



Review

A review of corporate sustainability reporting tools (SRTs)



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ABSTRACT

Sustainability reporting has been increasingly adopted by corporations worldwide given the demand of stakeholders for greater transparency on both environmental and social issues. The popularity of such reporting is evidenced by the development of a range of tools in the last two decades – Global Reporting Initiative (GRI), AA1000 and Carbon Disclosure Project (CDP) inter alia. These tools, referred to collectively as corporate sustainability reporting tools (SRTs) are important as they serve to inform the progress of corporations towards achieving sustainability goals. However, the rapid growth of corporate SRTs, with different criteria and methodology has created major complications for stakeholders. This paper makes a genuine contribution by providing a review of some of these major tools, spanning across a wide spectrum - framework, standards, ratings and indices. A critique of SRTs is also given. Institutional investors, governments, practitioners and individuals may find this review useful in terms of understanding the nature of different corporate SRTs. As well, it can serve as a useful reference for the development of the next generation of corporate SRTs.

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Contents

1. Introduction	181
2. Corporate SRTs	181
2.1. Frameworks	182
2.1.1. Global Reporting Initiative (GRI)	182
2.1.2. SIGMA project	182
2.1.3. DPSIR framework	183
2.1.4. The Global Compact	183
2.1.5. Carbon Disclosure Project (CDP)	183
2.1.6. World Business Council for Sustainable Development (WBCSD)	183
2.1.7. Greenhouse Gas Protocol (GHG Protocol)	184
2.1.8. Broad principle-based frameworks	184
2.2. Standards	184
2.2.1. AA1000	184
2.2.2. SA8000	185
2.2.3. ISO 14001	185
2.2.4. ISO 9001	185
2.2.5. AS/NZS 4801	185
2.2.6. EMAS	185
2.2.7. OHSAS 18001	185
3. Ratings and indices	186
3.1. KLD	186
3.2. EIRIS	186
3.3. SAM	186

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3.4.	Asian Sustainability Rating (ASR)	186
3.5.	Dow Jones Sustainability Index (DJSI)	186
3.6.	MSCI ESG indices	186
3.7.	FTSE4Good index	186
3.8.	Bloomberg ESG disclosure scores	186
3.9.	Trucost	187
4.	Summary of other non-formal SRTs in the corporate sector	187
5.	Critique of corporate SRTs	187
6.	Conclusions and future research	188
6.1.	Future research	188
	Future research	193
	Acronyms	193
	References	193

1. Introduction

In the last two decades, the concept of sustainability has gained prominence across the globe. While understanding of sustainability varies, the most commonly accepted definition comes from the [Brundtland Report \(1987\)](#) which states that 'Sustainable development is development that meets the needs of the present generation without compromising the ability of future generations to meet their own needs'. This definition, however, is not critic-proof. [Bartlett \(1998\)](#), [Wallner \(1999\)](#) and [Székely and Knirsch \(2005\)](#) maintain that the definition given in the [Brundtland Report \(1987\)](#) is vague and 'un-operationalizable'. The Brundtland Report itself has been criticised for its primacy on economic growth in order to achieve sustainable development ([Robinson, 2004](#)).

There have been various attempts to provide a more precise meaning of sustainability in the business context. One representative definition is given by [IISD \(1992\)](#), 'adopting business strategies and activities that meet the needs of the enterprise and its stakeholders today while protecting, sustaining and enhancing the human and natural resources that will be needed in the future'. [Székely and Knirsch \(2005\)](#) define sustainability for corporations as 'sustaining and expanding economic growth, shareholder value, prestige, corporate reputation, customer relationships, and the quality of products and services. It also means adopting and pursuing ethical business practices, creating sustainable jobs, building value for all corporation's stakeholders and attending to the needs of the underserved'. [van Marrewijk \(2003\)](#) offers the following definition: 'demonstrating the inclusion of social and environmental concerns in business operations and interactions with stakeholders'.

Despite the multiplicity of definitions, there is a common understanding that to gauge how a corporation is doing with respect to sustainability, it should be measurable ([Özdemir et al., 2011](#)). Stakeholders are increasingly demanding for more disclosures not just on economic performance but also a corporation's environmental and social practices ([Waddock, 2003](#)). This has been the key motivator for the development of corporate sustainability reporting tools (SRTs), which like sustainability is also known with various terminology – corporate social responsibility (CSR) reporting, sustainable development (SD) reporting, triple bottom line (TBL) reporting, non-financial reporting, and environmental, social and governance (ESG) reporting. The historical background of such reporting is interesting. [Marlin and Marlin \(2003\)](#) suggest that the first phase of CSR reporting is between the 1970s and 1980s where the focus is merely on the reporting of a corporation's compliance to environmental management. There is no real linkage to corporate performance. Then, in the 1990s, a paradigm shift to reporting on occupational health and safety (OHS) or community based

activities is observed, followed closely by the institutionalisation of the triple bottom line concept. The triple bottom line emphasises on capturing a wide spectrum of values and measures a corporation's performance across the three main pillars of sustainability; economy, social and the environment.

SRTs in general make it possible to demonstrate results by measuring progress and clarify consistency between activities, outputs, outcomes and goals. Naturally, they are also recognised as an important tool to aid decision making and for comparative performance across corporations in different areas ([Singh et al., 2009](#); [Kessler, 1998](#)). While it may be argued that different corporate SRTs are required to cater for the different nature of businesses, climates, culture and resources, the rapid growth in SRTs have made understanding them a very complicated exercise. Hence, this paper aims to make a genuine contribution by providing a review of corporate SRTs.

This paper does not serve to replace but rather complement existing reviews in this area. [Adams and Narayanan \(2007\)](#) focus primarily on bodies that promote sustainability reporting guidelines. [Escrig-Olmedo et al. \(2010\)](#) provide a review of ESG ratings and agencies. This paper departs from other reviews by providing a more holistic approach encompassing three mainstreams of SRTs (frameworks, standards, ratings and indices). Other main SRTs that have been ignored in the afore-mentioned papers are also included here.

The structure of the paper is as follows. The subsequent sections explore, respectively, the wide spectrum of corporate SRTs – frameworks; standards; ratings and indices. A critique of these tools and suggestions for future research then follow.

This paper will be of interest to a range of stakeholders – institutional investors, governments, corporations and individuals who seek to understand more about the nature of corporate SRTs. As well, this paper will serve as a useful reference for the development of the next generation of corporate SRTs.

2. Corporate SRTs

Corporate SRTs can be divided into a few categories: frameworks; standards; ratings and indices shown in [Fig. 1](#). Frameworks typically refer to principles, initiatives or guidelines provided to

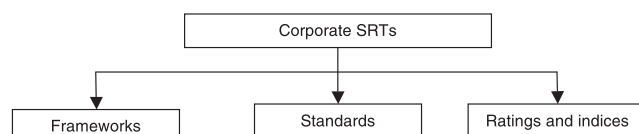


Fig. 1. Corporate SRTs.

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