.

Table 5.9 Reliability and Validity of the Current Study

Test	Case study tactic	Application in the current study
Construct validity	Used multiple sources of information	The combined analysis of elaborated and scaled responses in the interviews. Collect documentary data from case companies' CSR/ sustainability reports and press reporting.
Internal validity	Did 'pattern' matching, Established modes for each sector	Apply a certain pattern mode, such as Figure 5.1, Figure 5.4 and GRI index content analysis to coding and displaying data.
External validity	Used replication and multiple cases	Select eight companies from two sectors in the Australian context.
Reliability	Used a database for responses for each question for each case;	In the light of each research question, the current study selects the multiple-source data to develop a database for data analysis.

Source: Adapted and modified from Yin (1994, p.33)

5.8 Ethical Considerations of the Study

The direct personal involvement in the field (e.g., interviews) raises ethical considerations. Some data used in the current study are qualitative data from the interviews. They may be of a personal nature and raise two major ethical concerns in the current study: the reliability of the data being collected and privacy and confidentiality matters. It has been argued that field researchers have more choice and control in data collection, data recording and data analyses. In other words, field researchers have more opportunity to influence the data during the interview and analysis phases. What was described in Sections 5.5, 5.6 and 5.7 provides an auditable process to ensure reliability in the current study. The techniques adopted in data collection and data analysis may set up a formalized enough way to ensure the findings are reproducible in similar contexts.

The other ethical concern is the issue of privacy or confidentiality. This issue is raised because the content of the interviews were concerned with:

1. the internal corporate process of CSED;
2. managers' personal perceptions about the operating environment of the firm and the industry; and
3. managers' view in relations to motivations for CSED, in particular, the adoption of GRI Guidelines.

While most data collected were not commercially sensitive, the thesis does not disclose the names of the companies or the individuals interviewed in order to protect confidentiality. The individual's name is not mentioned either. To meet the requirement of the Ethics Committee of the University of Tasmania, a prescribed consent form (see Appendix E) was presented to each interviewee at the interview. This form was signed by the interviewee prior to the interview. Each interviewee was also asked for permission to audio-tape the interview at the beginning of the interview. No interviewee declined to be audio-taped. Access to the audio-tapes and interview transcripts is limited to the researcher and his supervisors. The consent form, audio disks, typed transcripts and written responses are under proper physical security for the time required. The author promised to provide an abstract of the final thesis to the interviewees if requested.

5.9 Chapter Summary

The chapter contains a detailed discussion on research methodology adopted in the current study. In particular, this chapter justifies the choices of company selection, method and describes in depth the way data were collected and analytical protocols used. For archival data, an index of content analysis for CSR/sustainability reports was developed. Finally, an explanation of how quantitative data were linked with qualitative data to enhance the trustworthiness of the results. The findings are presented and discussed in Chapter 6.

Chapter 6 RESULTS AND DISCUSSION

6.1 Introduction

The purpose of this chapter is to report the findings of two research questions:

1. Why do Australian mining and banking companies see the need to engage in CSED, in particular, to adopt GRI Guidelines in their CSR/sustainability reports?
2. How do Australian mining and banking companies implement GRI Guidelines in corporate social and environmental practices?

The findings explain the phenomena observed: Australian mining companies and banks report differently in voluntary CSED; and shed light on a theoretical issue: why organisations in similar organisational field pursue heterogeneous practices.

As shown in Tables 2.5 and 2.6, a number of major Australian mining companies and banks have been engaging in voluntary CSED. However, their level of compliance with the GRI Guidelines in CSR/sustainability reports varies between and within the sectors (mining and banking). Building on the social-political theories and voluntary disclosure theory, whether the selective companies adopt of the GRI Guidelines or not and the way to implement the Guidelines in CSED are used to explore this phenomena. The findings assume that companies adopt a heterogeneous set of CSED because the firms perceive social pressures differently, and this leads to different CSED. The disclosure forms and contents reflect the perceived target audience and their information needs subject to sector and organisational characteristics.

Tables 6.1 and 6.2 provide a summary of the findings including quotations of selective representatives, and can be used as a road map for the remainder of the chapter. In Section 6.2 management motivation for CSED is discussed. In Section 6.3 the managers' industry-specific needs are considered. Section 6.3, 6.4 and 6.5 discuss issues relating to the adoption of GRI Guidelines as an example to illustrate how CSED are implemented in an individual company, including the decision to disclose issues and key performance indicators. Finally, empirical evidence (Section 6.6) from the select companies' CSR/sustainability reports is provided to support the findings and arguments mainly based on the interviews with senior officers of the selected companies.

Table 6.1 Key Dimensions and Motivations for CSR Reporting

Differentiating dimensions	Exemplary quotations	
	General Motivation(6.2)*	**Sector-Specific Need (6.3)**
Objects	Legitimacy risk management	Economic Efficiency in Competitiveness
Ends	Survival: To obtain social approval through risk management So that's, ah, and that's been to maintain our social licence to operate and/or gain approval to develop new projects. Just sort of, there's some general aspects in our sustainability reporting that we look to, if you like, sell our credentials and our past performance so it's an important tool and sometimes to assist in project approvals and gaining that initial entry into new areas for example. (mining companies)	Profitability: To add organisational value from reputation building I guess for us it sustainability the way we do business so it's almost a cultural thing or certainly that's the ambition. And it is an opportunity to position and differentiate but first and foremost it's from the value, organisational values rather than financial value, but we do believe there's financial value in adopting a sustainability approach (banks).
Means	Risk Management	Brand/Reputation building
External Antecedents	Institutional Pressures	Market Opportunities
	Social Scrutiny/ Social Pressures (6.2.1) Increased Regulation of the Industry or the Firm. (6.2.2) Peer Pressures (6.2.3) Become a Social Target (6.2.4)	Competition over Sustainability (6.3.1) Opportunities in Product and Capital markets (6.3.2) Expect to gain profitability from organisational and financial values
Disclosure strategy	Reactive: Isomorphic/ imitative	Proactive: Innovation
	Compliance with norms and regulations ceremonially you know, on company in our industry can't do anything without others knowing about it, so I think there is a lot of learning from others, adopting similar practices and ....So I think all companies are looking at doing similar things. So you wouldn't see, you'd see some difference, so there'll be differences between what the companies are doing but they'll all have, I guess, similar initiatives.	**Opportunity to increase financial or organisation values** Yeah, so it's a kind of value and the values, if that makes sense. I think that in terms of competitiveness, I mean, it's of interest to, increasingly to analysts and therefore I guess it has the potential to sway capital flows into your organisation and impact on your share price over the long term. A lot of the links between sustainability activities and financial value are still being modeled and analysts will tell you that there's areas where they feel that these links are quite easier to demonstrate and human capital management is one area of that.

* The numbers in the parenthesis are the section headings of the Chapter.

Table 6.2 Response to Social Pressures: the Adoption of GRI Guidelines in CSR Reporting

Sector comparison (6.4)	**Mining**	**Banking**
Issues accountable for (6.4.1)	Focus on the environmental issues and health and safety concerns	Focus on profitability and the related social issues caused by financial literacy and responsible lending
The priority of main audience for CSED (6.4.2)	Local communities, Employees, and NGOs Even if we can get through all the government approvals, you know, we've got protestors and people in the local community opposed to our operations then it makes it really hard to operate so it's in our interests to work with them and to communicate to them as well.	Customers, institutional investors, investment analysts and employees Some institutional investors, particularly superannuation funds. And ESG analysts who prepare reports for some of those funds. ...we certainly are having more and more discussions with them about the types of information that they would want to see.
Information needs (6.4.2)	Take the adoption of the GRI Guidelines as a benchmark to test the relevance of a global CSR reporting standard	
The GRI Application Level	Low application level	High application level
Presentation format	Concise PDF version with comprehensive version on website	Concise PDF version with comprehensive version on website
Decision to limited disclosure (6.5): Limited adoption of the GRI Guidelines in CSR reporting between the case companies		
Decision rule (1): information cost (6.5.1)	Costs and risk of noncompliance Yep, absolutely. We've had to because we call it a social licence to operate. We can't operate as an industry without having, you know, broad community support for what we do.	Cost-benefit analysis [A bank] and [B Bank] for example, do way more promotion around their report than we do. And they actually use corporate register xxxx service, we don't [because of] a combination of budget and other things.
Decision rule (2): information relevancy(6.5.2)	[we] don't address every GRI obviously because it's not relevant to us. Or we don't collect verifiable information on it so it would be, so we don't report on it.	Innovative We report against the GRI but we also report against a number of indicators that we developed ourselves, that came as a result of a large stakeholder consultation process that were Australian specific indicators.
Empirical Evidence (6.6)	The Variation of CSR/Sustainability Reports of the Case Companies: Report profile (6.6.1) Disclosure Issues (6.6.2) Key Performance Indicators of the case companies (6.6.3)	
Chapter Summary (6.7)		

* The numbers in the parenthesis are the section headings of the Chapter.

6.2 General Needs for CSED: Legitimacy Management

6.2.1 Overview of the Results

The literature indicates that the general need for CSED is motivated by perceptions of social and political pressure. Social and political theories suggest voluntary CSED is responsiveness to social and environmental pressure. Previous studies show that poor social and environmental performers face more social and political pressure and threats to legitimacy. As a result, these organisations will attempt to increase their CSED to change stakeholders' perceptions about their performance. As suggested by the results of previous studies, the pressure may stem from three aspects: (1) a high level of scrutiny from groups or individuals; (2) an increasing regulation of the industry in which the firms operate; and (3) peer pressure in the industry. In relation to the social and political pressure perceived by the companies, respondents were initially asked about these three issues. Data analysis provides evidence that managers do perceive social and environmental pressures in the organisational field. Of the interviews from the six corporations in Australian mining companies and banks, the managers in charge of CSED stressed that they had to deal with social and political pressure that possessed the potential to damage organisational legitimacy and that may end by damaging economic interests. Data supporting and indicating pervasiveness are provided and discussed in the following sections.

6.2.2 Perceptions of Social Scrutiny

When the CSED managers were initially asked whether or not they perceived their operations were subject to social scrutiny, respondents stated:

> [W]e get a high level of scrutiny. ... [O]ur product is coal so... in relation to climate change, we have a lot of scrutiny from [the society]... But the mining industry in general and I think the mining industry always, well in the last 10 to 20 years had ...increasing scrutiny.... (Interview: M1).

> [T]he banking industry is likely to receive scrutiny from groups and individuals on a range of social responsibility issues from what we do with banking products and particularly financial inclusion, how we provide banking products and our conduct during that. (Interview: B1).

> [S]o what is our money being used for by the people we lend it to and that is coming under increasing scrutiny and you would have seen that example with ANZ and Gunns. They're the classic. ... [A]lthough you don't see lots of that sort of action here in Australia, if the issues [is] strong enough, you would see it happen again. (Interview: B1).

The scaled responses are consistent with the quotations above. In reference to Table 5.8, CSED managers in mining companies as well as banks perceived that their industries and firms were consistently facing a high level of social scrutiny. With regard to this issue, Table 5.8 shows that three of the eight respondents strongly agree with (5 in scale response) the statement and four of the eight respondents agree with (4 in scale response) this statement.

As noted by Porter and Kramer (2006), activist organisations have grown much more aggressive and exert effective pressure on corporations. Activists may target the most visible companies to draw attention to the issue. Many companies did not awake to this problem until being surprised by public responses to issues, for example, the Ok Tedi Mining Ltd. accident in Papua New Guinea and more recently the Gunns Ltd.'s pulp mill project in north Tasmania.

It was interesting to note the mention of Gunns Limited and the planned pulp mill in Tasmania in one of the quotations. Gunns Limited's (Gunns) intention to invest in a pulp mill in northern Tasmania is an example that illustrates that the social scrutiny leads to social pressure. Gunns were attempting to build a pulp mill, an approximately AU$ 1.7 billion project, in Bell Bay in northern Tasmania. Since Gunns embarked on the project, it has been a controversial issue in Tasmania and nationally. ANZ, as the primary bank of Gunns have been questioned about how the bank can balance its CSR and sustainability values with its banking relationship with Gunns.

6.2.3 Perception of an Increasingly Regulated Operational Environment

CSED managers also perceived the pressure of increasing regulations in the operational fields. When respondents were asked about this issue, their answers included,

> Well, I think you just have to look at what's happening around climate change. ...we are now reporting and are required to report under the Energy Efficiency Opportunities Act and the National Greenhouse and Energy Reporting Act because our greenhouse emissions trigger the thresholds. So, yes if there's really key sustainability issues in there, that's an environmental one. There are issues around lending practices and so banks were not seen to be delivering on them, the government might regulate to protect consumers. So, yes there could be examples. (Interview: B1).

> Yep, strongly agree, it's happening now. Especially in QLD. The government's reviewing social triggers to EIS and also social conditions so that's absolutely happening. (Interview: M2).

As shown in the scaled responses (Table 5.8), the respondents consistently perceived the same pressures from increasing regulations in their sectors. The result is consistent with those found by Brereton (2002), that over the last 10 years, the Australian and international mining industry had faced a variety of pressures to improve its sustainability performance (Brereton, 2002, p.261). In response to community concerns about the negative sustainability impacts of the mining industry, government agencies had been more actively involved in the regulation of planning, operation and closure of mines. For example, under s 299(1)(f), of the *Company Law Review Act 1998*, companies are required to report annually on their performance in relation to environmental regulation.

The perception of social and environmental pressures leads to more sophisticated self-regulated operating standards. Facing tighter government regulation, companies and industry groups can develop or adopt forms of self-regulation in an attempt to signal to the government that the desired behaviour is occurring even without additional regulation (Lyon and Maxwell, 2008, Maxwell et al., 2000). For example, in response to a tighter regulation environment, the Australian mining industry has developed industry self-regulation programs such as *Australian Minerals Industry Code for Environmental Management*, to deter political movements that sought to intensify regulatory oversight, The statements made in the Annual Report of the Mineral Council of Australia (Mineral Council of Australia (MCA), 1998, p.12) indicated,

> The environmental performance of the Australian minerals industry is an essential requirement for the industry's continued viability and success. It is only on the basis of high quality environmental performance and through striving for continual improvement in environmental management that the industry can credibly influence government environmental policies and seek the community's acceptance of the industry's licence to operate.

With the growth of social movements towards sustainability, MCA has emphasised the needs for members to commit to sustainable development. In its Annual Report (Mineral

Council of Australia (MCA), 2003, p.7), the Mineral Council of Australia, reflected these concerns.

> The future of the Australian minerals industry is inseparable from the global pursuit of sustainable development. Companies that embrace sustainable development effectively create value by reducing their risk profile, improving productivity and sustaining access to land and ore resources, capital, markets and skilled people. In conjunction with increasing community understanding and acceptance of our operations, this constitutes a continuing social licence to operate.

In late 2004, the Minerals Council of Australia further decided to replace the Code for Environmental Management with a more comprehensive code called *Enduring Value. Enduring Value* (Mineral Council of Australia (MCA), 2004) is a sustainability code based on the International Council on Mining and Metals (ICMM) *Framework for Sustainable Development* (International Council on Mining and Metals (ICMM), 2003). *Enduring Value* adopts the ICMM Framework principles and elements and provides implementation guidance in an Australian context.

The respondents noted that voluntary adoption of standards (initiatives) is part of the strategy to deal with the more regulated environment. Consequently they are able to continue their social licence to operate. The responses included,

> I think there's a mixture of pressure for increased regulation and/or pressure to adopt voluntary standards, or voluntary things. So you can go one way or the other and I guess the way that we perform and the more willing we are to adopt voluntary programs, the less likely we are to be more regulated, if you know what I mean. In some cases, you know, regulation is becoming, has become tighter for us so, yep. (Interview: M1).

> [W]e as part of the mining industry, have a, often a poor public perception of our environment and social performance. So the mining industry has always been at the forefront of producing sustainability reports on its environmental performance, social performance and community performance. So that's, ah, and that's been to maintain our social licence to operate and/or gain approval to develop new projects. (Interview: M 3).

The respondents in individual mining companies confirmed their compliance with the Codes developed by MCA.

> ...[T]he Minerals Council of Australia has established some guidelines about corporate social responsibility and community consultation and a large percentage of mining companies are a member of the Minerals Council of Australia and when you become a member you agree to comply with some of those standards, most of those standards, so the Minerals Council of Australia has established some good standards and guidelines on mining company behaviour. (Interview: M4).

> [W]e belong to the Minerals Council of Australia, and we have signed up to the, it's called Enduring Value, it's a set of principles, sustainability principles, and one of those requirements of doing that is that we publicly report our sustainability performance annually. So that is one of the drivers for us reporting. (Interview: M3).

It appears that threats of further regulation are thus likely to prompt firms to reconsider their CSED practices. Deegan and Blomquist (2006) argued that organisations having sustainability initiatives in operation can be viewed as a symbolic commitment to improving the sustainability performance of the industry which developed them or organisations which committed to adopt them. By complying with these codes, individual companies attempt to associate themselves with the 'symbols' of legitimacy (Deegan and Blomquist, 2006). Thus, companies can maintain their 'social licence to operate'. The respondent stated,

> I think it [producing sustainability reports] has a benefit of establishing our credibility in a broader world which is both with NGO communities and other stakeholders so that they can get a judge on who we are and what we do and how we go about addressing sustainability issues. ...As our company grows, we'll go into new areas which they may not be aware of [our company] per se.... [O]ne of the introductions in establishing our credibility is through a sustainability report. It may facilitate our access into new areas around the world. So that's an advantage for us, that's why it's valuable for us. (Interview: M3).

The Australian banking sector also perceived similar pressure. The respondent took the actions of the bank as an example to illustrate their responsiveness.

> I guess if you look at standards more generally, that we were a founding signatory to the Equator Principles and the first bank in Australia. And we were one of the first banks to sign on to the Global Compact and endorsing those standards in their infancy. And similarly we've been the first bank in the world to sign to the CEO water mandate. (Interview: B2).

The Australian Financial Services Reform Act 2001 (Sch 1, s 1013D(1)(1)) requires investment funds to inform perspective investors of the extent to which labour standards or environmental, social or ethical considerations are taken into account in the selection, retention or realisation of an investment.

6.2.4 Perceptions of Peer Pressure

Furthermore, within a more sophisticated self-regulated environment, respondents also indicated that peer pressure had become another driver for CSED. Taking the adoption of the Equator Principles in the bank sector as an example, the respondent explained,

> I think probably the best example there for the banking industry would be the Equator Principles. And that is again about who[m] we lend to and making sure particularly when banks are lending offshore in developing countries where there's no governance and there's low levels of regulation and legislation to protect the environment and human rights and things. So an equator principle bank is not likely to do business in a syndicated deal with another bank that doesn't uphold the same standards.... (Interview: B1).

The peer pressure was felt in the mining industry. The elaborated responses stated,

> I think there's more peer pressure so if a company produces a report that, ah, a company that doesn't will stand out a bit more and there will be continuing pressure to, for them to produce reports, so if that they don't feel like they're following the pack and not xxx xxx

xxxx as a separate entity. So that's why there's a bit of peer pressure to do that. (Interview: M3).

It is clear that the above responses from interviewees emphasise that CSED managers perceived that their industries or corporations were under the pressure of social scrutiny and this could lead to facing an increasingly regulated environment. These issues are critical to companies' 'survival'. Responding to these issues appropriately is a matter of obtaining a 'social licence to operate' for companies. In response to these pressures, industries or firms can develop their own sustainability initiatives or comply with some external ones to show their commitment to sustainability. GRI is one of these external sustainability initiatives providing Guidelines for CSR reporting. The respondent replied,

> ...So we've been heavily involved in shaping some of those frameworks and indeed we've been involved with working groups with the GRI in the development of the financial services sector supplement. (Interview: B2).

6.2.5 Perceptions of Being a Possible Political Target

What if companies do not respond to the above social pressures appropriately? Most respondents perceived that their industry or company might become a target of political action. The respondents in mining companies elaborated on this question as follows:

> ...definitely for, in terms of making the media attention, and protesting, and things, yes, they could see us as a target .... (Interview: M1 Company)

> Yes, absolutely. NSW have had some experience in the Hunter Valley area and it's very strong. (Interview: M2 Company).

In the same vein, the respondents in Australian banks perceived similar pressures.

> As a bank, yes, look at ANZ and Gunns. Big target. And if you actually look at overseas examples, particularly around project finance, yes, I think, the name of the bank I can't remember, I think it was xxxxxxxxxxxxxx but they pulled out of a deal because of what happened. So yes, there's examples in banking. (Interview: B1)

> I mean Gunns first, or the financial services sector was first involved in Gunns many years ago and when the Wilderness Society put together stakeholders' resolutions against a number of other organisations who had investment holdings in Gunns, current issue aside, so I think yes, it certainly has prompted the sector to improve its environmental and social screening. (Interview: B2)

Consistent with the elaborated responses, the scaled responses (Table 5-8) also provide evidence that respondents in both sectors perceive legitimacy threats in the organisational field. An organisational field consists of,

> those organizations that, in the aggregate, constitute a recognized area of institutional life: key suppliers, resource and product customers, regulatory agencies, and other organizations that produce similar services or products'(DiMaggio and Powell, 1983, p.148).

Without responding to these threats appropriately, the industry or firm may become a political target and this threatens their 'licence to operate' in society. Finally these pressures can threaten the survival of the business.

6.3 Sector-specific Needs for CSED

6.3.1 Competition over Sustainability

CSED managers in the banking sector also perceived that their pressures come from market competition in relation to sustainability. 'Competition' here refers to the fact that CSED is used to improve a company's competitive advantage, and then to benefit the company's long-term profitability. With the trend towards sustainability, Australian banks are not only concerned with their organisational legitimacy but are also thinking about how to take advantage of sustainability as a competitive edge in the market growth. Press reports about how 'banks seek greener pastures to win eco advantage' (Sydney Morning Herald 20/09/2007, p.31) can be seen occasionally. For example,

> Westpac is seeking to put some distance between itself and its rivals on sustainability with the next tranche of its marketing campaign and a move into responsible lending (Sydney Morning Herald, 20/09/2007, p.31).

> ANZ is eyeing sustainability investment as the next big growth market and has set up an investment vehicle aimed at funds from the non-profit and government sector (The Age, 02/11/2006, p.2).

When the respondents were asked whether or not competing companies actively promote their verified CSR reports, interviewees in banks confirmed this statement and discussed how their rivals use CSR reporting (in particular, verified sustainability reports) as a tool to promote their performance in relation to sustainability.

> Um, competing companies are releasing reports, yes. Banking sector is one of the key sectors. It's very big on reporting.... ANZ and Westpac for example, do way more promotion around their report than we do. And they actually use corporate register xxxx service, we don't [because of] a combination of budget and other things. (Interview: B1)

> Well, for instance if you look at last year when ANZ were named as the sector leader in the data and sustainability index, which was the first time that we weren't for about five years, they ran press advertisements, advertising the fact. So I think they quite aggressively tried to catch up. (Interview: B2)

The above quotations provide evidence that the banking sector sees being perceived as promoting sustainability can lead to competitive market advantage. The literature has indicated that CSR may be motivated mainly by profitability concerns.

6.3.2 Competitive Advantages in Product and Capital Markets through CSED

One respondent in the banking sector stated,

> I guess for us it [sustainability] the way we do business so it's almost a cultural thing or certainly that's the ambition. And it is an opportunity to position and differentiate but first and foremost it's from the value, organisational values rather than financial value, but we do believe there's financial value in adopting a sustainability approach (banks).

This is consistent with previous CSR studies in marketing. Prior marketing studies suggested that CSR action is a strategic tool to build and maintain customer loyalty and market share, and the primary goal of CSED is to show congruence with customers' values. Robin and Reidenbach (1987) conducted a survey of this literature and Brown and Dacin (1997) conducted an empirical examination. The results show that customer beliefs about products are influenced by the information that they possess about company competitive advantage or CSR. Both of these are critical in creating a good corporate reputation. Handelman and Arnold (1999) also provide evidence for profit creation through marketing CSR. They assert consumers appear to possess a demand for intangible factors indicating congruence with local social norms and values. As a result, firms promoting these elements may gain a strategic advantage, although the CSR policies are not necessarily related to a company's profitability and wealth creation. Handelman and Arnold (1999) and Brown and Dacin (1997) consistently agree that negative institutional associations exert a significantly negative effect on customer perceptions and behaviours.

Motivated by the perception of market opportunity, banks thus feel the need to compete over sustainability indices, which are also used to judge the management performance of a corporation. Consequently, some Australian banks compete in the ranking of sustainability indices, such as the Dow Jones Sustainability and FTSE4 Series, and usually need to score high marks. One respondent reported that,

> Competitively, our peers are doing it. We do believe stakeholders would ask questions, we would not get included in the same sort of indexes for investors that are increasing looking at this, if we didn't do that on honest and open disclosure plus we actually believe that it's becoming increasingly used as a lead indicator of good management performance so we want to be judged that way. (Interview: B1).

This also motivates Australian banks towards more comprehensive CSR reporting. Voluntary disclosure theory (Dye, 1985, Verrecchia, 1983) indicates superior social and environmental performers will convey their 'type' (of difference) (Clarkson et al., 2008, p.304) by pointing to objective performance indicators which are difficult to mimic by other peer organisations such as competitors. In contrast, inferior performers will choose a less or 'silent' type on their CSED. By doing this, these inferior performers are expected to be placed in a pool of firms where the investors or other users 'ascribe the average type to that pool' (Clarkson et al., 2008, p.304).

Consistent with existing CSED literature, CSR reporting is valuable to investors and other stakeholders. Richardson and Welker (2001) test the relation between financial and social disclosure and the cost of equity capital for a sample of Canadian firms with year-ends in 1990, 1991 and 1992. They found that social disclosure may benefit the firm through its effect on organisational stakeholders other than equity investors. Clarkson, Li and Richardson (2004) also confirm that investors use environmental performance information to assess potential environmental liabilities. From this perspective, CSED is used as a tool to advertise banks' concerns and performance on sustainability issues. One respondent did not hide the expectation that CSR activities could lead to long-term profitability.

> ...I think that in terms of competitiveness, I mean, it's of interest to, increasingly to analysts and therefore I guess it has the potential to sway capital flows into your organisation and impact on your share price over the long term. ...(Interview: B2).

However, it seems that competition over sustainability through sustainability reporting is not happening in the mining industry. When the interviewees were asked whether or not their competing companies promote their verified CSR reporting, most respondents did not agree with this statement. They agreed that some mining companies were releasing verified CSR reports but they did not perceive the mining companies would take sustainability or verified CSR reporting seriously as a competitive advantage.

Rather, the respondents in mining companies argued that their competitive edges are in the cost of production and the purity (quality) of the product (gold and copper mining companies). Mining products (such as gold and copper) are not consumer products sold in the consumer market; instead, they are sold in the commodity market. Unlike forest products (such as timber), for which there exists a sustainability certification scheme in the market, most mining products (except diamonds) do not have such a certification scheme. Mining products thus cannot be sold for a higher price just because their production meets the requirement of sustainability. Profits from mining products are thus decided by the timing of the sale, lower production cost and the quality (purity) of their product. As indicated by respondents in the gold mining companies, There's no competition other than to be a low cost producer. The price is already determined for us, goes up and down. [W]e compete for labour, skilled people (Interview: M4).

The product that we produce is not a consumer product. We produce gold and um, copper concentrate and they're sold onto a, through a market that doesn't really differentiate between different suppliers at this point. ...So the nature of our product and the commodity market and nature of product in terms of its purity or quality. (Interview: M3).

The London Metal Exchange [decide the price]. So we sell it to the Mint in Perth, Western Australia and to some extent, we can decide when we sell it but the price goes up and down on the world market and we sell on any given day when we produce gold bars and ship it to the Perth Mint. ...So that's, we have no negotiations on the price, we can only decide when we sell it. (Interview: M4).

The nature of the mining business is exploring and extracting non-renewable resources from the earth. The operations usually create diverse environmental impacts on the local community. The mining companies are thus classified as 'weak sustainability' (see details in Section 2.3.4). Since their hands are comparatively tied, no matter how hard they tried, it is difficult for them to be reclassified into the category of 'strong sustainability'. Being in the 'weak' category, sees Australian mining companies among the most prolific sustainability/CSR disclosers, even though it seems there is little market advantage in disclosing.

The above data show that the Australian banks are facing competition over sustainability in addition to social pressure. The Australian banks feel that the competition in relation to sustainability yields the opportunity in their market growth. Consequently, banks are likely to signal their concerns and performance on sustainability through CSR reporting. However, competition over sustainability is not viewed as a competitive opportunity in the mining industry.

While sections 6.2 and 6.3 examine the needs that motivate companies between mining and banking sectors to engage in CSED in the Australian context, the following sections focus on the various responses in CSED based on these motives. A between and within sectors comparison are conducted. The current study takes the adoption of GRI Guidelines in CSED as an example to explore the different practices (such as issues disclosed, key performance indicator selected and report profile chosen) in voluntary CSED.

6.4 A Inter-Sector Comparison

A comparative study was conducted to identify the variations in the disclosure content and presentation format between the mining and banking sectors in the Australian context.

6.4.1 Sector-Specific Need for Disclosure Issues and key Performance Indicators (KIPs)

In response to the industry-specific needs, CSR reporting varies in reporting issues and presentation format. Both Australian mining companies and banks need to cope with the legitimacy threats because they possess the potential to threaten companies' organisational legitimacy and may impair companies' economic interests. However, different sectors have focused on different issues. For example, Australian mining companies pay much more attention to their impacts on environment. A respondent in mining industry stated,

> Yes, more leaning towards the environment than the human rights side. I suppose that's because I've looked at lots of other sustainability reports and it [sic] is a lot more in terms

of human rights in other countries than what we have to deal with here. … Mainly environmental questions for us. That's where our scrutiny comes from. (Interview: M4).

The above quotation indicates that environmental issues, such as climate change and greenhouse emissions, are major concerns in mining companies. Those are also the area where social scrutiny comes from. In contrast, banks have focused more on the impacts of their lending policy on the society.

> So, yeah, we're not an obvious polluter but people have concerns around people's financial literacy and their ability to manage their funds and perceptions that banks were perhaps keeping information from people so that they could, you know, because it was in their interest to, for people to pay penalty fees and all of those sorts of issues. So I think that whilst banks have done a lot of work in environmental space, it's actually probably more from the social space that the interest in sustainability first emerged in the sector. (Interview: B2).

The above quotation demonstrates that the concerns of the Australian bank sector are more about social issues, such as responsible lending and financial literacy.

6.4.2 Identify the Target Audience and Their Information Needs

Directly tied to the questions about the social pressure being exerted in banking and mining sectors, interviewees were then asked to identify their main audiences and their information needs (Section 3.5.4) for sustainability/CSR reports. Most CSED managers in the case-companies highlighted that the company would like to develop long term, mutually beneficial relationships with all stakeholders. The following section identifies the key audience perceived by the case companies for CSED; first is the mining sector, then the banking sector.

6.4.2.1 Mining Sector-Target Audience

When asked to identify the priority of the target groups, most respondents in the mining sector indicated that their major audience is the local community. As one of the respondents put it, '*I would also say local community*' (Interview: M2), which is fairly typical of the following comments by other respondents:

> So I said the main audience for our report is our local communities. Each of our operations is part of a local community, including both indigenous and non indigenous population..... This includes our neighbours, those people who live close to our operations. We need to develop good relationships with them and part of that is providing them with information about what we do. (Interview: M1).

> [U]m, another specific example is our Cxxxxxx Valley operation which has, ah, that's in an area which is experiencing a severe drought and we use water in our operation and that has put us into conflict with some our neighbouring community members. So we, in our sustainability report, we report our water usage and our water usage efficiency and we do reference those issues in our report to discuss how we are approaching. (Interview: M3).

Local communities can impose coercive pressure on companies through their vote in local and national elections, or express their concerns via NGOs. Since the operations of many mining companies are located in rural and remote areas, mining companies have a broad spectrum of local and indigenous (particularly in the Australian context) community interests of which they need to be mindful. Identifying the influence of a local community is thus a complex and challenging task.

Company M3, with mining sites operating in Australia and overseas, appropriately responded to above the notion. Since the influence of NGOs has grown rapidly, the mining industry has been struggling to retain or gain public support. CSR

Communication with community usually refers to how companies perceive themselves to be part of the community.

> [W]e have NGO groups who will look to assess our sustainability performance. We operate in a number of different environments and we have Australian operations and we have Indonesian operations. So, there's always those, there's the International NGO forums and then there are the local NGOs who will, at times, look to read our sustainability report and, and judge our performance, or assess our performance against the statements we make in our corporate social responsibility. (Interview: M3 Company)

According to BHP Billiton Ltd. (2009, p.36), NGOs with which the Australian mining companies typically engage, include environmental, social and human rights organisations. They can be from international as well as domestic levels. NGOs are interested in social and environmental performances of the existing operations, proposed operations or closed operations. Also, there is increasing interest in the companies' policy positions on the issues such as global warming and climate change. Deegan and Blomquist (2006)) showed that NGOs could work with the industry association to influence company's CSED although some NGOs took the conflict strategy. In the Irish context, O'Dwyer (2005) noted that NGOs were not satisfied with the quality of CSED.

As noted in an earlier section, the Australian mining companies compete for skilled labour. Employees, unions and potential employees are also perceived as main audiences for their CSR /sustainability reports. CSED were thought to be a good communication tool with unions, which are interested in upholding workers' rights and interests. Employee health and work safety are thus the concerns that have been raised.

> This was part of our workshop and who do we think our audience is and through our team here we actually thought that our employees..... Yeah, are one of the stakeholders, um, potential employees also. So not just the current ones but potential, so we had some

> feedback to say that graduates, perhaps actually that might be a little bit onto that question 5, that some graduates actually before they applied to a company for a job, would have a look between reports. (Interview: M2).

> It's [the sustainability report] a good communication tool with our employees. So our employees use it. (Interview: M1).

Government agencies are also audiences for CSR/ sustainability reporting, but they are not perceived to be as important as local community and employees. One respondent in the mining company stated.

> I think the business community or perhaps maybe governments might look at, or wonder why they haven't produced a report, so I think perhaps to those shareholders and some government people might be more suspicious more than individual..... (Interview: M2).

6.4.2.2 Banking Sector-Target Audience

Banks assert that institutional investors and investment analysts are their main target audience for CSR reporting. When asked whether the shareholder is a major audience or not, respondents from the banking sector stated,

> It depends on, and I guess this is maybe if you're looking to work on the, our shareholder base is quite large, so we would say generally speaking shareholders probably aren't the primary audience but there are selected shareholders and analysts who are very interested. So we do, we would certainly produce it [CSR reports] with those in mind. (Interview: B2).

> Some institutional investors, particularly superannuation funds and ESG analysts who prepare reports for some of those funds. So the likes of xxx xxxx Hendersons or xxxxx and like City Group have quite a big xxxx section and we certainly are having more and more discussions with them about the types of information that they would want to see. I think if you put shareholders as one category and analysts as another you might find the scores differ. (Interview: B2).

> For the analysts and we're trying to, which is why we did the split report and we still have the fact pack, that the big document, um is to target the investment analysts as they start to use it in more the main stream analysis of company performance. We want to see that

> encouraged because sustainability performance should be a lead indicator of a good investment. (Interview: B1).

Based on these quotations, the conclusion for whether or not the shareholder is perceived as a primary audience for CSED is as follows. First, the shareholders should be categorized into individual investors or institutional investors. Second, individual investors are not considered as the primary audience for CSED in the banking sector. Third, institutional investors or analysts in financial institutions are viewed as the primary audience for CSED. Finally, different versions of CSED are designed to meet the various information needs among these audiences. In terms of information loading, a concise version (such as CSR Review or Sustainability Highlight) is provided to individual shareholders; a more comprehensive version is available to institutional investors, investment analysts and NGOs by request. The strategy employed also explains why there are different types of presentations in CSED through various media.

It is worth noting that the customer group is one of the major audiences in the banking sector. Banks' financial products are sold in the public market, and have a close and more direct relationship with their customers. As a result, CSED managers in banks consistently perceived that (3.5 and 3 in the scale responses) the customer group is one of their main audiences for CSR reports. One respondent stated, 'I would say again, they're probably about 3 ½ [in the scale response], ... [W]e're looking to engage with them more.'(B2).

As noted in the earlier section, Australian banks take CSR reporting as an opportunity to advertise their brand to customers. This is consistent with the study by Haddock-Fraser and Fraser (2008). Haddock-Fraser and Fraser (2008) examined whether or not the closeness to the market affects the extent and form of CSR reporting. They empirically tested companies in the FTSE 250. The results show that brand-name companies which have a direct and close relationship to the customer market are likely to release more comprehensive CSED.

However, the respondents were concerned about the problem of information overload. The respondent said, 'I think the level of detail in the sustainability report is probably beyond the interest levels of most customers.'(Interview: B2). As a result, a concise version, namely, CSR review or highlights, was provided.

> But we are looking at ways that we can produce a more concise version that is more in tune with the kind of level of information needed by our customers. And certainly you would have seen from our brand advertising we have been talking to customers about sustainability. But this is specific to our report. (Interview: B2).

Considering that customers may have a hard time in understanding technical terms presented in a 'full' report, which is provided for technical persons such as investment analysts, banks also prepare a 'concise version' for their customers. Some respondents argued that a concise version of CSR report would meet the expectation of local communities, employees and customers while a more comprehensive version would be ready to meet the requirement of institutional investors, analysts and NGOs. This disclosure strategy may explain the fact that some companies post a review (concise) version of CSED in the form of PDF as well as a more comprehensive electronic version on their website.

In summary, the respondents from the case-companies recognised that the interests and concerns of a broad spectrum of stakeholders are interrelated with their survival and success. The development of the stakeholder theory approach (see Section 3.5) provides a structure to identify the priorities of stakeholders. As shown in the earlier quotations, the main audiences for the mining sector include local communities, employees, government bodies and NGOs. The Australian banks perceive that customers, institutional investors and analysts are their main audience. Institutional investors, analyst and non-governmental organisations are most likely to read broadly through the report in order to satisfy their respective constituencies. Other stakeholder groups (such as shareholders, local communities, employees, customers, and government bodies) are more likely to access the report selectively. In the light of the main audience and their information needs, CSR reporting is varied in presentation format and disclosure issues. This makes access easy for all stakeholders. The result of the above data analysis is consistent with Proposition 3 based on stakeholder theory (Section 3.5), which proposes that the presentation format and content of CSED reflect the concerns of target audience and their information needs.

6.5 Decision to Limit Disclosure: A Within-sector Comparison

While the previous section examines the CSED variation between sectors, it did not examine a more fundamental problem: why do companies within the same organisational field pursue different CSED strategies, despite experiencing isomorphic institutional pressure. Furthermore, at the operational level, why do the case companies within the same sector respond differently in their CSED when facing the similar social and environmental pressure?

The following section takes the implementation of the GRI Guideline in CSR reporting as an example in order to explore the way of decision-making in voluntary CSED among the case-companies' within the same sector. Addressing the application level of the adoption of the GRI Guidelines, the discussion focuses on the limited disclosure in issues and key performance indicators suggested by the GRI Guidelines. CSED managers of the selected companies were thus asked how the company implements the GRI Guidelines in its CSR reporting.

When the respondents were asked why companies adopt the GRI in CSR reporting, the typical answer was that the GRI Guideline are a standardized form of CSR reporting that can avoid data redundancy in the process of data collection and reporting,

> [T]he GRI seemed to be the vehicle or the best organisation in terms of, what we didn't want was like 5 or 10 different sets of organisations doing their own reporting guidelines and we have to try and report against all 10 sets of guidelines. What we were trying to say was let's put our eggs in one basket, let's sort of work with the GRI, try and get their indicators and their guidelines xxxx and then get everyone else to adopt those because we didn't want 10 sets of guidelines or indicators. So [our parent company] put some effort in to working with the GRI because we can see that there's a need, a push towards more standardised reporting. (Interview: M1).

The responses provided the evidence that company's limited adoption of the GRI is motivated by the 'self interest–efficiency'.

6.5.1 Decision Rule (1): Information Cost

However, when asked why the application levels are low or why some issues and indicators, suggested by the GRI, were not included in company's sustainability reports, the managers justified their decisions as follows.

> We're strong believers that we shouldn't be reporting anything that we don't need to know ourselves in order to manage our business. ...[I]f the GRI says you must report, let's try and think of something. Say it's energy use and the GRI says you must report energy use, we wouldn't do that unless it was also valuable for us to know internally. (Interview: M1).

> GRI was just requiring but we didn't actually see much use in it internally, we'd probably seriously question whether we would report it or not. Because it's quite a bit of time and effort to collect some of these numbers and report them and if we're not really getting sort of internal benefit from them as well as external then we'd have to think about, you know, who was actually needing to know this information and whether we would do it or not. (Interview: M1).

> ...[I]t's got to be a benefit to us internally as well. So if we need to manage the issue or we need to know about it, like energy, we would definitely do it. If we don't need to know internally or manage it then we need to say, well is it actually worth the time and money to be collecting and reporting this stuff. (Interview: M1).

Revealed by the above quotations, the respondent of M1 Company argued that the company would not follow every issue or performance indicator in the GRI Guidelines. The company only selects issues which need to be known or are perceived to be useful to report because data collection for this information is time-consuming and costly.

It is worth noting that being a 100% owned subsidiary company of a mining group, Company M1 lacks the incentive to use their CSED as a tool to obtain a lower equity cost from the capital market. But its parent company, as a publicly listed company, needs to publicize a standardized report in the attempt to lower their equity cost. The respondent stated,

> So the people that are looking for standardised reporting are basically the business analysts and investment community who want to compare us to BHP to Anglo American and so forth. We don't get that level of comparison sort of between [our company] and you know, different parts of each of those companies, so [our parent company] does it, they do the GRI guidelines and the individual business units basically it's up to them to decide whether it's useful or not. (Interview: M1).

As noted earlier, Company M1 perceived that 'business analysts' and the 'investment community' were not the main audience for their CSR reporting. The adoption of the GRI Guideline in CSR reporting can be helpful but not actually critical. Furthermore, the parent company's CSR reporting policy influences 'the individual unit' to decide whether or not the adoption of GRI Guidelines is useful.

Company M1 does not think the adoption of GRI Guidelines is useful to them. They use the GRI Guidelines as a checklist in preparing its CSR reports. The respondent stated,

> We don't because we don't think it's much useful in that we don't sort of report, do a GRI checklist, that's not to say we don't look at them. I mean we do look at them and we say right the GRI says you need to report in all of these areas, so you know, human rights, human resources, you know, all the topics that they cover and we do try and make sure that we cover each of the topics, but we don't do the specific indicators. So, it's really just what's useful to our business and we haven't found that the GRI indicators are going to be that useful to our business so we haven't adopted them. But [our parent company] has. (Interview: M1).

It is clear that the CSED manager in Company M1 assumed that their main audience– local communities- would not require such technical and detail information in CSR reporting. The responses from Company M4 also revealed similar thinking. The respondents stated,

> [I] think we try and consider our stakeholders needs, first and foremost and then we try and fit the GRI into that as a secondary requirement. (Interview: M4-1).

> We also went through the GRI and decided which elements we thought were appropriate to report on. So that's right, we took what we think our stakeholders need plus what is the GRI suggest and I guess, came up with what we came up with. (Interview: M4-2)

We certainly try to focus on the things we think the community wants to know. Some of those other GRI indicators aren't relevant, we haven't included them. (Interview: M4-1)

6.5.2 Decision Rule (2): Information Relevancy

M3 Company also claims that they are an adopter of GRI Guidelines. As shown in Table 6.3, M3 provides two types of CSR reports, a review version in the PDF format and a comprehensive version in the electronic HTML format. M3 Company has three sites operating in three countries. The respondent argued that the adoption of GRI would have the benefit of establishing a company's credibility in the wider world. The adoption of GRI Guidelines benefits their communication with international as well as local NGOs and other stakeholders. The respondent stated,

> I think it has a benefit of establishing our credibility in a broader world which is both with NGO communities and other stakeholders so that they can get a judge on who we are and what we do and how we go about addressing sustainability issues. (Interview: M3).

Talking about the absent items suggested by GRI in CSR reports, the respondent justified this with information relevancy. The respondent stated,

> ...we don't address every GRI obviously because it's not relevant to us. Or we don't collect verifiable information on it so it would be, so we don't report on it. (Interview: M 3).

The comprehensive version on M3's web-site also highlights their selective criteria in complying with the GRI Guidelines used in their CSR reporting.

> The nature of the mining industry, and in our case the gold and copper mining industry, means that some elements of the GRI Guidelines are more significant than others. In defining the scope of our report, we have deviated from the GRI Reporting Framework by applying more or less emphasis to key sections of the Framework as follows. [The] sections where more emphasis are applied: indigenous rights and community. ... [The] sections

where less emphasis are applied: economic performance indicators and product responsibility performance indicators.

From a micro (individual company) perspective, corporate environmental reporting has been viewed as an economic decision with which the management assesses the various costs and benefits to be derived from additional disclosure. These costs and benefits are determined by explicit and implicit contractual relationships between the firm's various stakeholders or target audiences for CSED. Revealed by the above description and analysis, the limited adoption of the GRI Guidelines in CSED stems from a self-interest cost/benefit consideration, within which information cost and information relevancy is measured. This is consistent with Proposition 1 which argues that managers do not voluntarily release CSED which can cause proprietary cost.

In order to examine the nature and the extent of CSED discussed above, an empirical test on the basis of CSR/ Sustainability of the case companies was conducted. In the light of the application level, the issues concerned and the key performance indicators adopted, the data analysis is performed.

6.6 The Variation in the Adoption of the GRI Guidelines of the Case Companies

Different perceptions lead to various CSED. This section provides findings from the content analysis of CSR/Sustainability reports from the companies interviewed plus the reports from a leading company in each industry group not interviewed; BHP Billiton Ltd-Mining and ANZ Ltd-Banking. The evidence is shown in three levels: the report profile chosen, the issues concerned and the KPIs selected. Finally, the adoption of KPIs was used to show the limited disclosure of the case companies.

6.6.1 The Report Profiles

The report profiles of the selected companies are summarised in Tables 6.3 (1)-(4) and 6.4 (1)-(3) as follows. As shown in Tables 6.3 (1)-(4) and 6.4 (1)-(3), the selected companies in the banking sector are more active in adopting GRI Guidelines in their CSR reporting than those in mining sectors. The application levels declared by the banks are higher than those in the mining companies (except BHP Billiton). As indicated in the previous discussion, different pressures are exerted in different industries, and this lead to different outcomes in CSED. The report profile chosen provide the evidence.

Table 6.3 (1) Report Profiles of BHP Billiton (Mining Sector)

Company	BHP Billiton			Total:1739 pages
Year	2007	2006	2005	2004
Published	09/2007	09/2006	05/2005	09/2004
Production cycle	Annual	Annual	Annual	Annual
No. of pages	313	521	380	165
GRI	G3-A+	G3 Draft	2002IA	2002IA
Auditor	√	√	√	√
Consultant	Not known	Not known	Not known	Not known
Designer	Not known	Not known	Not known	Not known
Printer	Not known	Not known	Not known	Not known

Sources: http://www.corporateregister.com

Table 6.3 (2) Report Profiles of M1 Company (Mining Sector)

Company	M1 Company			Total: 136 pages.
Year	2007	2006	2005	2004
Published	04/2008	04/2007	04/2006	04/2005
Production cycle	Annual	Annual	Annual	Annual
No. of pages	4[1]	63	39	30
GRI	No	No	No	No
Auditor	No	No	No	No
Consultant	Not known	Not known	Not known	Not known
Designer	Not known	Not known	Not known	Not known
Printer	Not known	Not known	Not known	Not known

1. A highlight or review version is provided in PDF format for their concise version; a comprehensive electronic version is available to HTML format on its website.

Table 6.3 (3) Report Profiles of M2 Company (Mining Sector)

Company	M2 Company			Total: 139 pages
Year	2007	2006	2005	2004
Published	07/2008	07/2007	05/2006	05/2004
Production cycle	Annual	Annual	Annual	Annual
No. of pages	30	50	45	14
GRI	2002CI[1]	2002CI	2002CI	2002IA[2]
Auditor	√	√	√	√
Consultant	Not known	Not known	Not known	Not known
Designer	√	Not known	Not known	Not known
Printer	Not known	Not known	Not known	Not known

1. 2002 CI means 'content index'; report must includes a GRI content index, mapping responses to some or all of the 2002 Guideline indicators.
2. 2002 IA means 'in accordance'; report includes: a statement from CEO, a content index, response (or explanation of omission) for each core indicator.

Table 6.3 (4) Report Profiles of M3 Company (Mining Sector)

Company	M3 Company			Total: 42 pages.
Year	2007	2006	2005	2004
Published	07/2008	4/2007	02/2006	12/2004
Production cycle	Annual	Annual	Annual	Annual
No. of pages	13*	11*	11*	7*
GRI	No	No	No	No
Auditor	No	No	No	No
Consultant	Not known	Not known	Not known	Not known
Designer	Not known	Not known	Not known	Not known
Printer	Not known	Not known	Not known	Not known

*A highlight or review version is provided in PDF format for their concise version; a comprehensive electronic version is available to HTML format on its website.

Table 6.3 (5) Report Profiles of M4 Company (Mining Sector)

Company	M4 Company			Total: 77pages
Year	2007	2006	2005	2004
Published	11/2007	3/2007	9/2005	10/2004
Production cycle	Annual	Annual	Annual	Annual
No. of pages	23	14	22	18
GRI	No	No	No	No
Auditor	√	√	√	√
Consultant	Not known	Not known	Not known	√
Designer	Not known	Not known	Not known	Not known
Printer	Not known	Not known	Not known	Not known

Table 6.4 (1) Report Profiles of ANZ Bank

Company	ANZ			
Year	2008	2007	2006	2005
Published	12/2008	12/2007	1/2007	12/2005
Production cycle	Annual	Annual	Annual	Annual
No. of pages	34[2]	102	62	50
GRI	G3 Draft (Web index)	G3-A+ (Third party check)	G3-A+ (GRI check)	2002 CI[1]
Auditor	√	√	√	√
Consultant	√	√	√	√
Designer	√	√	√	√
Printer	√	√	√	√

1. 2002 CI means 'content index'; report must includes a GRI content index, mapping responses to some or all of the 2002 Guideline indicators.
2. A highlight or review version is provided in PDF format for their concise version; a comprehensive electronic version is available to HTML format on its website.

Table 6.4 (2) Report Profiles of B2 Bank

Company	B2 Bank			
Year	2008	2007	2006	2005
Published	12/2008	12/2007	12/2006	12/2005
Production cycle	Annual	Annual	Annual	Annual
No. of pages	53	81	97	78
GRI	G3-A+ (Third party check)	G3-A+ (Third party check)	G3-A+ (Self-declared)	2002 IA[1]
Auditor	√	√	√	√
Consultant	Not known	Not known	Not known	In house
Designer	Not known	√	√	√
Printer	Not known	Not known	√	√

1. 2002 IA means 'in accordance'; report includes: a statement from CEO, a content index, response (or explanation of omission) for each core indicator.

Table 6.4 (3) Report Profiles of B1 Bank

Company	B1 Bank			
Year	2008	2007	2006	2005
Published	12/2008	12/2007	12/2006	12/2005
Production cycle	Annual	Annual	Annual	Annual
No. of pages	51/24[1]	88/27[2]	69	70
GRI	G3-A+ (GRI check)	G3-A+ (Third party check)	G3-A+ (GRI check)	2002 IA[3]
Auditor	√	√	√	√
Consultant	Not known	Not known	Not known	√
Designer	Not known	Not known	√	√
Printer	Not known	Not known	Not known	Not known

1. A review version for 24 pages and a comprehensive version for 51 pages are available in PDF format.
2. A review version for 27 pages and a comprehensive version for 88 pages are available in PDF format.
3. 2002 IA means 'in accordance'; report includes

6.6.2 The Issues Concerned and KPIs Disclosed: A Between-sector Comparison

Motivated by the earlier general and industry-specific needs, companies CSED varies in content and presentation format between sectors. Addressing the issues of (1) what issues the companies should be accountable for, and (2) who are salient audiences and their information needs, Tables 6.5 and Table 6.6 summarise the issues concerned and key performance indicators (KPIs) in the CSR/ sustainability report of the BHP Billiton (BHP Billiton Ltd., 2008) and ANZ (ANZ Bank, 2008) for the year of 2008 to illustrate the differences in issues disclosed and key performance indicators developed in different sectors. These two companies adopt GRI Guidelines in their CSR reporting. The application level of these two reports is declared G3 A+.

As seen in the Table 6.5, BHP Billiton Ltd., a mining company discloses more information in relation to work safety and their impacts on environment and local community. The key performance indicators employed also reflect this emphasis. By contrast, as shown in the Table 6.6, ANZ, a bank, focus on their social responsibility to improve customer satisfaction, facilitate financial literary (for customers in retail banking) and achieve responsible lending (in institutional project financing). In addition, the Australian banks attempt to close the gap on pay differently between men and women at all levels of the organisation. For an easy comparison between Tables 6.5 and 6.6, Table 6.6A is provided to link key performance indicators in Tables 6.5 and 6.6 to the GRI Guidelines. It appears that BHP's performance indicators focus more on work safety and environmental issues while ANZ indicators emphasize product safety, community and gender issue in the employment.

Table 6.5 Issues and Key Social & Environmental Performance Indicators in the Australian Mining Sector

Theme/Stakeholders	Issues	Key Performance Indicators
Health		
Employee	Occupational Exposure: to establish measures to reduce the potential for exposure to risk.	
	The control of employee exposures	
	Occupational Illnesses: The reduction of occupational illnesses	Medical Surveillance Programs
Community	The prevention and treatment of the major infectious diseases, such as malaria and HIV/AIDS.	
Work Safety	The safety of our employees, contractors and the communities in which we operate is an integral part of our business. Our goal is Zero Harm.	
	Focus on ensuring compliance with our Fatal Risk Control Protocols and Safety Incident Reporting.	Fatalities Injury Frequency Rates Safety Fines
Environment		
Land use	Impacts on land associated with land disturbance, land-use changes and habitat removal	Land newly disturbed (hectares) Land rehabilitated (hectares) Land to be rehabilitated (hectares)
Resources consumption	Consumption of water and impacts on water quality as a result of salinity or acid rock drainage or from the handling, use and production of hazardous materials	High-quality water consumption (Mega litres) Low-quality water consumption (mega litres)
Biodiversity	Alterations to biodiversity within terrestrial, fresh water and marine environments	
Emissions	Emissions of gases and particulates, such as carbon dioxide and oxides of sulphur and nitrogen The company acknowledges the risks of climate change and the need for accelerated action to stabilize greenhouse gas concentrations at acceptable levels.	Energy used (Patajoules) Greenhouse gases ('000 tonnes Co_2) Oxides of sulphur (tonnes) Oxides of nitrogen (tonnes) Fluoride (tonnes)
Waste	To minimize waste generation, increase recycling, and prevent pollution through proper disposal.	General waste disposed to landfill (tones) Hazardous waste disposed to landfill (tones)
Spending	Incident reporting and fines/ environmental investment	Incident fines/ spending

To be continued

Continued

Table 6.5 Issues and Key Social & Environmental Performance Indicators in the Australian Mining Sector

Theme/Stakeholders	Issues	Key Performance Indicators
Community		
Local community Potential negative impacts	Increased housing and commodity costs (as a result of inflated wages) Environmental damage that impacts local economies (e.g. agricultural economies) Health risks (for example, introduction of diseases) Increased substance abuse and crime Disruptions to cultural heritage and practice Increased population and traffic for outside local area Impacts of mine closure.	Community complains (total number)
Investment strategy	The key beneficiaries of such investment are host communities. The Company also benefits from effective community investment through reputation enhancement, greater community goodwill and stronger, more stable and supportive communities.	Community contributions (US $ million) /% pre-tax profit
Employees	The company is committed to developing a diverse workforce and to providing a work environment in which everyone is treated fairly and with respect.	Full-time employee (total number) Full-time employee that are female (%) Total value added US $ million

*FTE: full-time equivalent (staff)

Source: BHP Billiton Ltd. (2008)

Table 6.6 Issues and Key Social & Environmental Performance Indicators in the Australian Banking Sector

Stakeholders	Issues	Key Performance Indicators
Customers		
	Continue to improve the retail customer satisfaction and match the performance of community and regional banks	Number of branches (including agencies) Number of ATMs Retail customer satisfaction (%) (Source: Roy Morgan Research – Main Financial Institution)
	Meet or exceed the performance standards set out in our Customer Charter and conduct a review of its commitments	
	Implement a new Personal Division policy and processes to assist retail customers facing financial difficulty	
	Maintain the position as the Number 1 Lead Bank for major Corporate and Institutional clients	
	Achieve Equator Principles reporting for 100% of ANZ's Project Finance transactions	Equator Principles projects reviewed 2008 Equator Principles projects reviewed by country 2008 Equator Principles projects reviewed by sector 2008
	Implement Institutional social and environmental lending policies for forests, mining, energy and water	Our Social and Environmental Policies at A Glance
Employees		
	Achieve our targets for women in management in Australia and New Zealand	Permanent and temporary employees (FTE)* Total employee headcount Employee engagement (ANZ Culture and Engagement Survey) Staff turnover (voluntary) (%)
	Close the gap on pay differential between men and women at all levels of the organisation	Women in executive management positions (%)
	Reduce our Lost Time Injury Frequency Rate (LTIFR) by a further 20% in Australia and New Zealand and report performance globally	Lost Time Injury Frequency Rate
	Improve our performance in the ANZ engagement and Culture Census	
	Employ 100 Indigenous Australians, as part of our Indigenous Employment strategy	

To be continued

Continued

Table 6.6 Issues and Key Social & Environmental Performance Indicators in the Australian Banking Sector

Stakeholders	Issues	Key Performance Indicators
Community		
	Conduct financial literacy research and meet our financial literacy and inclusion program targets	Total value of contributions ($m) Cash ($m) Management costs ($m) Time ($m) Time ($m) In kind ($m) Financial literacy and inclusion ($m)
	Employees volunteer as teams and individuals for charities	Volunteering time (hours)
	Achieve the commitments in our reconciliation Action Plan including staff training, financial literacy and assisting to build the capacity of Indigenous organisations	
Environment		
	Achieve the reduction in electricity and water usage per FTE	GHG emissions (tonnes CO2-e) (4) Total energy consumed (MWh) Water from 12 key sites (kL) (6)
	Achieve a 10% reduction in paper purchased and waste to landfill per FTE	Paper (tonnes) Recycling (paper tonnes)
	Become carbon neutral in Australia and New Zealand by the end of 2009	
	Increase the number of suppliers undergoing detailed social and environmental screening by 50%	
	Ensure sustainability clauses are included in 100% of tenders issued by our Sourcing Alliances team Review our sustainable procurement policy, develop sector-specific social and environmental standards for our suppliers and audit suppliers' performance against these standards	

*FTE: full-time equivalent (staff)

Source: ANZ (2008)

Table 6.6A The comparison of Key Social & Environmental Performance Indicators between BHP and ANZ

G3 Performance indicators	Companies	
Environmental Performance Indicators	BHP	ANZ
EN1 Materials used by weight or volume.		
EN2 Percentage of materials used that are recycled input materials.	※	※
EN3 Direct energy consumption by primary energy source.		
EN4 Indirect energy consumption by primary source.		
EN5 Energy saved due to conservation and efficiency improvements.	※	※
EN6 Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	※	
EN7 Initiatives to reduce indirect energy consumption and reductions achieved	※	※
EN8 Total water withdrawal by source.	※	
EN9 Water sources significantly affected by withdrawal of water.		
EN10 Percentage and total volume of water/ (paper in banks) recycled and reused.	※	※
EN11 Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	※	
EN12 Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.		
EN13 Habitats protected or restored	※	
EN14 Strategies, current actions, and future plans for managing impacts on biodiversity.	※	
EN15 Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.		
EN16 Total direct and indirect greenhouse gas emissions by weight.	※	
EN17 Other relevant indirect greenhouse gas emissions by weight.		
EN18 Initiatives to reduce greenhouse gas emissions and reductions achieved.	※	※
EN19 Emissions of ozone-depleting substances by weight.	※	
EN20 NO, SO, and other significant air emissions by type and weight.	※	
EN21 Total water discharge by quality and destination.		
EN22 Total weight of waste (paper in banks) by type and disposal method.		※
EN23 Total number and volume of significant spill		
EN24 Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	※	
EN25 Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.	※	
EN26 Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	※	
EN27 Percentage of products sold and their packaging materials that are reclaimed by category.	※	
EN28 Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations.		
EN29 Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.		
EN30 Total environmental protection expenditures and investments by type.	※	※
(To be continued)		

(Continued)		
Labor Practices and Decent Work Performance Indicators	BHP	ANZ
LA1 Total workforce by employment type, employment contract, and region.	※	※
LA2 Total number and rate of employee turnover by age group, gender, and region.	※	※
LA3 Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.		
LA4 Percentage of employees covered by collective bargaining agreements.		
LA5 Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements.	※	
LA6 Percentage of total workforce represented in formal joint management–worker health and safety committees that help monitor and advise on occupational health and safety programs.		
LA7 Rates of injury, occupational diseases, lost days, and absenteeism, and number of workrelated fatalities by region.	※	※
LA8 Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	※	※
LA9 Health and safety topics covered in formal agreements with trade unions.	※	
LA10 Average hours of training per year per employee by employee category.	※	※
LA11 Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.		
LA12 Percentage of employees receiving regular performance and career development reviews.		
LA13 Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.	※	※
LA14 Ratio of basic salary of men to women by employee category.	※	※
Human Rights Performance Indicators	BHP	ANZ
HR1 Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening.		
HR2 Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.		
HR3 Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.		
HR4 Total number of incidents of discrimination and actions taken.		
HR5 Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights.		
HR6 Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor.		
HR7 Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor.		
HR8 Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.		
HR9 Total number of incidents of violations involving rights of indigenous people and actions taken.		
To be continued		

Continued		
Society Performance Indicators	BHP	ANZ
SO1 Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting.		※
SO2 Percentage and total number of business units analyzed for risks related to corruption.		
SO3 Percentage of employees trained in organization's anti-corruption policies and procedures.		
SO4 Actions taken in response to incidents of corruption.		
SO5 Public policy positions and participation in public policy development and lobbying.		
SO6 Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.		
SO7 Total number of legal actions for anticompetitive behavior, anti-trust, and monopoly practices and their outcomes.		
SO8 Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and regulations.		
Product Responsibility Performance Indicators	BHP	ANZ
PR1 Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.		
PR2 Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.		
PR3 Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.		※
PR4 Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.		※
PR5 Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.		※
PR6 Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.		※
PR7 Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.		
PR8 Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.		※
PR9 Monetary value of significant fines for noncompliance with laws and regulations concerning the provision and use of products and services.		

Sources: BHP (2008, p.75-78), ANZ (2008, p.30-31) and GRI (2006)

It is worth noting that both BHP and ANZ prefer to select indicators with positive meanings (for example, EN2, EN5 and EN30) and avoid using negative KPIs (such as SO2-8).

6.6.3 The Limited Disclosure in KPIs: A Within-Sector Comparison

Tables 6.7 and 6.8 take BHP and ANZ as benchmark to illustrate the difference of case-companies in adopting key performance indicators in their CSR reporting. As noted in the previous discussion, CSED managers justify their limit disclosure with information cost and information relevancy. Promoting efficiency in voluntary CSED makes companies pursue heterogeneous set of KPI in their CSED. As reveal by Table 6.7, a number of KPIs adopted in the mining sectors located in the health, work safety and environmental category. The KPIs were adopted to accommodate the CSED strategies of the case-companies.

As indicated in the earlier discussion, the case companies apparently take a limited disclosure position in their CSR reporting. Their CSED usually conform to the GRI Guidelines subject to the economic efficiency in the voluntary CSED. From an economic efficiency point of view, CSED managers would not disclosed information perceived to be irrelevancy or expect to cause proprietary costs (Proposition 1). The limited disclosure on KPIs by case companies is a typical example. As seen in Table 6.8, a number of KPIs are located in the category of customers and finance. This is consistent with the previous description that institutional investor, investment analysts and customers are the main audiences for their CSED. The KPIs in their CSR reports reflect the disclosure strategy employed in the banking sector. It is clear that the case-companies make an effort to develop significant KPIs to signal to their target audiences the superior performance in these two aspects. They not only report KPIs suggested by the GRI Guidelines but also disclose KPIs specific to the Australian context.

Table 6.7 Key Performance Indicators: the Case companies in the Mining Sector

Themes/indicator	Unit	BHP	M1	M2	M3	M4
Health						
New cases of occupational illnesses	Total number	1		1		
Employees in potential exposures, if not for the use of personal protective equipment, greater than the:		1				
Occupational exposure limit	%	1				
Noise exposure limit	%	1				1
Safety						
Fatalities at our controlled operations	Total number	1		1	1	1
Total Recordable Injury Frequency Rate	See TRIFR	1	1	1	1	1
Subtotal of health & work safety		6	1	3	2	3
Environment						
Land use						
Land newly disturbed	hectares	1	1	1	1	1
Land rehabilitated	hectares	1	1	1	1	
Land to be rehabilitated 3	hectares	1				
Resource Consumption						
High-quality water consumption	Megalitres	1	1	1		1
Low-quality water consumption	Megalitres	1	1	1		1
Emissions						
Energy Used (natural gas and diesel)	Petajoules	1		1	1	
Greenhouse gases	'000 tonnes CO2-equivalent	1		1	1	
Oxides of sulphur	tonnes	1			1	
Oxides of nitrogen	tonnes	1			1	
Fluoride	tonnes	1				
Waste						
General waste disposed to landfill	tonnes	1			1	1
Hazardous waste disposed to landfill	tonnes	1			1	1
Community						
Community contributions (% of profit)	US$ million/	1		1	1	1
Community complaints	Total number	1	1	1		1
Employees and contractors participating in human rights training	Total number	1				
Subtotal of Environment		15	5	8	7	7
Socio-economic						
Full-time employee	Total number	1		1	1	1
Full-time (female/employees)	%	1				
Total value added	US$ million	1				
Subtotal of society issues		3	0	1	1	1
Total		24	6	12	12	11

Sources: BHP Billiton (2008) and Sustainability Reports (2007-8) of the case-companies

Table 6.8 Key Performance Indicators: the Case Companies in the Banking Sector

Themes/indicator	Unit	ANZ	B1	B2
Global Indicator				
Financial indicator				
Net profit	$ million	1		1
Cash earnings per share/ EPS	$ cents	1		1
Cost to income ratio	%	1		1
Dividend per share	$ cents	1		1
Total shareholder return	%	1		1
Market capitalization	$ million	1		1
Gross value add in the community	$ million		1	1
Distribution of community value	$ million		1	1
Employee productivity ratio (operating income/ salaries and other employee expenses)	%			1
Efficiency (operating expenses/operation ratio)	%			1
Subtotal Financial Indicators		6	2	10
People indicator				
Permanent and temporary employees (FTE)	FTE*	1	1	1
Total employee headcount	number	1	1	1
Employee engagement	survey	1**	1	1
Subtotal People Indicators		3	3	3
Community indicators				
Total value of contributions	$ million	1	1	1
% of cash earnings before tax	%		1	1
Cash/in kind	$ million or %	1	1	1
Management costs	$ million	1		
Time	Hours	1		
Financial literacy and inclusion	$ million	1		
Volunteering time	Hours	1		
Subtotal community indicators		6	3	3
Australian Indicators				
Customer indicators				
Number of branches (including agencies)	number	1		1
Number of ATMs/ ATM distribution	number	1		1
Retail customer satisfaction	%***	1	1	1
Customer complain	Number/in kind		1	1
Complain resolution rates	%			1
Banking Financial Service Ombudsman (BFSO) dispute resolution	%			1
Credit over-commitment	%			1
No. of rural branches charging reduce fee	number		1	
No. of customers using rural branch	number		1	
Transaction fee reduced due to rural and remote service	$ million		1	
Online banking customers	$ million			1
Application of Equator Principles-Group	$ million			1
Business leading profile	%			1
SME lending	%			1
Subtotal customer indicators		3	5	11

To be continued

Continued

Table 6.8 Key Performance Indicators: the Case Companies in the Banking Sector

Themes/indicator	Unit	ANZ	B1	B2
People (employees)				
Women in executive management positions	%	1	1	1
Staff turnover (voluntary)	%	1	1	1
Lost Time Injury Frequency Rate	%	1		1
% of employees took paid maternity/parental leave	%		1	
Employees used paid parental leave	number			1
% of employees return after maternity leave	%		1	
Subtotal people indicators		3	4	4
Environmental indicators				
GHG emissions	tonnes CO2-e	1	1	1
Total energy consumed	MWh	1	1	1
Paper used/ recycling	tonnes	1	1	1
Water used and recycled	kL	1	1	1
Subtotal environmental indicators		4	4	4
Total		25	21	33

* FTE: full-time equivalent (staff)

** The ANZ Culture and Engagement Survey

*** Source: Roy Morgan Research – Main Financial Institution

Sources: ANZ (2008, p.31-32), B1 (2008) and B2 (2008)

6.7 Chapter Summary

The purpose of the Chapter is to relate to reporting finding to two research questions. In the light of the research question: 'Why do Australian mining and banking companies see the need to engage in CSED, in particular, to adopt GRI Guidelines in their CSR/sustainability report ?' factors that encouraged or hindered CSED have been identified. As revealed by the data analysis, the case companies in both mining and banking sector perceive social and environmental pressure in their organisational fields, and thus need to engage themselves in CSED to improve their legitimacy management. This is consistent with the argument of legitimacy theory which asserts that a company needs to act in congruence with society's value and norms to continue its existence. With the trend towards sustainable development, organisations need to report their social and environmental impacts in their operation to diminish the legitimacy threat. To enhance organisational legitimacy is a general need that motivates case-companies to engage in CSED. CSR reporting is a response to institutional pressures exerted by various stakeholders.

From an institutional approach, the CSED managers in the banking sector perceive that sustainability has become a competitive advantage and may yield market growth in the market. It is apparent that the banking sector has shifted the issue of substantiality from a threat to an opportunity. The industry-specific perception makes the CSED activities in the banking sector different from those in the mining sectors. The results of data analysis show that the discrepancy exists in the outcomes on the basis of the adoption of the GRI Guidelines in their CSED.

The process of CSED has also been viewed as an economic decision to promote efficiency in CSED. Management assesses the various costs and benefits to be derived from additional disclosure. These costs and benefits are determined by explicit and implicit contractual relationships with the firm's various stakeholders. For instance, there may be benefits from additional disclosure if the firm, by reassuring investors about various aspects of its operations or performance, is able to reduce its cost of capital or increase its market growth. CSR reporting motivated by the sector-specific need of competitiveness follows this decision rule: self-interest, cost/benefit analysis and information relevancy determination.

In answering the second research questions as to how the case companies implemented GRI guidelines, consistent with the theories discussed above, there are differences in adopting the GRI Guidelines in the CSED.

Addressing the main audience and their information needs, how CSED varies between sectors and within the same sectors was discussed. Both the mining sector and the banking sector are aware of the information needs of their target audience. Given that, some case companies use two types of disclosure format for their CSED: a full or comprehensive version mainly for institutional investors, investment analysts and NGOs, and a concise or review version is for local community and customers.

In addition to the disclosure format, the disclosure content varies in the different sectors. The CSEDs released by the mining companies attempt to demonstrate how the companies take the dual risk management process to deal with their impacts on the environment, natural resources, and the health and work safety of their employees. By contrast, the companies in the banking sector emphasise their commitment to responsible lending and to improve financial literacy. Based on their different focal points, the CSED of the case companies differ in disclosure issues and key performance indicators.

Finally, empirical evidence based on an analysis of the CSR/ Sustainability reports of the case-companies is provided to support the above arguments. The variations in CSED between the sectors (mining and banking) are caused by the different social and environmental pressures and main audience (stakeholders) perceived by CSED managers in these two sectors. Different perceptions lead to various motivation, and that is reflected in the different report profiles, contents and KPIs in their CSED. To strengthen the presentation, Table 6.9 is provided to link the propositions developed to research questions and their related findings.

Table 6.9 Summary of Propositions Developed to Research Questions and Related Findings

Research Questions	Propositions	Findings
Q1: Why do Australian mining and banking companies see the need to engage in CSR/sustainability reporting, in particular, to adopt GRI Sustainability Reports Guidelines in their CSR/sustainability reports?	Proposition 2: Companies design and disclose information in their CSR reports in order to manage the expectations and perceptions of 'general public' (stakeholders).	To obtain social approval through risk management (mining industry) To add organisational value from reputation building (mining and banking industry)
	Proposition 4a: Companies adopt the GRI Guidelines in their CSR reporting in order to manage positively the expectations of their main stakeholders.	CSR/sustainability reporting is used as a legitimizing tool to manage institutional pressures, such as increased social scrutiny (6.2.1), regulation of the industry or the firm. (6.2.2), and peer pressures (6.2.3). By doing this, corporations intend to avoid to become a social target (6.2.4) with regard to CSR events and issues related to the industry or the firm. CSR/sustainability reporting is also used as a reputation-building tool used to compete over Sustainability (6.3.1). Corporations expect to gain profitability from organisational and financial values in product and capital markets (6.3.2)
	Proposition 4b: Entities adopting the GRI Guidelines in their sustainability reporting will use the application-level check and third party assurance to enhance the credibility of their reports.	To demonstrate corporate compliance with norms and regulations. (mining industry) To seek opportunity to increase financial/organisation values. (mining and banking industry)
Q2: How do Australian mining and banking companies implement GRI Guidelines in CSR/sustainability reporting practices?	Proposition 1: Managers do not voluntarily release CSED which increases proprietary costs.	The case companies apparently take a limited disclosure position in their CSR/sustainability reporting. Their voluntary CSED usually conform to the GRI Guidelines subject to the economic efficiency. For instance, the KPIs were adopted to accommodate the CSED strategies of the case-companies (Sec. 6.6.3).
	To be continued	

Continued

Research Questions	Propositions	Findings
	Proposition 3: The presentation format and content (issues and related indicators) of CSR/sustainability reflect the concerns of salient stakeholders and their information needs.	It is clear that the case-companies make an effort to develop significant KPIs to signal to their target audiences the superior performance in these two aspects. For instance, the case companies in banking industry not only report KPIs suggested by the GRI Guidelines but also disclose KPIs specific to the Australian context (Sec. 6.6.3).
	Proposition 5a: A company will limit its CSED or take a lower application level in the adoption of the GRI Guidelines when the manager perceives that coercive mechanism driven by regulatory institutional profile is not consistent with mimetic and normative mechanisms driven by cognitive and normative components.	As shown in the report profiles, different pressures are exerted in different industries, and this leads to different outcomes in CSED (Sec.6.6.1).
	Proposition 5b: A company will limit its CSED or take a lower application level in the adoption of the GRI Guidelines when the CSED manager perceives that legitimacy risk driven by social and political pressures is not consistent with the economic efficiency measured by cost/benefit principle.	Not enough evidence to support it.

CHAPTER 7 CONCLUSIONS

7.1 Introduction

In this chapter the aim is to report the implications, contributions, limitations and the future research directions in relation to the current study. In order to understand the reasons for variations in CSED within similar organisational fields, the following specific issues were explored: (1) why corporations need to engage in voluntary CSED and (2) how corporations respond in their CSED to these needs. Various application levels self-declared by the selected companies in the adoption of the GRI Guidelines highlight the variations in their CSED. Based on an institutional and strategic approach to legitimacy management, an analytical approach was utilised for interview data and a content analysis for archival data. Through a combined research approach to analysing data from multiple sources, the requirement of triangulation is achieved.

From an institutional approach, it is concluded that the variations in the adoption of the GRI Guidelines between sectors can be explained as a legitimacy management in the mining and banking sector. The demand for economic success in the face of tightly coupled and complex competition over sustainability is perceived in the banking industry. This industry-specific perception makes the CSED activities in the banking sector different from those in the mining sectors. From a strategic approach, proprietary cost and information relevance are all keys decision rules in CSED decision-making. Considering the costs and profits, CSED managers prefer to provide relevant information to salient stakeholders. Proprietary cost is a constraint to CSED. Consequently, ceremonial adoption can be expected when CSED is perceived to be required by the expectations of the general public, while market incentives are less favourable for it.

The research, in contributing to and extending the body of CSED and voluntary disclosure, provides an understanding of the why and how of voluntary CSED through a multiple-approach to legitimacy management. The remainder of the chapter proceeds in the following manner. Section 2 and 3 present the implications and contributions. Section 4 indicates the limitations and further research directions.

7.2 Implications

The purpose of the current study was to understand why and how the case-companies engage in CSED and, in particular, how they implement GRI Guidelines (a global CSR reporting standard), by identifying firms' motivations and their context. Most CSED studies in the last couple of decades have focused on the exploration of motivations for

CSED, and on unitary practices spread throughout a relatively stable and homogenous field. Little of the literature has examined how institutional ambiguity leads to variety in CSED practice. Adams and Larrinaga-Gonzalez Adams (2007, p.335) suggest that CSED research cannot neglect the issues in relation to 'heterogeneity and organisational diversity'. In response to the above calls, it is shown that a focus on institutional and strategic approaches to analyzing the process of legitimation has the potential to explain variations in CSED.

The current study takes the adoption of GRI Guidelines in the Australian mining and banking sectors to explore why and how firms engage in CSED. In light of the notion of engagement research, an empathetic standpoint is taken to understand the actors' (participants') rationales in relation to CSED practice. By doing so, Adams and Larrinaga-Gonzalez Adams (2007) argue, CSED research is able to reflect a broader community interest and lead to a deeper understanding of CSED practice. In this vein, the findings of this study provide confirmatory evidence that the firms' motivations for voluntary CSED are multiple, motivated by the needs of legitimacy management as well as by bandwagon competition over sustainability (see Section 6.3). The results also show that the variation in voluntary CSED stems from strategic as well as institutional rationales.

7.2.1 Mixed Motivations for Voluntary CSED

The first objective of the current study was to identify the needs that motivate CSED, in particular the adoption of the GRI Guidelines in relation to CSED. In order to achieve this objective, a number of possible explanations for CSED was examined. The literature shows that there are two groups of theories in relation to motivations regarding CSED. According to the socially and politically based theories (see Section 3.3), companies whose organisational legitimacy is threatened have incentives to increase their CSED. Consistent with this group of theories, the results of the data analysis confirm that the management of the case-companies in both the mining and banking sectors all perceived social and environmental pressure in their business operations. As shown in the interview data, senior CSED officers perceive that the pressures are mostly social scrutiny, an increasingly regulatory environment and peer pressures. If it does not cope with these pressures appropriately, the industry or firm may become a target of political action. Consequently, firm's legitimacy will be threatened, and its 'social licence to operate' will be damaged. Business agrees to meet various social expectations in return for approval of its operations in the society, and this ultimately guarantees its survival.

In addition to the above pressures, the case-companies in the banking sector believe that competition over sustainability exists in the industry. As revealed by the results of data analysis, the press often reports how banks seek greener pastures to win an eco-advantage, and the managers in the interviews perceived the same pressure. The CSED senior officers in the interviews also believe that sustainability is an opportunity to yield market growth. CSED is thus used as a tool to promote firms' sustainability concerns and performance, and this leads companies in the banking sector to set up different CSED strategies. While most of the mining companies take a reactive position, the case-companies in the banking sector take a proactive position to CSR reporting. CSR reporting has become a strategic action in an attempt to build and maintain customer loyalty and market share.

The results provide evidence to support Proposition 2, which argues that companies design and disclose information in their CSR reports in order to manage the expectations and perception of the general public. The above result is consistent with Bansal and Roth

(2000) and agrees with Milne and Patten (2002). Bansal and Roth (2000) contribute to our understanding of legitimation by developing a model, which proposes competitive advantage and legitimation are major motivations for 'greening' the firm. Different motivations may lead to various strategies in CSED. Firms motivated by legitimation for adopting environmental initiatives have a tendency to emphasise survival, compliance with norms and regulations. Firms motivated by competitive advantage tend to signal their differentiation in CSR or sustainability performance (see Section 3.2 signal hypothesis). Despite the different motivations, the primary goal of CSED is to show congruence with the values or expectations of stakeholders (audience). This is also consistent with the argument of legitimacy theory.

7.2.2 Responses to Various Motives: The Implementation of the GRI Guidelines

By focusing on survival and competitiveness, the current study extends CSED research by highlighting how CSED practices can be shaped by multiple logics and how this can lead to variations in the adoption of a set of global CSR reporting standards (the GRI Guidelines). In the current study the adoption of the GRI Guidelines in case-companies' CSR reporting is thus taken as an example to explore how the case-companies respond differently in the process of their decision-making in CSR reporting. In order to highlight the rationales for voluntary CSED, the current study first focuses on asking why the case companies are likely to claim that they comply with the GRI Guidelines through isomorphism, and then to justify their decision to limit disclosure of the key performance indicators in their CSR/Sustainability reports.

As noted in Chapter 3, most organisational legitimacy research falls into one of two categories—strategic or institutional (Suchman, 1995). The strategic approach emphasises the ways that organisations strategically manipulate symbols through communication behaviour to achieve legitimacy. Exemplifying the strategic approach, Dowling and Pfeffer (1975) argue that "the actions that can be taken to legitimate an organisation" (p. 122) are very important. The institutional approach, on the other hand, focuses attention on the cultural environment in which organisations exist, and on the pressure that this environment exerts on organisations to engage in expected, normative behaviours. Legitimacy, in this tradition is defined as "the degree of cultural support for an organisation" (Meyer and Scott, 1983, p. 201), where culture refers to the shared system of beliefs held by society in general and by organisational stakeholders in particular. The strategic approach views legitimacy as a resource, and the institutional approach views legitimacy as a constraint.

Rather than viewing strategic and institutional approaches as mutually exclusive, the current study argues that it is fruitful to examine both the ways that organisations strategically attempt to manage legitimacy and the ways that cultural expectations place institutionalized constraints on organisational behaviour. As Suchman (1995) states,

> Because real-world organizations face both strategic operational challenges and institutional constitutive pressures, it is important to incorporate this duality into a larger picture that highlights both the ways in which legitimacy acts like a manipulatable resource and the ways in which it acts like a taken-for-granted belief system. (p. 577)

Legitimacy management grounded in institutional theory emphasises how organisations respond to institutional pressure by conforming to the institutional environment. Through this lens, much management behaviour, including attempts to legitimate, may not be controlled by managers, but rather, be under the influence of institutional pressure which produces an 'iron cage' (DiMaggio and Powell, 1983) and creates isomorphism within organisational fields. As noted by Milne and Pattern (2002), these pressures may be subtle, pervasive but powerful way of explaining why organisations ought to exist, and how they ought to behave.

The notion of isomorphism is another important construct related to legitimacy. Isomorphism refers to the fact that organisations in a similar organisational field may become similar in structures, procedures and practices through coercive, mimetic and normative mechanisms. Organisations may become alike by imitating structures, procedures or practices of more successful or legitimate organisations (DiMaggio & Powell, 1983). Or they may become alike by meeting the legitimacy expectations of influential stakeholders in the social system (Meyer and Rowan, 1977). When organisations in an organisational field (such as in the same industry) look similar in terms of structure, procedures or practices, this 'similarity' becomes the accepted form or legitimate way for the industry to conduct activities (Meyer and Rowan, 1977).

Isomorphism and legitimacy thus provide a central claim about how organisations can become legitimate by meeting organisational expectations about the appropriate ways to operate. From the institutional perspective, legitimacy is gained by the organisation becoming isomorphic with its environment (Meyer and Rowan, 1977). Legitimacy can be enhanced by the adoption of institutionalized structures and practices. Firms are found to develop and adopt structure, procedures and personnel that signal conformity, and credibility and so can be viewed as legitimated by their stakeholders or the 'relevant public'.

The adoption of the GRI Guidelines in CSR reporting among the case-companies provides evidence to support the above argument. Since the GRI Guidelines are a set of accepted institutionalized guidelines in CSED, the adoption of the GRI will enhance the credibility of CSED and increase the organisational legitimacy. This is as in Proposition 4a; companies would adopt the GRI Guidelines to manage positively the expectations of their main stakeholders. Also, entities adopting the GRI Guidelines in their sustainability reports will use the higher application-level to enhance the credibility of their reports (Proposition 4b).

7.2.3 Rationales for Limited Disclosure in CSED

From a strategic approach perspective, factors influencing managers in CSED decision-making include: (1) who the main audiences (salient stakeholders) are; (2) what the information need of these audiences is; (3) the limits on the expertise and cognitive ability of the target CSED audiences to process information in CSED; and (4) the possible proprietary costs that lead to losses as a result of CSED. The results of this research show that these considerations impact managers' decisions to comply with the GRI Guidelines and to disclose the key performance indicators in their CSR/sustainability reports.

An instrumental stakeholder theory was employed to identify the actors and define their functions and priorities in the organisations. To extend this, the target audiences for CSED are identified and their information needs explored. The results show that different audiences have different information needs, and this also leads to divergence in CSED format and contents. The issues and concerns leading to the pressures are also perceived differently between the mining and banking industries.

As revealed by the data analysis, the major pressures perceived by the mining companies are from their environmental impacts on the local communities and work safety and health in relation to employees. These become the major issues for which the mining companies perceived they are accountable. The target audiences for their CSED are perceived to be the local community, employees and NGOs. By contrast, the case-companies in the banking sector perceive that their major pressures are caused by the impact of their lending policy on customers and institutional investors. The issues are centred on responsible lending and financial literacy.

Addressing the issues of concern to the target audience, CSED managers who want to use CSED to discharge the perceived pressures (legitimacy risk management and competitive advantage) need to select an appropriate reporting profile. As shown in Tables 6.3 (1)-(5) and 6.4 (1)-(3), the report profile is a reflection of the reporting entities' CSED strategies (e.g., reactive vs. proactive). This reporting profile may contain various reporting forms (concise vs. comprehensive), media for disclosure, and disclosure contents (such as issues, actions and key performance indicators). The selection of an appropriate reporting profile shows that these managers respond to their target audiences and their information needs, choosing to operate in the organisational field and hiring people (such as consultants and auditors) to exhibit their CSR or sustainability concerns. This is consistent with Proposition 3, which argues the presentation format and content of CSED reflects the concerns of salient stakeholders and their information needs.

Additionally, the action in relation to CSED can be explained by market-base theories. As noted in Section 3.2, agency theory and signal hypothesis provide a very useful insight into firms' decision-making about voluntary disclosure. Agency theory suggested that shareholders would price-protect themselves against expected expropriation by management. In order to avoid suspicion among investors that managers are withholding some information to take advantage of fund providers, firms should reveal all relevant information (Grossman 1981, Milgrom, 1981). Once fund providers know that some information is being withheld by firms, they can easily conclude that the undisclosed information is negative, and this will lower the estimated value of the firms. Given this, managers have an incentive to reveal voluntarily all relevant information to avoid unjustified under-valuation.

Signal theory also gives another reason for disclosure choice in that it suggests that voluntary disclosures are one means for companies or managers to distinguish themselves from others on dimensions such as quality or performance. Previous studies (Healy and Palepu, 2001) show that the means and motivating factors for such disclosures include a desire for use of large auditors and high performance. Research based on agency and signal theories have provided valuable insights into the companies' disclosure choices (Xiao et al., 2004). But they are just part of the story. What if the other participants have no way to know whether managers have information or not (Dye, 1985)?

Management does consider the proprietary costs, which may lead to possible losses. As argued by Verrecchia (1983, 1990), firms may withhold information to avoid proprietary cost.[12] Proprietary information is any information disclosed that could potentially alter a firm's future performance. This includes information, which if available to outside parties, would be destructive to firms' competitiveness in the market and be harmful to the firms' future earnings prospects. For instance, the disclosure of favourable earnings forecast may adversely affect labour negotiations, encourage the entry of competitors, create litigation, or invite regulatory intervention. Previous study (Foster, 1986) uses the term "competitive disadvantage costs" to capture the notion of proprietary cost. Under such circumstances, managers have an incentive to withhold deliberately the information to avoid lower performance, which may cause a devaluation of firm's stock or have a negative impact on managers' compensation plans. Under the cost/benefit principle, voluntary disclosure of information depends on a manager's willingness to communicate that information (Berthelot et al., 2003).

[12] Propriety cost refers to firms reveal relevant information that will decrease their cash flow in the near future (DYE, R. A. 1986. Proprietary and NonProprietary Disclosure. *Journal of Business*, 59, 331-366., and such information may leads to inflict damage or costs firms upon it.

The results in relation to limited disclosure of CSED provide evidence that managers take the principle of economic efficiency (such as cost/benefit analysis and information relevancy) into consideration (Section 6.5). This is not only shown in interview data but also in the selection of report profiles, including disclosure issues and key performance indicators. It appears that the case-companies in the mining sector usually claim they are the GRI adopters, but most of their self-declared application levels are lower than the adopters in the banking sector. In practice, since the Guidelines provide the companies with a good and established structure for CSR reporting, companies can use the Guidelines as a checklist.

As noted in Chapter 6, the management of the mining sector does not perceive that sustainability gives a competitive edge. Furthermore, it is time-consuming and costly to collect data for some of the key performance indicators. When managers consider information is irrelevant to their main audience, they will not spend time and money to collect such data even though GRI Guidelines suggest disclosing them.

However, since these mining companies are members of the MCA (Mineral Council of Australia) and signatories of the *Enduring Value* of MCA, they have a responsibility to adopt the GRI Guidelines in their CSED. When the regulatory institutional profile requires and enforces the adoption of the GRI Guidelines in the CSED through a coercive mechanism, although the cognitive and normative profiles may be less favourable, ceremonial adoption can happen. Under such circumstances, a high CSED rate with a low adopting rate or a high adopting rate with a low application level can therefore be expected. This is consistent with Proposition 5a and 5b (Section 3.8). Thus, it is concluded that corporations taking ceremonial adoption of the GRI Guidelines do not demonstrate more than a symbolic concern about the operational impacts on the environment and society.

The results are consistent with prior research results (Deegan and Gordon, 1996, Deegan and Rankin, 1996, Cooper and Owen, 2007). This indicates that to corporations and society alike, the value of voluntary CSR/sustainability report is questionable. The CSED in Australian mining sectors is also consistent with Cooper and Owen (2007). They argue that institutional reform accompanying reporting initiatives offers 'little' in the way of opportunity for facilitating action on the part of organisational stakeholders, and cannot therefore be viewed as exercises in accountability'(Cooper and Owen, 2007, p. 649).

7.3 Contributions

The current study contributes to extending the body of CSED research and voluntary disclosure by providing an understanding of the why and how of voluntary CSED from a multiple theories perspective and in the research methods adopted. The contributions are briefly discussed as follows.

7.3.1 Contributions to CSED Research Methods

A main contribution of the current study is that it is one of the few to have examined managerial perceptions of CSED via semi-structure interview. The current study responds to the calls of Adams and Larrinaga-Gonzalez (2007) and Gray (2002) to conduct engagement research in CSED. As commented by Adams and Larrinaga-Gonzalez (2007), most extant CSED literature has primarily focused on why companies engage in CSED and what they have done in CSED. Little attention has been paid to why and how firms keep silent about the issues or indicators for which organisations are thought to accountable. For example, why do most Australian mining companies perceive the need for CSED but still limit their disclosure in relation to sustainability performance? In practice, it appears that most Australian mining companies release sustainability reports but only a small percentage of them adopt the GRI Guidelines. Even if a mining company becomes a GRI adopter, its application level is generally low. Adams and Larrinaga-Gonzalez (2007) suggested that these new research avenues need to be opened urgently. Furthermore, they encourage researchers to engage with the organisation to examine the process and manner in which affect the form and content of CSED. This sort of research approach promises the generation of knowledge and insight as researchers begin to explore the relationship between institutional pressure and corporate strategy, and the form and content released in CSED.

The current study employs a inter-sector and intra-sector (within-group vs. between-group design) comparative case study to reexamine the relationship between the perception of managers of the social and environmental pressure, the motives for CSED, disclosure strategy, and the selected report profile, disclosure issues and selected key performance indicators of CSED. In particular, the interview was used to understand the reasons why variation exists at the application level of adoption of the GRI Guidelines in CSR reporting, including the issues disclosed and the key performance indicators used. Utilizing interviews with eight CSED managers in six companies in the Australian mining and banking sectors, the current study:

1. found managerial perception regarding the need for CSED (Sections 6.2 and 6.3);
2. identified of target audiences and their information needs (Section 6.4); and
3. examined how the selected companies implement a set of global CSR reporting standards in the different context (Section 6.5).

7.3.2 Contributions to the Theories of Voluntary Disclosure

In its contribution to the theories in relation to voluntary disclosure, the current study provides an opportunity to observe 'managerial capture' (O'Dwyer, 2003) of voluntary CSED. In accounting, corporate financial disclosures in Australia are regulated by a set of reporting standards under a legally mandated audit regime. Penalties and rewards are in place implicitly or explicitly to influence the behaviour of the preparers of financial statements (managers). Because of the institutionalization of the financial reporting system, it is difficult to know what might happen in the absence of regulation.

Many scholars believe that a set of formal accounting standards is necessary to create confidence in a stock market. However, some scholars (such as Sunder (2002)), following the view of Regulation Economics (Stigler, 1975), question the effect of regulation in the market. They suggest that competition and private incentives may yield more efficient outcomes than does regulation. In the financial reporting context, the causal relationship between the needs for and the effects of the GAAP (generally accepted accounting principles) is hard to observe. Without observable evidence, the effects of regulation can be misjudged. Thus, a comparison of managers (agents or actors) behaviours with and without regulation is critical to evaluate and improve regulatory regimes.

The current study provides the opportunity to determine whether the current CSED regime is effective or can be improved. The results show that the case companies in the Australian mining sector lack incentives to use CSR reporting to promote their performance, although the industry association (MCA) encourages its member to comply with *Enduring Value*, a comprehensive sustainability code in their operations (Section 6.2.2). As shown in Table 2.6, the compliance levels of the adoption of GRI Guidelines among mining companies is lower than those of banks. The study helps to gain a clear insight into the efficiency of regulatory intervention in CSED standards compared to the current Australian CSED regime with industry associations.

The current study also helps to bridge the gap between the argument of legitimacy management and competitiveness in economic efficiency which, respectively are underlined by socially-based and market-based theories in CSED literature. According to the socially-based theories, firms with legitimacy threats are likely to make self-serving disclosure, which is referred to as 'legitimation'. The proponents of socially-based theories have tended to focus on a particular nation or industry, to the relative neglect of how CSED is fundamentally intertwined with broader organisation dynamics. Alternatively, the market-based theories, based on agent theory and signal hypothesis, have been more centred on shareholders in the capital market but have spent little energy investigating the roles of other stakeholders and their influence on CSED decision making.

Given the limited interchange between these two approaches, the decision process in relation to CSED remains unclear. The current study employs the stakeholder theory to identify the target audiences and their information needs and to examine how managers use the CSED to conduct stakeholder management. Finally, the notion of the institutional logic (Section 3.7) was employed to link the outcomes of CSED to social pressure, disclosure motives and legitimacy management. Such an approach can help to revise the standard conceptualisation of CSED as a response to social pressure or market competition. Efforts to clarify the logic applied by managers to solve the conflicts between these two perspectives have implications for the research on voluntary CSED.

7.4 Limitations

Two limitations of this study should be acknowledged. First, the empirical research reported was based on data from the Australian mining and banking sectors only. Characteristics, idiosyncratic to the Australian mining and banking sectors, such as government bodies' influences and strong peer pressure are most likely industry specific and therefore, generalization of the findings to CSED practice in other contexts (such as country and industry) should be made with caution. The institutional logic (Section 3.7) shown in the CSED of the current study needs further testing on a number of firms engaged in CSED in other countries or industries.

Second, one of the major Australian banks does not disclose its CSR reports. An email and a follow-up letter were sent to ask for an interview. However, the bank replied that they are not available for this sort of invitation. This means that other possible CSED strategies existing in the Australian banking sector may not have been examined.

7.5 Future Research Directions

Finally, the current study offers several suggestions for future research that will overcome its limitations and contribute further to CSED reporting, particularly in the context of reporting using the GRI Guidelines. First, the history of the adoption of GRI Guidelines in the selected companies has been short and this has limited the analysis of the dynamic evolution of the case companies. Additional research using longitudinal data is needed to clarify how CSED changes over time.

Also, it was found that the case companies utilised different strategies in decisions on CSED based on how they perceived institutional pressures. Based on various perceptions, a variety of CSED practices (reporting configuration) have been developed. These practices include the report profile, media, the disclosure format and the disclosure content. Despite an early emphasis on isomorphism in CSED studies, the non-uniformity, divergence and conflict in CSED practices should be further investigated. Additionally, how to evaluate the fitness of CSED in terms of its target audiences and their information needs has not been explored. This suggests that formal and informal control mechanisms to evaluate the fitness of CSR reporting should be further investigated.

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Appendix A: Invitation Letter

7th April, 2008

Dear Sir/Madam,

Further to my email of 31 March 2008, I am writing this letter to invite your company to be a part of a PhD study which I am undertaking at the University of Tasmania.

My name is Shang Mou (Andrew) Deng. I am a PhD candidate with the School of Accounting and Corporate Governance, University of Tasmania. Under the supervision of Professor Gary O'Donovan and Professor Robert Clift, I am working on a PhD research project, entitled "A Theoretical Exploration of the Adoption of GRI (Global Reporting Initiatives) Guidelines in Corporate Sustainability Reports". This project is concerned with identifying motives to explain the adoption (or not) of GRI Guidelines in corporate social responsibility (CSR) reporting.

It is my intention to collect the information by interviewing a maximum of three people from your company who are involved in CSR reporting. Each interview will last between 60 to 90 minutes. The nature of the data to be collected and the subsequent analysis is predominantly concerned with theory development underlying motivations for adopting/ not adopting GRI guidelines. No opinions will be expressed in relation to individual companies in the final thesis and there will be no risk to participants in the study. Confidentiality will be assured in any published materials. Full details of confidentiality are available in the informed consent form.

Can you please acknowledge the receipt of this letter by email? It would also assist greatly if you were able to provide further information about the relevant people in your organisation to contact.

Should you have any concerns, questions or complains with regard to the ethical conduct of this research, please contact Executive Office of Human Research Ethics (Tasmania) Network, on 62267479 or human.ethics@utas.edu.au. The ethics reference number of this project is H9882.

Thank you for your assistance and I hope to hear from you soon.

Best Regards

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Appendix B: Interview Sheet

Section One: Introduction

Part 1: General introduction

Before our interview, I need to read the 'INFORMED CONSENT FORM' to you. With your agreement, I need your signature on it.

(Read the contents of 'INFORMED CONSENT FORM' to interviewee.)

(Have a signature from the interviewee on 'INFORMED CONSENT FORM')

Part 2: Technical introduction

This research is concerned with Corporate Social Responsibility (CSR) reporting practice among the entities in the Australian company. More specifically, questions will probe:

1. Why does your company release CSR reports and/or adopt GRI Guidelines in your CSR reports?
2. The process of CSR reporting in your company
3. How does your company assess the performance of your CSR report or reporting?

The following questions represent five domains:

1. What motivates/ drives your company to release their CSR?
2. Who in the company is involved in the decision-making process of CSR reporting?
3. What determines the locus of this responsibility?
4. How does the company decide the format, the range of issue and the application level of GRI Guidelines in your CSR report?
5. What is the role of consultants, auditors and other external parties in the process of CSR disclosure? (Comments on certification.)

6. What are the impacts of external disclosure rules (e.g. GRI Guidelines) on disclosure decisions?
7. How does your company assess the 'fitness' of their CSR?

In conjunction with other methods, we will use the results from this survey as a basis for discussing various concepts as they relate to research, which include:

- Assessment the extent of uptake in CSR reporting in the industry
- Identification elements of any emerging practice in the process of sustainability reporting

The interview comprises a mixture of questions requiring a scaled response (which you have in front of you) and open-ended questions designed to ensure that I gain a full understanding of the measures you use and how you use them.

Would you have any objections to the interview being tape-recorded? This would enable me to listen carefully and gain maximum benefit from the interview. It also ensures that the accuracy of the data collected is preserved. As explained in my letter, confidentiality is assured to all participants. No data will be associated with any individual or organisation. Ultimately, my research is interested in underlying patterns across different organisations, and not in particular cases.

Section Two: Questionnaire

Below are several examples that may stimulate companies to be involved in Corporate Social Responsibility (CSR) activities. Using the scale provided, to what extent do you perceive how each example has motivated your company to release your CSR report (Please circle a number).

Strongly agree		Neither agree nor disagree		Strongly disagree
5	4	3	2	1

Example	Strongly agree — Strongly disagree
1. Your industry is likely to receive a high level of scrutiny from groups and individuals concerned about the sustainability issues, such as natural environment, social equity (human rights) etc.	5 4 3 2 1
2. Your industry has sought to establish CSR standards in the past as a way of increasing social approval with external individuals and groups.	5 4 3 2 1
3. Concerns about the sustainability issues, such as natural environment, social equity (human rights) etc., by external individual and groups could result in increased regulation of the industry or the firm.	5 4 3 2 1
4. Individuals and groups that are concerned about sustainability issues, such as natural environment, social equity (human rights) etc., could consider your industry/ company as a target for political action such as media attention.	5 4 3 2 1
5. Since some firms in the industry are producing sustainability reports, this may lead external individuals and groups to be more suspicious to those companies not producing sustainability reports.	5 4 3 2 1
6. Shareholders are the main audience for your sustainability reports.	5 4 3 2 1

Below are several examples that may stimulate your company to involve in Corporate Social Responsibility (CSR) activities. Using the scale provided, to what extent do you perceive how each example has seriously motivated your company to release your CSR report (Please circle a number).

Strongly agree		Neither agree nor disagree		Strongly disagree
5	4	3	2	1

Example	Strongly agree / Strongly disagree
7. Suppliers are the main audience for your CSR reports.	5 4 3 2 1
8. Customers are the main audience for your CSR reports.	5 4 3 2 1
9. You perceive that your customers are showing a serious interest in whether your company has been verified.	5 4 3 2 1
10. Your company has network relationships (such as supply chain) with other industries or other countries?	5 4 3 2 1
11. You perceive that down-stream industries using your product increasingly require that your company produce a verified sustainability report.	5 4 3 2 1
12. You perceive that down-stream industries using your product increasingly desire that your company produce a verified sustainability report.	5 4 3 2 1
13. Competing companies in your industry are releasing verified CSR reports.	5 4 3 2 1
14. Competing companies in your industry actively promote the action of their releasing verified CSR reports.	5 4 3 2 1
15. Most of the products (services) of your company are exported to international markets?	5 4 3 2 1
16. Your company sees the production of a sustainability report or reporting as valuable?	5 4 3 2 1

This is the end of the questionnaire. Thank you for your cooperation

Section Three: Interview

Theme 1: Organisational Constituencies involved in the decision-making of CSR reporting

1. Who in the company is involved in the decision-making process of CSR reporting?
2. What determines the locus of this responsibility?

Questions:

1. Would you have an organisational chart that I could look at?
2. According to the organisational chart, can you identify the related departments that are involved in preparing firm's CSR reporting?
3. How do these departments work together in the process of data collection for your CSR reporting?
4. To what extent is the communication/PR department involved in the decision-making process of CSR reporting?
5. To what extent is the process structured and formal as opposed to being ad hoc and informal?

If the organisational chart is not provided,

- Would you please describe briefly the departments which get involved in the CSR reporting? How do they work together?

- What is your past and present role in the CSR disclosure process?

Theme 2: How does your company decide the format, the range of issue and the application level of GRI Guidelines in your CSR reporting?

1. Why does your company see the need to release your CSR reports, for instance any stimulating event or specific issue? What are the incentives for reporting social and environmental impacts?
2. How does your company develop a strategy for your CSR reporting?
   Does your company have a formal stance or policy on this (CSR reporting)?
   Please elaborate.
3. How does your company decide what are the key issues organisation ought to be accountable or include in your CSR report?
4. How does your company identify the stakeholders of these key issues?
5. How does your company use CSR reports to demonstrate the accountability to these stakeholders? For example:
    1. the selection of the format of CSR reporting
    2. the selection of the issues to disclose, the development of specific target and the performance indicators selected (ask a specific example)
6. How does your company increase the credibility of your CSR report?
    - Third party verification?

- Adopt GRI Guidelines? How do you decide the application level?

Theme 3: What are the impacts of external disclosure rules (e.g. GRI Guidelines) on your disclosure decision?

1. In your industry, is there any legislation, standards or regulations that your company has to follow in preparing or certifying your CSR report?
   - If Yes, probe:
   - Would you talk about that?
2. In terms of the existence of inter-organisational networks, are there any existing industry norms for CSR disclosure? Please elaborate.
3. What are the impacts of GRI Guidelines on your CSR reporting? Can you talk me about that?

Theme 4: What is the role of consultants, auditors and other external parties in the process of your CSR disclosure? (Comments on the verification.)

1. Did your company seek any external or expert assistance in preparing and verifying your report?
2. IF yes, ask:

   • Please specify the nature of assistance required, the type of organisation provided services and the quality of the assistance etc.

   • Probe the following issues:
3. Identify the specific formal or informal rules associated with a particular disclosure
4. Assist in identifying issues
5. Provide technical advices and opinions
6. Add credibility to disclosure
7. May be used as a strategic resource in bargaining situations

Theme 5: How do companies assess the 'fitness' of your CSR reporting?

1. In your opinion, did your organisation see the production of a CSR report as valuable? Yes/ No Please explain.
2. In your opinion, what are the perceived benefits/costs that your organisation produced a CSR report?
3. How does your company assess the performance of your CSR reporting?
4. In your opinion, do your CSR reports increase the communication between the company and your stakeholders?
5. If yes, how does your company assess this? Or how do you obtain feedback from these stakeholders?
6. In your opinion, do your CSR reports facilitate the performance or control of sustainable practices in your company?
7. If yes, do you have any indicator to evaluate this? Please give a specific example.

Perceived benefits:

- Minimize risk
- Reduce criticisms and increase credibility due to better understanding
- Influence or delay legislation
- Attract and retain talent employees
- Improve the quality of decision-making
- Establish the value of organisation

Appendix C (1)

Extract of case-level data sheet: interview transcript

Company	**M1 Company: Mining**	
Themes and related questions	Exemplary quotes of elaborate responses	Scale responses & Comments by author
Institutional pressures perceived		
Your industry is likely to receive a high level of scrutiny from groups and individuals concerned about the sustainability issues	Yeah, I think we do, we get a high level of scrutiny. When I'm talking about [the company] now, our product is coal so increasing, in relation to climate change; we have a lot of scrutiny from…. Our energy and our greenhouse gas emissions actually from our operations are relatively small when you look at the big picture and how our products are used in the burning of, in power stations to produce electricity and convert iron ore into steel, so yep, our industry is increasingly high profile. But the mining industry in general and I think the mining industry always, well in the last 10 to 20 years had that, and had that increasing scrutiny.	Environmental impact from our operation is small; most impact is from down stream industries. The mining industry is generally subject to social scrutiny.
Seek to establish CSR standards as a way of increasing social approval	Yep, we've sought to establish standards in the past as a way of increasing social approval with external individuals. Yep, absolutely. We've had to because we call it a social licence to operate. We can't operate as an industry without having, you know, broad community support for what we do. Even if we can get through all the government approvals, you know, we've got protestors and people in the local community opposed to our operations then it makes it really hard to operate so it's in our interests to work with them and to communicate to them as well. (p.4) [Well] for [our parent company], and this is for [our parent company's subsidiaries] globally and not just the coal group, we have **safety standards, we have environmental standards and we have occupational health standards and we have a community relations standard** and they're standards that have to be implemented across all of [our parent company's] businesses, operations and projects and everyone uses them. That's what we use here in [our company], so they're standards that we have set, or that [our parent company] have set that we have to meet.	Need governmental approval as well as social approval with external individuals. Operation standards are from parent company and case company itself. The standards include: safety standards, environmental standards, occupational health standards and communication relations standards.

Peer Pressures	[C]ompany in our industry can't do anything without others knowing about it, so I think there is a lot of learning from others, adopting similar practices and there's all the things that are driving us to do this, whether it's increasing regulation or whether it's community perception or whether it's shareholders and investors pressure to report.... So I think all companies are looking at doing similar things. So you wouldn't see, you'd see some difference, so there'll be differences between what the companies are doing but they'll all have, I guess, similar initiatives. And we're all members of industry associations as well, so we do get to know and talk to our colleagues in other companies for example. So on a global level [our parent company] is a member of the International Council of Mining and Metals, ICMM and at a national level, we're members of the Minerals Council of Australia and the Queensland Resources Council, and New South Wales Minerals Council and all the companies are generally members of those, so we get to know what they're doing and vice versa.	The mining industry is a business with high field cohesion (Bansal and Rooth, 2000).
Increased regulation of the industry or the firm.	Yep, definitely, increased regulation. Agree with that. I think there's a mixture of pressure for increased regulation and/or pressure to adopt voluntary standards, or voluntary things. So you can go one way or the other and I guess the way that we perform and the more willing we are to adopt voluntary programs, the less likely we are to be more regulated, if you know what I mean. In some cases, you know, regulation is becoming, has become tighter for us so, yep.	Increase regulations/ Social pressures
Can become a social target	...definitely for, in terms of making the media attention, and protesting, and things, yes, they could see us as a target but I'm not sure what you mean by political action.	
Since some firms in the industry are producing sustainability reports, this may lead external individuals and groups to be more suspicious to those companies not producing CSR reports.	Yeah, I agree. I guess it could, I'm probably more a 3 or a 4 on one of those. I think, it could lead them to be more suspicious. I think they're probably more suspicious anyway of companies that do produce them because the question is whether they believe what we say. And I think that's one of the biggest challenges is if it's just a company saying, you know, we've done this and we've done that, it doesn't, you know, there could be some perceived **credibility issues**. Which I guess is why we've seen **an increase in third party verification in recent years**, probably in the last 5 to 10 years of getting an external person to come in and actually verify or audit our sustainable development reports to give them that increasing credibility. So I think there's that, but I think the companies that aren't doing them, yes there could be	**Credibility of the CSR/sustainability reporting** Small companies may not afford to have external verification subject to technique sufficiency and resource available.

	some more suspicions but I think to particularly in the mining industry, some of the **smaller companies....** I think some of the smaller companies probably struggle more from a resource point of view in that they don't necessarily have that, the skill in house to do it or the resources or whatever, so. ... Yeah, the cost of doing it, yep.	
Identify main audiences of CSR/sustainability reports		
Shareholders are the main audience for your CSR reports.	Um, well it's not shareholders. No, not necessarily. If you think about the main audience, shareholders are certainly one audience, but I'd say the main audience for our [company's SD] report is **local communities.**	Ownership of the equity
*Local community	So I said the main audience for our report is our local communities. We need to develop good relationships with them and part of that is providing them with information about what we do (p.13).	
Suppliers are the main audience for your CSR reports.	Um, again they're one audience but they're not the main one so again that would be a 2.	Supply chain
Customers are the main audience for your CSR reports.	Customers, 2 or a 3. Um, our customers are showing a serious interest in whether our company has been certified. It's hard for me to answer on that because I don't have any direct contact with our customers.	Product market
(Institutional)Investors	Rio Tinto is the parent company so our investors are basically the Rio Tinto investors. So yeah, there's a whole range of reasons why we do it but broadly it's for our local communities and because we have to, Rio Tinto requires that we do it. (p.13)	Main stakeholder: parent company
*Employee	It's a good communication tool with our employees. So our employees use it.	Internal stakeholders
Verification of sustainability/ SR reports		
Your customers are showing a serious interest in whether your company has been verified.	I know that we're increasingly having, working with our customers to see particularly for coal, to see how we can you know, produce modified products or different blends of coal and things to help them in terms of their making their processes more efficient or reducing emissions and so forth, so we're working with them a lot. Whether they are all that interested in our reports, I don't know. They may well be, but I don't know the answer to that (p.7).	The interviewee was resist to talk about this issue since their SR reports were not verified.

* How does you company increase the credibility of your report?	Well, one of the things that we do, and we don't do it every year, but we're planning to do it this year cause our 2007 report has just been released, it's on the website and there's a hard copy coming out, is that we're going to actually take it to, in each of our communities we have what's called a community consultative committee. It's an opportunity for us to brief them on what some of our operations are doing and you know, future plans, things like that. So we're actually going to be asking each of those committees to look at the SD report for this year, during the year, and give their feedback to us on what was useful, what wasn't, where were the gaps, how could we improve it in future years. So that's, it's getting community into the report. The way that we structure the report so that it's of relevance to both our employees and our communities plus those other audiences that you talked about for, at [our company] we have a strategic map which is basically the strategy for the business and it outlines our vision and our mission and then the key areas that we work in as a business, and so there's six of those. <u>Health and safety is one, people is the other, so that's sort of human resources. Health, safety, environment and communities is the third one. The fourth one is operational excellence. The fifth one is financial strength and the sixth one is markets, so our customers and who we sell to.</u> So to make our SD reporting relevant and part of what we do as a business, we've actually designed the SD report around those six areas. So for each of the areas we have a section of the SD report that talks about what we're aiming to achieve from a sustainable development point of view, some of the programs that we've got in place and then what our results are for the year.	The interviewee shifted the question to talk about how they use stakeholder engagement to increase the relevancy of their reports rather than talk about the credibility issue. Disclosure structure & Business strategic map What the management perceive in relation to sustainability issues
Your company has network relationships (such as supply chain) with other industries or other countries?	Um, yes, I guess, we do. With other industries I think you mean maybe our suppliers. So yes we certainly have relationships with our suppliers and increasingly we're trying to get them to adopt sort of our standards and the way that we do things and get them to be sort of developing and thinking about sustainable development as well. Other countries, I guess because we're part of [parent company], you know, we are obviously engaged with other parts of the [our parent company] group who are all across the world. So yes, we do have good relationships with those, so say probably 4 for that one.	Supply chain
Down-stream industries using your product increasingly require/desire	I don't know. That's the question about the customers. So I know about the certification scheme for timber. There's also certification schemes for	It seems that the product market does not provide an intensive

that your company produce a verified CSR (sustainability) report.	example, for diamonds, because of the issue of xxxxx diamonds in Africa. At the moment we don't have a certification scheme for coal and I'm not aware of anyone in development.	to support a verified SR report.
Down-stream industries using your product increasingly desire that your company produce a certified CSR (sustainability) report.	I would like to say that yes our customers are asking those things. I mean, I would like to see them asking those things but in truth, I don't know how much they are asking for that sort of stuff, so it's hard for me to answer that. But if they were asking it, it would be good because it would be, you know, provide again another driver for us to be doing the work that we're doing.	product market
Competitiveness		
Competing companies in your industry are releasing certified CSR reports.	Yes, definitely, strongly agree. Oh, certified CSR reports, yeah. This is at the [parent company's] level, certainly BHP Bulletin, Anglo American, Extrxxxx, they're all doing sustainable development reports. And so yeah, I know, I'm pretty sure BHP Bulletin do and I'm pretty sure Anglo American do, I'm not sure about Extrxxxxx. But yep, so they are, so that's an agree.	Peer pressures
Competing companies in your industry actively promote the action of their releasing certified CSR reports.	Um, yeah. They do promotion. I wouldn't say they do a huge amount of promotion but they all do them.	Peer pressures
Most of the products (services) of your company are exported to international markets?	Yes.	International market
Your company sees the production of a CSR (sustainability) report or reporting as valuable?	Yep, we wouldn't do it otherwise. It's not in our interest to go and waste our xxx money. Yep, so 5.	Value
Implementation of CSED		
Rule to disclosure	We're strong believers that we shouldn't be reporting anything that we don't need to know	Valuable to management/

	ourselves in order to manage our business. So for example, if, and this is a good example of GRI actually, if the GRI says you must report, let's try and think of something. Say it's energy use and the GRI says you must report energy use, we wouldn't do that unless it was also valuable for us to know internally. Now energy use is a good one in that we need to know our energy use in order to be able to manage our energy emissions and try and reduce them and to put in energy efficiency projects and stuff, so that's something we need to know internally anyway. So it makes sense for us then to report it externally, [B]ut if it was something that was just being, you know, that GRI was just requiring but we didn't actually see much use in it internally, we'd probably seriously question whether we would report it or not. Because it's quite a bit of time and effort to collect some of these numbers and report them and if we're not really getting sort of internal benefit from them as well as external then we'd have to think about, you know, who was actually needing to know this information and whether we would do it or not. Yes, but it's got to be a benefit to us internally as well. So if we need to manage the issue or we need to know about it, like energy, we would definitely do it. If we don't need to know internally or manage it then we need to say, well is it actually worth the time and money to be collecting and reporting this stuff. So [our parent company] mandates that every business unit within [the group] must produce a sustainable development report, so we have to as well (p.13).	cost benefit analysis
How do the people in your company work together to research the consensus of the structure of your SR report?	OK, well I'm sort of responsible for looking after, to designing the structure of the SD report and I would do that, develop it and then talk to my boss about it, so the head of external relations for [the company]. Then we have a committee of people that basically sort of guide the content of the SD report so that would be myself, someone from, sort of really each of the areas that we report on. So someone from health, safety, environment, human resources, business improvement, sort of all the areas that we report information. And that group of people will be the committee, basically that sort of meets and decides what goes in and what we report. So we do that. And then we just go through a process that's coordinated by me and my team of collecting information from them, writing it up into a format which is, you know, consistent across all the groups and, which can be well communicated easily, because a lot of this information's quite technical. And it goes through editing and review as I said, our CEO or our Managing Director who's basically the head of [our company], he reviews the information before it goes out. So that's really the process that we do.	

You like to release some issue in your report, and you need some indicator and you ask the department who is responsible for this indicator, and they say sorry we cannot do it. It has happened before?	Oh yeah, definitely. One thing I would like us to report is occupational health diseases, so new diseases of occupational health and we may well collect that at the moment but it's not probably, the data quality is not good enough for us to be able to sort of have much confidence about it from what I understand. So that's something that I would like to do, so we sort of have an improvement program as well because we know that our SD report can get better each year but it can only be as good as the programs and the stuff that we're doing in the business to start with.	**Data insufficiency in some indicators**
GRI Guidelines implementation		
Why did your company decide not to adopt GRI Guidelines in your SR [Sustainable Report]?	I guess, I'm talking sort of [our parent company] now not our company. [Business units of our parent company] don't see a lot of value in the GRI guidelines or in having some sort of common system of reporting and at the time we were having this discussion a few years ago, the GRI seemed to be the vehicle or the best organisation in terms of, what we didn't want was like 5 or 10 different sets of organisations doing their own reporting guidelines and we have to try and report against all 10 sets of guidelines. What we were trying to say was let's put our eggs in one basket, let's sort of work with the GRI, try and get their indicators and their guidelines xxxx and then get everyone else to adopt those because we didn't want 10 sets of guidelines or indicators. So [our parent company] put some effort in to working with the GRI because we can see that there's a need, a push towards more standardised reporting. The people that are using, I guess the GRI guidelines, and [the parent company] uses the GRI guidelines, so that's done. We've sort of made the decision though that the individual business units of [the parent company] don't necessarily need to use the guidelines because their reports are being scrutinised by the people that need the standardised reporting. So the people that are looking for standardised reporting are basically the business analysts and investment community who want to compare us to BHP to Anglo American and so forth. We don't get that level of comparison sort of between [our company] and you know, different parts of each of those companies, so [our company] does it, they do the GRI guidelines and the individual business units basically it's up to them to decide whether it's useful or not. Some parts of xxxx xxxx, the business units do use them because they find it's useful. We don't because we don't think it's much useful in that we don't sort of report, do a GRI checklist, that's not to say we don't look at them. I mean we do look at them and we say right the GRI says you need to report in all of these areas, so you know, human rights,	Ownership of equity (capital market) Use GRI Guidelines as a map in guiding issues disclosed but not specific indicators

	human resources, you know, all the topics that they cover and we do try and make sure that we cover each of the topics, but we don't do the specific indicators. So, it's really just what's useful to our business and we haven't found that the GRI indicators are going to be that useful to our business so we haven't adopted them. But [our company] has. I think it's useful in it provides definitely a guide but we, so we do look at them and we do use them to sort of I guess map, sort of look at the gaps that we've got in our report and make sure that we're not missing any topics and stuff, but when it comes down to the individual indicators we don't, we see it's more useful for us to use indicators that make sense to our business rather than adopting an indicator that the GRI has developed.	
The problem of not adopting indicators	Yeah, indicators can be a problem, just whether they're the most relevant to an individual business….[In our company], as I said, we look at them but we don't adopt the indicators necessarily because, I mean in some cases we probably do but we use the ones that make more sense to us and to our business and to our global communities because that's who our reports for. …say the GRI has indicators on water, and I can't even remember what the water indicators are in the GRI but say, for example, they might be about the amount of water that you use and we might, the definitions might be slightly different and we probably, you know, we look at say, or maybe they look at recycled water and we look at water use or they look at water taken from the environment or, they're slightly different and so we don't necessarily use them because they don't, they're not as relevant to our business and it's more relevant for our coal business to report on water use which is what we report on. So, that's why. I mean, it's not to say we won't have a water indicator, sometimes just be a bit different to the GRI one for various reasons.	A disagreement in the definition of sensitive indicator; such as water is a very sensitive issue in Queensland.
Adopting GRI Guidelines in your SR will increase the credibility of your SR?	Not really, not if it's targeted at local communities cause they're not looking to make sure that they're GRI, and I know that arguments around comparability so that they can compare us to BHP, to Anglo American and stuff. At the moment we don't see the global communities demanding that or even asking for that so that's why we don't do it. I mean that could change in the future but I don't think the GRI guidelines are advanced enough yet to be able to do that sort of meaningfully anyway, so, they'd have to sort of	In the light of their main audience, GRI is not really necessary.
Decision rule to adopting GRI Guidelines	[W]e don't use GRI guidelines for [our company] and I can talk about why in a minute but even if we did, we would be selective in them. We would look at the ones and say, we report these ones because they're useful and they make sense to us as a business, we don't report	Must be driven by the information need of main audience

	these, for these reasons. So we wouldn't go out and do every one of them (p.14). Yeah, as I said it comes back to the point before that if it's not useful to us to collect for internal use then we probably would seriously ask whether we should be collecting it. If it was just the GRI saying you need to report this, then that wouldn't be justification enough to start collecting it. If our shareholders or our regulators were asking for it, then that's, you know, we probably would do it but just you know, GRI saying you should report this, if nobody else was asking for it, then that's not really justification to do it, I wouldn't think. Because it's got to be driven by an information need. It's got to be driven what the audiences xxx they want to know something. If they want to know it then yes, we'll probably look to see if we could do it but if it's not then there's not sort of...(p.19)	
Accountability: How do you know your SR fit your needs?		
Information need of main audience (local community)	Well the local communities they want to know about, a lot of the local issues are around water, dust, number of complaints we've had, the amount of money we put back into the communities, so community contributions, where that money is spent, rehabilitation of land, how much we've rehabilitated, number of employees we have, those sorts of things. Our local communities are pretty much, it's environmental issues, so dust, noise, water, those sorts of things, and the contribution type issues, so how much money we've contributed and where.	
How do you evaluate your SR fit the information needs of your main audience?	Well we'd look at, we'd check it against the GRI like I said, to make sure we covered all the things and we've got these community consultative committees like I said, to make, that we can ask during the year to have a look at our report and give us some feedback on it. To make sure it's meeting their needs and things, so that's how we do that. About whether it meets the needs? Um, well given, I mean inside the company is one of the audiences, um, we do from time to time, do employee surveys about things that they'd like to know about and stuff like that, so we have feedback that we can use to build into the report. Climate change is one area where we've done surveys over the last years about, of our employees and what they'd like to know about climate change and how much they already know and their awareness and what they'd like to see us do more of so, you know, we've used that feedback in our climate change reporting to meet employee needs. So that's, I mean, it's really, well through that but mainly through a lot of the community feedback because that's	

* This question is not in the questionnaire but pop up from the conversation at site.

Source: Coding by the author from the interview transcripts of one selected company

Appendix C (6)

Extract of Case-Level Data Sheet: Interview Transcript

Company	**B2 Bank**	
Themes and related questions	Exemplary quotes	Scale of showing strong evidence
Organisational legitimacy		
Your industry is likely to receive a high level of scrutiny from groups and individuals concerned about the sustainability issues	I think compared to say the mining or petroleum industry I think our stakeholders are quite as active but they certainly have quite a big interest and particularly banking on the social side. Why we embarked on sustainability in the first place which is really because we felt there was a misalignment between community expectations of the banking sector and the performance of the banking sector. So, it came, I guess as a bit of a hangover from all of the periods of high levels of branch closures across the industry, perceived high levels of fees, quite negative media coverage and basically the organisation, except for the fact that rather than us needing to tell our story better, there actually was quite a case that maybe our story needed to change. And so that's where we took, I guess, a much more open approach to stakeholder engagement and a key component of that has been reporting progress back. So, yeah, we're not an obvious polluter but people have concerns around people's financial literacy and their ability to manage their funds and perceptions that banks were perhaps keeping information from people so that they could, you know, because it was in their interest to, for people to pay penalty fees and all of those sorts of issues. So I think that whilst banks have done a lot of work in environmental space, it's actually probably more from the **social space** that the interest in sustainability first emerged in the sector.	(Social scrutiny/ social pressures) Product market
Seek to establish CSR standards as a way of increasing social approval	Yeah, I would say actually for us that's quite high. For instance we, if you see in the back of our stakeholder impact report, we report against the GRI but we also report against a number of indicators that we developed ourselves, that came as a result of a large stakeholder consultation process that were Australian specific indicators. So, there were consultation sessions held with a number of unions and environment groups and social groups and what have you. He felt that there were a couple of issues that weren't picked up in the GRI framework that were also particularly relevant to the Australian context and so we've used them within our own reporting framework. I guess if you look at standards	Need social approval

	more generally, that we were a founding signatory to the Equator Principles and the first bank in Australia. And we were one of the first banks to sign onto the Global Compact and endorsing those standards in their infancy. And similarly we've been the first bank in the world to sign to the CEO water mandate. So we've been heavily involved in shaping some of those frameworks and indeed we've been involved with working groups with the GRI in the development of the financial services sector supplement.	
Increased regulation of the industry or the firm.	We're seeing some of that already coming into force with the new government particularly in the social space where they're looking at switching prices between, and making it easier to change banks. I guess, that's been considered a social equity issue. And I mean indeed we've also been involved in some of that so we're involved in some reports in the environment space that were calling for an emissions trading scheme so I mean, we've been lobbying for regulation in this space ourselves as well.	Increase regulations/ Social pressures
Can become a social target	Yeah, I'd say that's a 5 actually. And we've certainly seen that in the case of ANA and Gunns as you would well know being from Tasmania. I mean Gunns first, or the financial services sector was first involved in Gunns many years ago and when the Wilderness Society put together stakeholders resolutions against a number of other organisations who had investment holdings in Gunns, current issue aside, so I think yes, it certainly has prompted the sector to improve its environmental and social screening.	
Since some firms in the industry are producing sustainability reports, this may lead external individuals and groups to be more suspicious to those companies not producing CSR reports.	I mean I don't think that it necessarily, in some respects xxxx companies actually producing reports, that in itself leads to suspicion if those reports are difficult to compare. So for instance, we have meetings with SEG analysts who will say, you say that your customer satisfaction's going up, our competitor says that theirs is going up, someone else says they've got the most satisfied customers, you say you've got the most satisfied customers, you both use different methodology, who am I to believe. I don't know that, I mean, it's as clear cut as those who report and those who don't.	Credibility of the CSR/sustainability reporting Lack of comparability in measurement
The main audience of your CSR reports		
Shareholders are the main audience for your CSR reports.	It depends on, and I guess this is maybe if you're looking to work on the, our shareholder base is quite large, so we would say generally speaking shareholders probably aren't the primary audience but there are selected shareholders and analysts who are very interested. So we do, we would certainly produce it with those in mind.	

Suppliers are the main audience for your CSR reports.	Um, I would be saying slightly more, probably more to the kind of 3, 3 ½ but still not.	Supply chain
Customers are the main audience for your CSR reports.	I would say again, they're probably about 3 ½ but we're looking to engage with them more. I think the level of detail in the sustainability report is probably beyond the interest levels of most customers. But we are looking at ways that we can produce a more concise version that is more in tune with the kind of level of information needed by our customers. And certainly you would have seen from our brand advertising we have been talking to customers about sustainability. But this is specific to our report. And we're looking at options to try and maybe do a lot of that online and then in the future do a more concise printed version that's more suitable for customers and employees.	Product market
(Institutional)Investors/analysts	Some institutional investors, particularly superannuation funds. And ESG analysts who prepare reports for some of those funds. So the likes of xxx xxxx Hendersons or xxxxx and like City Group have quite a big xxxx section and we certainly are having more and more discussions with them about the types of information that they would want to see. I think if you put shareholders as one category and analysts as another you might find the scores differ.	Capital market
NGOs	Who we think our main audiences are, we would say probably ESGI's, we would say NGO's and probably government as well.	
Employee	Yep, I would say they're a 4. Satisfaction surveys internally and as reported in our report, sustainability remains a big area of interest and a big driver of satisfaction with the organisation and it 's also a growing reason as to why people choose to work with us. Particularly amongst the graduate group.	Internal stakeholders
Verification of sustainability CSR reports		
Your customers are showing a serious interest in whether your company has been certified.	I don't think they are that sophisticated in their understanding. Yep, but I think if you asked most of our customers they probably wouldn't know if it was verified or not. Again I expect that will change but I think it's probably just an expectation that we do.	
* How does you company		

increase the credibility of your report?		
Competitiveness		
Competing companies in your industry are releasing certified CSR reports.	Well, for instance if you look at last year when ANZ were named as the sector leader in the data and sustainability index, which was the first time that we weren't for about five years, they ran press advertisements, advertising the fact. So I think they quite aggressively tried to catch up. I guess for us it has being the way we do business so it's almost a cultural thing or certainly that's the ambition. And it is an opportunity to position and differentiate but first and foremost it's from the value, organisational values rather than financial value, but we do believe there's financial value in adopting a sustainability reporting.	4 Peer pressures
Competing companies in your industry actively promote the action of their releasing certified CSR reports.	I don't think it's promotion in terms of, you know, in the way they might launch a new product but they certainly would have targeted communication to key stakeholders to let them know that the report is being released. You know they would use things like corporate register but I don't think, you know it's not the kind of thing you run a television campaign on.	4 Peer pressures
Most of the products (services) of your company are exported to international markets?	It does but certainly not most, so I'd say it's probably 2. Certainly our institutional bank is involved in the international deals. We provide banking services to people who live offshore and but it's not a core focus.	International market
Your company sees the production of a CSR (sustainability) report or reporting as valuable?	Yeah, I would say 5. We do see it as valuable. I think that in terms of competitiveness, I mean, it's of interest to, increasingly to analysts and therefore I guess it has the potential to sway capital flows into your organisation and impact on your share price over the long term. I think since we've embarked on that we've probably learned that there's actually quite a lot of significant business value in the approach as well. So we would say some of the reasons that we do it now are also about the long term profitability of the business in a much more strategic sense than necessarily just keeping stakeholders happy but certainly if the questions in the past then that definitely rings true.	5 Value
Disclosure process		
Decision to disclosure How do you develop your	I think the position is it's better to have a clear position up front so that you're not forced into the position where you need to make decisions without having clear internal policies. So	Valuable to management/ cost benefit analysis

strategy, I mean, for your CSR reporting you have a policy or standard for this?	it's important to have a process to go through and you'll see across the sector that people are increasingly, banks are increasingly releasing sector specific policies outlining their positions on a range of different xxxxx sectors, whether it be forestry or mining or arms or palm oil or whatever is sort of relevant to their individual business. So I guess our position is it's better to have an idea up front so that you don't have to scramble around making the decision during the process. You want to have a framework to apply it against up front. We have a kind of a procedural manual for how it's done. And then we have a strategy discussion that the xxxxxx around what the approach might look like. So that's based on what the major issues for that period have been, what the report, the trends have been in reporting generally so that the kind of design and format are consistent with the issues we know we will need to cover. So the starting point is generally around what we know the issues we will need to cover either because they're areas material to the business and we undertake a, um, our assurance providers are the first stage of the assurance process, develop xxxx xxxx register based on various inputs. And then we're tested not only against the GRI indicators but also that we've accurately, have given a fair and accurate representation on those material issues and that we've given adequate attention to them all. I think, if an issue is deemed as critical then we wouldn't be able to not report it. We might not, where there's a commercial interest fully, um disclose future plans because we obviously don't want people to be able to just implement our strategy.	Risk of insufficient disclosure Peer pressures Based on policy and strtegy
How do the people in your company work together to research the consensus of the structure of your SR report?	I guess there's two components to this. One is around the decisioning of the approach that we take to reporting and that is approved by our board sustainability committee. Which is a subset of our full board and our executive office. So we put a paper to them each year outlining the approach that we want to take for reporting for the following year which they endorse and then we go through a process of developing that report. It's done in, it's managed and written out of our sustainability team but there are a number of people across the business with accountability for the data that's provided and we use a combination of an online reporting tool that they are expected to put the xxxxx data into as well as additional commentary on why the numbers are the way they are and the initiatives that have been undertaken in the business that year. And then that's co-ordinated through us. The drafts are then reviewed by the full board of the organisation as well as all of the executive officers so the CEO and all of her direct reports receive a copy. Xxxx xxxxx expected to provide feedback before it's published.	

The roles of your team	So our roles as the sustainability team is really to, is around the issues identification. And opportunity identification and working with the business units to help them implement it so we really work kind of more as an advisory services and then we collate all the information for reporting but responsibility for setting up the data collections structures and, um, sits with the business units who are also expected to implement the initiative.	
GRI Guideline implementation		
Why did your company decide to adopt GRI Guidelines in your SR [Sustainable Report]?	At the time that we first started reporting, there was a review undertaken of the different options for what that report might look like and the GRI was seen to be the most compelling. It was, I guess it was recognised as the leading framework at the time. It covered a broad range of issues so it also provides a useful framework from which to assess your organisation when you're starting out and it, ideally, although it doesn't necessarily always happen in practice, allow for comparison and transparency between companies because it's a set of indicators and some of those are open to interpretation and discussion and it doesn't always happen in practice but the intention was that you would end up with a transparent report against an independent set of indicators that would allow for that comparison.	
How do you control on the content so that you can actually match it to things like GRI?	Our assurance providers will state in their assurance statement if they feel that there is something that we haven't talked about enough that we should be disclosing more on. And so because of that process, that doesn't happen. We like to have them say that we've given a full and fair report.	
Adopting GRI Guidelines in your SR will increase the credibility of your SR?	I think, I guess my answers probably not necessarily. I think we use it [GRI Guidelines] in conjunction with the AA1,000 standard which provides I guess greater assurance that you have paid enough attention to significant issues for your business rather than necessarily meeting the tick box requirements of the GRI indicators so I think the two together can provide that. I think GRI on its own doesn't necessarily mean that will happen but the potential is there, if that makes sense.	
The verification of CSR reports	Yes. And we use a three part process. So we do the xxxx register that I mentioned or our assurers do the xxxxx register. They then do an organisational assurance where they test the robustness of the processes around those material issues, so where we say we have a policy how is that implemented, and they do a series of interviews with the relevant employees from the department that managers the policy or implements the policy. Then they also test that in the field so they'll meet with branch employees and call centre employees and they will talk to them about you know, in reality what this policy means and how it influences their interactions and what have you. So the responsible banking,	

	that I talked to you about before, they'll have discussions with employees around the xxxx between the customer indebtedness and sales targets and which one's are really important. So we're testing that we really practice what we preach I guess. And then the third is the straight assurance of the report that what we said is true and accurate.	
Accountability: meet the information needs of main audience		
Information need of main audience (local community)	So it is a competitive issue but by the same token I guess our view is that the kind of issues that come up in the sustainability agenda are issues that one company cannot solve on its own and therefore we often work in partnership with other organisations including organisations within our sector, to promote the agenda and promote issues. So, it's, yeah, it's kind of a weird mix of collaboration and competition. We certainly participate in the xxxxxxx program, we participate in the business leaders forum which ANZ are also a member of, we work quite closely on a number of issues. And you know, certainly our, I guess when we talk about it, it's almost in the sense of organisational pride that other organisations have chosen to adopt the approach. And that we're certainly open to discussions with organisations about the way we've done it and that includes organisations within our sector so you know, we've spent quite a lot of time with credit unions and the like talking about the approach and what they could apply.	
How do you identify the issue you should be account for?	There's two stages. We use an AA1,000 methodology internally and we have regular reporting to our board. So the issues that are deemed of importance to go to the board are also a key indicator of what we should be awared. So in addition to our annual report we report quarterly to our board on some of those metrics and how we're performing. So that's something that's done inhouse and then our assurance providers undertake a review, which is has five key inputs, that includes a document review internally of our own material, a series of interviews with external stakeholders and a xxxxxxx internal stakeholders, a review of external commentary including media and government, commentary on sustainability issues and banking issues and the final one is a peer review of a number of organisations in the sector and what they've identified as issues. And they're all encoded in a program and then to develop a list of what should be on that xxxxx register. So basically the AA1,000 model is that you end up with a matrix which has an interest to internal stakeholders on all the business on one axis and interest to external stakeholders on the other axis and then basically you work the outer corner back in as to the level of importance that it should receive in the report. So the issues that end up quite close to the	

	axis may not get reported at all or just reported xxxxx and no in the formal report. The other xxxx that I didn't mention that we use in determining those issues is a series of stakeholder consultations. So we have a community consultative council that meets annually that's chaired by our chief executive officer with the xxxx CEO of equivalence of major NGO's leading academics in the field, representatives from government, from unions and what have you. We also have a customer committee that again has some external parties sit on it. So obviously the issues that are raised in that forum we have a social advisory group, an environmental advisory group and issues that are raised in those forums are key, are often synonymous with the one's that end up on the xxxxx register.	
How do you evaluate your SR fit the information needs of your main audience? How do you know the issues disclosed cover all your major stakeholders?	So we do a number of things. Firstly we do a straight measure on how many people have read it. So how many printed copies have been distributed, how many copies are downloaded from the website. Then we do, as part of our stakeholder consultation sessions, so for instance in that community consultative council that I mentioned, we ask for feedback on the report. And similarly we do the same with our employees. We have one on one discussions with our xxxxx academics xxx what they would like to see. And with other stakeholders. Then we undertake a structured review every couple of years and that's again done by an external provider. So the last time we did one we used the ACCSR, xxx xxxx group in Melbourne and they did a series of focus groups with various sort of stakeholders, the customers, employees, analysts, NGO's on what they like about it, what they didn't, what they want to see more of, what they want to see less of. In addition, xxx xxx reports on reporting trends xxxxx sustainability in the UK put out quite a detailed report every year that ranks organisation report, so we take notice of them, what's happening with the standards generally so AA1,000 and GRI in particular. We get quite a detailed management report as part of our assurance process from Benara. And that has advice for both the way we manage the sustainability and the way we do the report so they will tell us whether they think we might be falling short or we need to look at the way we report particularly indicator	

* This question is not in the questionnaire but pop up from the conversation at site.

Source: Coding by the author from the interview transcripts of one selected company

Appendix D

Motivation & Responsiveness for CSR reporting: Exemplary Quotes by the Sector

	Exemplary Quotation	
Motivation (drivers)	Banks (2)	Mining Companies (4)
Institutional Pressures		
Social scrutiny/ social pressures	[T]he banking industry is likely to receive scrutiny from groups and individuals on a range of corporate social responsibility issues. From what we do with banking products and particularly financial inclusion, how we provide banking products and our conduct during that. (B1).	Yeah, I think we do, we get a high level of scrutiny. When I'm talking about [our company] now, our product is coal so increasing, in relation to climate change; we have a lot of scrutiny from....
Increased regulation of the industry or the firm.	Well, I think you just have to look at what's happening around climate change. For example, our company ...we are now reporting and are required to report under the <u>Energy Efficiency Opportunities Act</u> and the <u>National Greenhouse and Energy Reporting Act</u> cause our greenhouse emissions trigger the thresholds. So, yes if there's really key sustainability issues in there, that's an environmental one.	Yep, definitely, increased regulation. Agree with that. I think there's a mixture of pressure for increased regulation and/or pressure to adopt voluntary standards, or voluntary things. So you can go one way or the other and I guess the way that we perform and the more willing we are to adopt voluntary programs, the less likely we are to be more regulated, if you know what I mean. In some cases, you know, regulation is becoming, has become tighter for us so, yep.
Become a social target	Yeah, we certainly, well have **media attention** and sometimes we've had individuals lobby local politicians about issues relating to [our company]. I guess generally they, we haven't had any really big issues that last for a long time but certainly that happens from time to time. In terms of, could we be a target for political action, or media attention, as a bank, yes, look at ANZ and Gunns. Big target.	...definitely for, in terms of making the media attention, and protesting, and things, yes, they could see us as a target but I'm not sure what you mean by political action. Yeah, I think, we didn't talk about it but yes, it's still pretty strong. Yeah, and that's particularly, I mean in Australia, to a lesser extent than compared to our overseas operations. So yeah.
Peer pressures	I think probably the best example there for the banking industry would be the Equator Principles. So an Equator Principle bank is not likely to do business in a syndicated deal with another bank	When you become a member of the Minerals Council, one of your obligations is to produce an annual sustainability report. So this is a, so people who are members of the Minerals Council are required to do

	that doesn't uphold the same standards so we upheld the same standards, we just weren't signatories. But now we're signatories as well.	this. It's a code of practice, if you like, it's certainly strongly encouraged [voluntary not compulsory]. [W]e belong to the Minerals Council of Australia, and we have signed up to the, it's called Enduring Value, it's a set of principles, sustainability principles, and one of those requirements of doing that is that we publicly report our sustainability performance annually. So that is one of the drivers for us reporting. Ah, I think there's more peer pressure so if a company produces a report that, ah, a company that doesn't will stand out a bit more and there will be continuing pressure to, for them to produce reports, so if that they don't feel like they're following the pack and not as a separate entity. So that's why there's a bit of peer pressure to do that.
Competitiveness		
Sustainability competition in product/capital markets	Q: Do you think sustainability is quite an issue in competition in your sector? Can you give me an example? A: Yes. Well, for instance if you look at last year when ANZ were named as the sector leader in the data and sustainability index, which was the first time that we weren't for about five years, they ran press advertisements, advertising the fact. So I think they quite aggressively tried to catch up (B2). Q: If the sustainability is part of competition in your sector, what objectives of your company when you compete in this? R: I guess for us it sustainability the way we do business so it's almost a cultural thing or certainly that's the ambition. And it is an opportunity to position and differentiate but first and foremost	They do promotion. I wouldn't say they do a huge amount of promotion but they all do them (mining). The product that we produce is not a consumer product. We produce gold and um, copper concentrate and they're sold onto a, through a market that doesn't really differentiate between different suppliers at this point. So the nature of our product and the commodity market and nature of product in terms of its purity or quality. The London Metal Exchange [decide the price]. So we sell it to the Mint in Perth, Western Australia and to some extent, we can decide when we sell it but the price goes up and down on the world market and we sell on any given day when we produce gold

	it's from the value, organisational values rather than financial value, but we do believe there's financial value in adopting a sustainability xxxxx. (B2). R: Yeah, so it's a kind of value and the values, if that makes sense. I think that in terms of competitiveness, I mean, it's of interest to, increasingly to analysts and therefore I guess it has the potential **to sway capital flows** into your organisation and **impact on your share price over the long term** (B2).	bars and ship it to the Perth Mint. So that's, we have no negotiations on the price, we can only decide when we sell it.
Peer pressures	[Competing] companies are releasing reports, yes. Banking sector is one of the key sectors. It's very big on reporting. [A bank] and [B Bank] for example, do way more promotion around their report than we do. And they actually use corporate register xxxx service, we don't [because of] a combination of budget and other things.	
Responsiveness in CSR reporting		
Proactive (opportunity) vs. reactive (rudimentary)	[I]f you see in the back of our stakeholder impact report, we report against the GRI but we also report against a number of indicators that we developed ourselves, that came as a result of a large stakeholder consultation process that were Australian specific indicators. (B2). [T]here were a couple of issues that weren't picked up in the GRI framework that were also particularly relevant to the Australian context and so we've used them within our own reporting framework. (B2). And we were one of the first banks to sign onto the Global Compact and endorsing those standards in their infancy. And similarly we've been the first bank in the world to sign to the CEO water mandate. So we've been heavily involved in shaping some of those	[W]e've sought to establish standards in the past as a way of increasing social approval with external individuals. Yep, absolutely. We've had to because we call it a social licence to operate. We can't operate as an industry without having, you know, broad community support for what we do. Even if we can get through all the government approvals, you know, we've got protestors and people in the local community opposed to our operations then it makes it really hard to operate so it's in our interests to work with them and to communicate to them as well. (M1). We're strong believers that we shouldn't be reporting anything that we don't need to know ourselves in order to manage our business. So for example, if, and this is a good example of GRI actually, if the GRI says you must report,

	frameworks and indeed we've been involved with working groups with the GRI in the development of the financial services sector supplement. (B2).	let's try and think of something. Say it's energy use and the GRI says you must report energy use, we wouldn't do that unless it was also valuable for us to know internally. (M1). [W]e're pretty well regulated already. There's [sic] lots of regulations we have to work to. So, um, but there's always potential for what we do and where we go and what we can do and what we can't do. (M3). ...we don't address every GRI obviously because it's not relevant to us. Or we don't collect verifiable information on it so it would be, so we don't report on it. (M3). We cross check what we're doing relative to what the GRI says and that is also a component in our decision as to what goes in our report. (M2).

Source: illustrated by the author from the interview transcripts of selected companies

Appendix E

INFORMED CONSENT FORM

I the undersigned, ___________________________________ certify that I freely participate to the PhD research project, entitled: "A theoretical Exploration of the Adoption of GRI Guidelines in Corporate Sustainability Reports". The nature of the project is as follows.

1. The project aims to better understand
    - the reasons that might cause companies to report their corporate social responsibility and to certified their corporate social reports for *Global Report Initiative (GRI) Sustainability Reporting Guidelines* ;
    - the process of reporting; and
    - the impact or influence on firm's Adoption of GRI Guidelines in its CSR reporting?
2. Data will be gathered through interviews Australian companies that release their sustainability reports in the GRI website (www.corporateregister.com). Each interview is expected to last about 60 minutes. With the interviewees' content, we would like to tape the interview.
3. Each interview will focus on the following themes:
    - Back ground information on the interviewee, such as the length of time for which s/he has been involved in the preparation of CSR (Corporate Social Responsibility) reporting and her/his expertise and experience in accounting.
    - The reasons for releasing CSR Reports
    - The reasons for adopting GRI Guidelines in its CSR reports
    - The outcomes of firm's sustainable practices as well as their opinion of CSR reporting in general and adopting GRI Guidelines in CSR reporting in particular
4. The interviewee has the right to refuse to answer any question, and may stop the interview at any time, without having to provide any justification.
5. There will be no risk to participants of the study. Anonymity will be provided to protect participants.
6. The following steps will be taken with regard to anonymity and confidentiality of information:
    - In papers (thesis) the identity of the corporation/ interviewee will be kept anonymous. An alphabetical code will be used to refer to specific corporations/ interviewees. As well, evidence that could be used by a reader to identify the corporation/ interviewee will be avoided. For example the sentences like "the corporation is the biggest car manufacturer in the world/Australia".
    - No other member of the corporation will have access to the information disclosed during the interview.
    - Only the active member of the research team (like supervisors) will have access to the tape/transcripts of the interview.

- Once the interview is transcribed, and if the interviewee requests it, we will send her/him a copy of the transcript. The interviewee will then verify the accuracy of the transcript and have the opportunity to add changes s/he feels might be needed to make her/him comfortable with what s/he said during the interview. Each interviewee will be given a certain period of time (like four weeks) to communicate to the researcher any concern or modification. Once the period is over, the research will assume that the interviewee agree with the transcript.
- The original tapes will be destroyed five years after the interview.
- The final anonymous transcripts will be kept in a locked file for 7 years after the thesis is completed.

7. Thesis/ Research papers/ presentations/ teaching material will be written from the data gathered, and eventually publish in academic and/or practitioner journals.
8. A summary of the thesis will be available to participants who request it.
9. The research project is under the responsibility of Shang Mou Andrew Deng (PhD Candidate, the School of Accounting and Corporate Governance, University of Tasmania), to whom any complaint can be addressed. Complaints can also be addressed to supervisors of the project: Professor Gary O'Donovan and Professor Robert Cliff (University of Tasmania), and to the Human Research Ethics Committee (University of Tasmania).
10. Should you have any concerns, questions or complains with regard to the ethical conduct of this research, please contact Executive Office of Human Research Ethics (Tasmania) Network, on 62267479 or human.ethics@utas.edu.au. The ethics reference number of this project is H9882.

Read and approved on ____________________ ________________________

Participant's signature

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Researcher's signature