Corporate Social Responsibility:

A review of Dutch Sustainability Reports

Master Thesis

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Summary

The past twenty years has been marked by an increase in societal awareness of sustainability issues. This increase in societal awareness has led to societal interest in the activities of firm's. The result is the emergence of an ongoing dialogue between firms and societal actors, whereby firms communicate their sustainability practice and activities to society. Firms do so using an instrument known as a Sustainability Report.

The practice of sustainability reporting using Sustainability Reports has evolved over the last twenty years to become an important channel whereby firms disclose their sustainable practices. In its infancy, Sustainability Reports primarily contained environmental issues. This has changed over the years in the sense that Sustainability Reports also now include financial and social issues. In spite of such developments, the practice of disclosing sustainability practice remains voluntary. An implication of this voluntary practice is that little is known about factors that actually influence the choice of what to disclose in Sustainability Reports.

This research examines this shortfall in the current understanding of sustainability reporting. To that end, it is the objective of this thesis to assess the extent to which a firm's resources (employees, revenue and international operations) influence its reporting practices. This is addressed in thirty two Sustainability reports from Dutch organizations using the methodology of content analysis. To address the objective of examining the effect of firms' resources on reporting patterns, a comparison is made of companies of different sizes.

The outcome of this analysis shows that a firms' reporting practice is not directly influenced by its resources. Rather, it was observed that most of firms did not want to deal with sensitive issues (such as bribery). It was further observed that firms did not indicate any future content of their reporting practice.

This thesis thus concludes that sustainability practice, while it is intended to gear current business practices toward a future orientation, is in fact merely an ongoing dialogue on current affairs. The analysis found little evidence of the future orientation of current business practices. This is thought to be due to the voluntariness of reporting, and a consequence of a framework to follow in Sustainability Report. While the thesis sought to contribute to the literature on CSR with regards to the extent to which firms resources have on their reporting practices, there was little evidence to show that this was actually the case. The contribution of this thesis is that different measurements of size gave different indication on reporting pattern.

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1 Introduction

Sustainability is a global concern that entails the future orientation of current practices (Rattner, 1999). From the standpoint of a firm, this means that it is necessary to ensure that current business practices do not negatively impact resource supplies for future generations. There has been an increase in societal awareness to that end, giving rise to an increase in the pressure from a variety of stakeholders (Primolan, 2004). The result is the emergence of ongoing dialogue between a variety of actors and firms on the adoption of business practices that equally take into account economic issues as well as environmental and social concerns (Elkington, 1994). The practice whereby firms contribute in a society is essentially voluntary and is defined as corporate social responsibility (CSR) (Carroll, 1991).

A major means by which firms address CSR is through the disclosure of sustainability related initiatives to the general public and stakeholders (Davis & Searcy, 2010). This means of communicating is known as sustainability reporting. It is a process whereby firms disclose their economic, environmental and social activities to both stakeholders and the general public using a publicized document. In keeping to societal awareness of sustainability issues, sustainability reporting has gained in importance in the past couple of years through the use of an instrument known as a Sustainability Report (Primolan, 2004).

A Sustainability Report is a type of publication that contains voluntary sustainable practices embraced by a firm. There is evidence to show that firms use sustainability reporting for different purposes. On the one hand, firm rely on the publication of a Sustainability Report as an important channel for the maintenance of their ongoing dialogue on sustainability with their stakeholders (Clarkson, 1995; KPMG, 2008). Firms engage with their key stakeholders in a dialogue to improve their CSR activities as well as maximize the benefits obtained from those activities (Burke & Longson, 1996). On the other hand, it has also been noted that sustainability reporting serves other purposes for firms. Indeed, some authors have observed that Sustainability Reports have become firms´ business cards whilst in others instances it is used as a tool to gain a competitive advantage (Heikkurinen, 2010).

Irrespective of the reason for reporting on sustainability practices, the past two decades have witnessed a boom in the number of firms that publicize their Sustainability Report. This boom has nonetheless occurred voluntarily in the sense that CSR continue to be practiced in the absence of any regulation. As a result, a Sustainability Reports can be misleading, and the may lack important qualitative and quantitative information sought by a target audience. This issue is well acknowledged and has gave rise to academic work to investigate reasons why firms report in a particular manner (Farneti & Guthrie, 2009), the content of their reports (Visser, 2002), the quality of the data included in their reports (Skoloudis et al., 2010) and the trends among reporting practices (Kolk, 2003). These studies however have failed to create a consensus on the issue of diversity, due to the newness of Sustainability reporting practices. Therefore, little is known about the issue of the diversity of and in reporting practices. It is therefore the objective of this thesis to analyze the issue of diversity in the reporting practices, based on the effect that a firms' size has on their reporting practice.

In order to accomplish the above goal, this thesis has the following structure: In chapter one, an introduction of corporate social responsibility (CSR) is given, from which the objective, problem statement and research question are derived. This is followed by chapter two where the concept of CSR is explained, taking into account the relevance of reporting. Therein previous studies provide guidelines for the conduct of reporting and frameworks for the analysis of such reports. This thesis examines reporting using such framework. The methodology for doing so is described in chapter three where the research design is elaborated on along with the content analysis of Sustainability reports. The findings of this analysis are presented in chapter four, from which conclusions are drawn and summarized in chapter five.

1.1 Background

The importance of sustainability is influenced by factors such as the prominent lack of natural resources, global warming and consumer awareness. According to Primolan, 2004, these are key drivers that forces firms to adopt sustainable ways to conduct their business activities as a result of the emergence of different stakeholders who are also aware of sustainability issue. In doing so, firms they are supposed to pay more attention to the extent to which their long-term business objectives and commercial continuity can be achieved through sustainable practices. Such firm practices are voluntarily performed under the concept known as CSR, and the nature CSR practice has changed over the years and continues to evolve in terms of the (i) the change in the nature of communicating CSR; (ii) the content of the reporting of CSR; and (iii) the change to the number of firms practicing CSR.

The changes to the nature of CSR are underscored by the manner in which firms communicate to different stakeholders. Over the past twenty years, there has been a change from a solitary communication by firms to the maintenance of an ongoing dialogue though the disclosure by firms of their CSR practices to the general public. This change is encouraged by increasing stakeholder pressure that is a result of their awareness of sustainability issues (Burke & Longson, 1996).

The first Sustainability report contained a summary of a firm's CSR practices and was created in 1989 (Kolk, 2004). Since then, sustainability reporting has evolved over the years with the help of initiatives such as the Global Reporting Initiative (GRI), a non-governmental organization (NGO) that seeks to improve the quality of sustainability reporting. Within the timeframe of twenty years, Sustainability Reports have evolved from the inclusion of data concerning environmental issues in the first report to cover social and financial aspects of sustainability practice in current reports (Siltaoja, 2006).

It is not only the content of the reports that has changed, but the number of firms that practice CSR or sustainability reporting has also become widespread. It is now estimated that sustainability reporting is practiced by 71% of the firms included in the list of Fortune Global 250 in 2005 (Kolk, 2010). While this may draw attention to the fact firms size influences their willingness to voluntarily report their sustainable practices, there is also a counterargument that show that the practice is widespread and generally practiced. Indeed, there are a high number of companies publishing Sustainability reports; approximately two thousand in the year of 2004 (GRI, 2010).

Due to the newness of CSR practice and constant changes of the nature of its practice, there is a lack of a consensus on a lot of importance issues concerning the nature of CSR. Several studies have been conducted to resolve such issues , these include studies that assess sustainability reporting practices by looking into the relationship between firms clustered within the same industrial sector and their reporting practices (Gallego, 2006; Langer, 2006); investigate reasons why firms report in a particular manner (Farneti & Guthrie, 2009), the content of their reports (Visser, 2002), the quality of the data included in their reports (Skoloudis et al., 2010) and the trends among reporting practices (Kolk, 2003). However, such studies are diverse and thus fail to create a consensus on a given issue. For example, there is little information regarding the extent to which important factors such as a firm's size affects their reporting practices.

The effect that firms' size has on their reporting practice is currently inconclusive and remains elusive. While 71% of firms list on Fortune Global 250 in 2005 (Kolk, 2010) reported their sustainability practices, the willingness to voluntarily report sustainable practices has also been found to be widespread and generally practiced; approximately two thousand in the year of 2004 (GRI, 2010). The lack of evidence on the effect that firm size has on reporting practice is the result of an absence of comparison of firms' size to see if there are any differences in their reporting practice.

Given that CSR is communicated and reported publicly by a large number of firms, it becomes possible to examine if there is any variation in the extent to which firm size has on reporting practices. The focus of this study, therefore, lies in the analysis of the Sustainability reporting practices by firms of different sizes. Therein, it is the objective to examine the existence of patterns among the Sustainability reports due to a firms' size. Size is here measured according to firm's total revenue; total number of employees; and international operations.

1.2 Research objective

Given that sustainability reporting practices are voluntary, firms are not obliged to report and when they do report do so freely according to their chosen criteria. Although some level of standardization among the reports can be found (mainly with regards to the inclusion of social, financial and environmental activities within the reports), there is a wide range and variety of known indicators that can be found in a firms' description of their activities towards CSR.

This thesis uses the range and variety of known indicators that appear in their sustainability reporting as a means to examine the extent to which a firm's size influences its CSR. This is achieved by comparing the firms that are localized in Europe and with less revenue against firms that have high revenues and operate internationally.

The objective of this research is thus *to look at the relationship between elements included in the Sustainability reports and firms' size*. This entails an examination of whether the size of the firm influences the range and variety of known indicators that can be found in a firms' description of their activities towards CSR; their Sustainability Report. The existence of patterns is assessed among firms of a similar size.

1.3 Research question

Based on the objectives discussed above, the research question for the thesis is formulated as follows:

RQ 1: *to what extent does firm size influence its Sustainability reporting practices?*

To answer this question, the relationship between size and sustainability reporting practices of firms is examined in the disclosure by firms of their sustainability practice.

1.4 Research strategy

With the purpose of accomplishing the objectives and answering the research question presented above, the thesis follow the processes of first conducting an extensive literature review on sustainability reporting practices. From the literature review, it was possible to identify known items in Sustainability Report and why certain methodologies are employed in the assessment of such items. This review also served to identify gaps in the previous literature, namely the issue of firm size. The assessment also provided the most suitable method to undertake this study; content analysis. Finally, a preliminary analysis was also conducted to determine and select the firms that are most suitable for the empirical analysis. The selection of firms was based on the availability of Sustainability Reports and the possibility to find further information from other sources such as statements on company websites that answer the research question.

2 Literature review

This chapter starts with an introduction on CSR and how this concept has evolved since its origin back in 1938. This is followed by a discussion on Sustainability report, an instrument used by firms to communicate their sustainability practices. The origin and evolution of Sustainability Report over the years is also discussed, together with it has been shaped by the Global Reporting Initiative (GRI), a non-governmental organization (NGO) that seeks to improve the quality of sustainability reporting. The importance of GRI, the most relevant framework for sustainability reporting, is introduced and its relevance is also discussed. The chapter ends with a review of previous studies, their conclusions and the presentation of the research framework.

2.1 CSR history and concept

The true beginning of CSR practice is unknown. Carroll (1999), one of the most renowned researchers in this field, argues that the first voices claiming for CSR in the literature dates back from 1938, when Chester Barnard launched "*The function of executives"*. The responsibility for CSR at that time rested on the attitudes of businessmen towards society. Carroll (1999) asserts that in the year of 1953, when "*Social Responsibilities of Businessman"* by Howard R. Bowen was published, CSR became part of corporations' responsibility rather than something that was carried out only by businessmen. The following three decades saw an increase in the number of studies on CSR. Yet, it was only in the 1990s, when Carroll (1991) and Elkington (1994) contribution to the dissemination of CSR theories that focus on firms, did CSR reach the mainstream literature.

Carroll (1991) presented the famous pyramid (figure 1) of corporate social responsibility, where four elements are suggested to constitute CSR: Economic (firms must be profitable); Legal (firms must obey the law and play according to the rules); Ethical (firms must do what is right and avoid harm); Philanthropic (firms must be a "good citizen" and contribute to a better society).

Figure 1: The pyramid of Corporate Social Responsibility [Source: Caroll (1999)]

John Elkington was another important scholar who helped to disseminate more theories to improve CSR practices. In 1994, he coined the famous term triple bottom line (TBL), which means that firm's activities should encompass financial, social and environmental aspects. Shell was the first firm to adopt this term by adapting the TBL to what they called "3 Ps", people (social aspect), planet (environmental aspect) and profit (financial aspect) in its first non-financial report (Henriques & Richardson, 2004).

Also during the 1990s, stakeholders gained special attention in the literature in practice and became key factors to be incorporated in firms' CSR practices (Carroll, 1991; Burke & Longson, 1996). Clarkson (1995) defines stakeholders as *"… persons or groups that have, or claim, ownership, rights, or interests in a corporation and its activities, past, present, or future. Such claimed rights or interests are the results of transactions with, or actions taken by, the corporation, and may be legal or moral, individual or collective" (Clarkson, 1995, p. 106).* The stakeholders can be either internal (shareholders, employees and trade unions) or external (suppliers, government, customers, civil society, competitors and local community). Burke & Longson (1996) have encouraged firms to seek their key stakeholders and engage with them in a dialogue in order to improve their CSR activities as well as maximize the benefits obtained from those activities. This "stakeholder dialogue" helps firms to improve the process of decision-making by establishing a two-way channel seeking for resolution of shared concerns towards CSR. As a result, firms enjoy *"…reputation benefits; impact of reputation on share price; increase in staff pride and in loyalty to the company; competitive advantage in the (international) market place; improved internal data collection and reporting systems; and, improved social and environmental performance" (Adams & Frost, 2008, p. 299).*

Currently, it can be said that CSR has become a large and comprehensive concept where firms need to contribute on a voluntary basis to both the environment and society and at the same time be ethical and profitable, and all these aspects are highly influenced by key stakeholders.

With the current over-reach of communication channels, an increase in stakeholder awareness and the pressures they assert, the need to communicate a firm's activities concerning CSR has risen considerably (Morhardt et al., 2002). In order to fulfill this need, companies are producing the Sustainability reports, a channel whereby they can provide stakeholders with their CSR activities.

2.2 Sustainability report

The number of firms that are willing to expend resources to compile information and create Sustainability Report increases per year and is set to rise. Such firms vary in size and also in terms of the display of range and variety of known indicators that can be found in a firms' description of their activities towards CSR (Kolk, 2010; GRI, 2010).

The practice of voluntarily reporting on activities towards CSR started back in 1989, when the first non-financial report was launched (Kolk, 2004). The pioneering report was released by Kodak, and was brought to the attention of the general public as a summary of activities regarding the firm's environmental practices in the previous two years of its publication. Since then, the Sustainability report has changed substantially and the range and variety of indicators that are included has significantly broadened to cover the three aspects included in the TBL (Palenberg et al., 2006).

In fact, Kolk (2010), one of the most renowned authors when it comes to Sustainability reporting, claims that nowadays in order to be called "Sustainability report" a report must cover all the aspects presented in the TBL. Any report missing one or more aspects cannot be labeled as such. For countries such Sweden, Norway, France and the Netherlands, the environmental aspect of their disclosure is in some cases required by law (Kolk, 2005); therefore, the firms must fulfill this requirement in order to obtain or continue the license to operate.

Firms have become more aware of the distinction (at least the largest ones) between following legal obligations and voluntary practices, given that 71% of the non-financial reports publicized by the firms included in the list of Fortune Global 250 in 2005 cover all the three aspects of the TBL. Fulfilling this requirement and criteria of what constitute a Sustainability report has increased from 15% in 2002 to the current 71% (Kolk, 2010). Multinationals like Shell, Coca-Cola, Unilever, Procter and Gamble are few examples of firms publicizing their Sustainability reports instead of merely relying on environmental or social reports.

However, voluntariness is an essential element of CSR practice, which leaves firms with the tricky decision on what facts and figures must be included in their reports. In contrast to other types of reporting, such as financial reports, where firms are obliged by regulation to provide a certain kind of information e.g. statement of income and cash flows, the sustainability reporting essentially lacks regulation. The result of this voluntariness is a divergence among reporting practice, which leads to difficulties in benchmarking, comparison or drawing inferences. In order to fulfill this lack of regulation and to support companies on how to improve on the reporting of both qualitative and quantitative data included in the Sustainability reports, the Global Reporting Initiative (GRI) was created.

2.3 Global Reporting Initiative

The end of the 1990s experienced a boom in the number of firms that decided to make their CSR activities public (Kolk, 2004**;** Waddock, 2008). Although these reports presented important data related to firms' activities towards CSR, there was the lack of a standardized practice regarding their content (Kolk 2004). As a result, firms reported according to their own interests and the publicized reports for the most part lacked qualitative and quantitative data sought by a target audience.

With the aim to improve the Sustainability reporting practices, the GRI was established in 1997 (Hedberg & Malmborg, 2003). GRI was intended to provide guideline and a list of comprehensive indicators to be included in sustainability reports; indication of what was considered relevant to firms (independent of the industrial sector, nationality or size). After a few years of its set-up, in the year 2000, the first set of guidelines (G1) was published and fifty firms adopted the GRI guidelines in their Sustainability Reports (GRI, 2010). Since then, the number of registered firms using the GRI guidelines has increased to more than one thousand and three hundred (GRI, 2010). According to Palenberg et al. (2006), in 2004 the number of firms producing Sustainability reports (either in accordance or not with the GRI guidelines) reached a total of one thousand and nine hundred. The set of guidelines has been updated twice and the latest (currently in use) set of indicators is the G3, launched in 2006 (GRI, 2010).

All of these numbers support the theory that GRI has become the most influential framework in shaping Sustainability reports (Etzion & Ferraro, 2006). According to Brown et al. (2009) two elements have been the key drivers of the GRI's triumph. The first element is timing. The GRI guidelines took off at the same time when companies started to focus their attention on a more sustainable business model. The second element refers to its revolutionary framework. Brown et al. (2009) argue that GRI framework is a win-win solution for shared problem of information management with an efficient gain for all actors with a one-size-fits-all approach. In other words, the GRI innovative approach towards all of the actors included in this cluster (NGOs, Governments, firms and stakeholders) benefits all of them by acting as a channel connecting them all towards better sustainability reporting practices.

2.4 Previous research on Sustainability reporting practices

After examining the origins of CSR, why sustainability reports is practiced by firms' and the influence of GRI on such reporting practice, the subsequent studies in the literature are devoted to assessing Sustainability Reports themselves (Kolk, 2003; Gallego, 2006; Langer 2006; Daub, 2007; Vormedal & Ruud, 2009). There are five key studies (examining Sustainability reporting practices) that were conducted in the last ten years. Four of them are country-specific and are limited to the European developed economies. The only exception is an article devoted to the assessment of how sustainability report practices is addressed by the 250 biggest companies in the world (according to the Global Fortune list). This indicates that practices are embedded within the richest companies and access to or possession of resources is essential to the development of best practices. A summarized version of these studies is presented in the form of a table at the end of this chapter; Table 1.

Study 1: Trends in sustainability reporting by the Fortune Global 250. (Kolk, 2003).

Kolk (2003) investigates the scenario of non-financial reports of the 250 largest companies in the world (according to Global Fortune list) between 1998 and 2001. The author found that the number of companies publicizing reports including financial, environmental and social aspects (TBL) has increased considerably. The author also points out that small countries like Switzerland and the Netherlands have a high number of firms making their CSR activities public. As a final remark, the author refers to an increase of the standardization among the non-financial reports. Due to projects like the GRI guidelines, most of non-financial can be labeled as Sustainability reports.

Study 2: Comparability of Sustainability Reports. A comparative content analysis of Austrian sustainability reports. (Langer, 2006).

Langer (2006) explores Sustainability reports within Austrian medium-sized companies as well as multinationals. A content analysis and also a survey were employed by the author to conduct this research. The result indicates that the content of the reports is shaped according to firms' particular issues and predilections. Therefore, benchmarking among multinationals and Austrian firms was not possible. However, the author found convergence in reporting patterns among industries within the industrial sector. The author also found out that GRI guidelines are considered by Austrian managers the most influent aspect to shape the structure and content of the Sustainability reports.

Study 3: The use of economical, social and environmental indicators as a measure of sustainable development in Spain. (Gallego, 2006).

Gallego (2006) addressed her study to portray the main features of the Spanish Sustainability reports. Through a content analysis, it was verified what elements are reported. The author developed a checklist based on GRI guidelines to check the main indicators used by firms included in the IBEX-35 (stock market index listing the thirty five most liquid companies in Spain) to check financial, environmental and social figures. As an example, the author observes that 100% of the companies included the breakdown of workforce in the social section of their reports. The final conclusion exposes similarities among the reports of companies within the same industrial sector.

Study 4: Assessing the quality of sustainability reporting: an alternative methodological approach. (Daub, 2007).

An examination of Sustainability reports within Switzerland is the central focus of Daub (2007). The author carried out a quantitative and qualitative analysis along with semi-structured interviews to understand the reporting practices in that country. The sample was derived from a list that included the 100 largest companies (by turnover). The GRI guidelines were used as a base to create a checklist to examine the reports. Each element determined received a score varying from zero (when the topic was not mentioned) to three (full information available). As a result, he pointed out companies´ high awareness to stakeholders (Maon et al., 2009) and that companies often fail to incorporate available sustainability data to the reports. Firms argued they do not want to be perceived as “too social”. During the data collection, Daub (2007) decided to assess not only the non-financial reports but also any kind of non-financial data displayed on company’s web site, magazine or newspaper.

Study 5: Sustainability reporting in Norway – an assessment of performance in the context of legal demands and socio-political drivers. (Vormedal & Ruud, 2009).

Vormedal & Ruud (2009) examined the situation of the Sustainability reports in Norway. Following Daub (2007), they also decided to score the reports. The scoring system ranged from zero (when the aspect was not mentioned) to four (very satisfactory). It is relevant to mention that the study split the reports in two groups. The first contained mandatory reports (only financial reports) while the second only voluntary reports (both financial and non-financial reports). To conduct the assessment of the reports, the author made use of different frameworks. Mandatory reports were checked based on the “Norwegian Accounting Act”; on the other hand, the voluntary reports were assessed based on the SustainAbility framework (famous consultancy company specialized in sustainability affairs). The conclusion stresses that non-financial reports in Norway are surprisingly inconsistent with the SustainAbility framework. Furthermore, only 10% of the companies that publish environmental reports are in accordance with the law. The authors consider the Government as responsible for this due to the lack of both clear regulation and framework with regards to Sustainability reports.

These five studies provide a relevant background to undertake an assessment of the Sustainability reports. All of these authors established the importance of having the appropriate criteria to perform the sample selection. In most cases, the sample includes top class companies or the richest companies in the respective countries; as a result, the sample provides the companies with more resources to have the best CSR practices. Moreover, it can be concluded that there is no unique or definitive approach to assess the reports. The scoring system used and types of documents assessed vary greatly from study to study.

Author	**Research Methodology**	**Conclusion**
Kolk, 2003	Content analysis	The increase of standardization due to GRI framework; TBL becomes the foundation upon which the Sustainability reports are based on.
Langer, 2006	Content analysis & survey	Divergent practices among Austrian and multinationals; Similarities were found only within medium-sized Austrian and multinationals of the same industrial sector.
Gallego, 2006	Content analysis	Likewise Langer (2006) similarities can be found within reports of the same industrial sector.
Daub, 2007	Content analysis & interviews	Divergence among the content of the reports; Companies fail to incorporate sustainability data to the reports.
Vormedal & Ruud, 2009	Content analysis	Reports are not-consistent with the framework they adopt; Lack of regulations and of follow-up by the regulators.

Table 1: Summary of previous studies

2.5 Research model

It can be concluded from the literature review that the origins of CSR, it's practice by firms and the development of best practice is influenced by resources. Indication of the influence of resources can be found in the localization of reporting practice; Country-specific and often limited to developed economies (Kolk, 2003; Gallego, 2006; Langer 2006; Daub, 2007; Vormedal & Ruud, 2009). While the previous literature may point to practices embedded within the richest companies located in developed economies, there is also evidence to show that sustainability reporting is also practice by firms with limited resources (Kolk, 2010; GRI, 2010). In other words, size effect remains a sticking point in the resource-dependent argument and there been no real comparison of firms' sizes to see if there are any differences in their reporting practice.

The research model thus looks at the effect of resources, based on indicators of size, and uses measures for the assessment of the content of reporting practices according to the method of content analysis. The model (Figure 2) is operationalized as: size is measured according to the number of employees, firms' revenue and extent of international operations; and reporting practices and patterns is assessed by looking at the content of key areas of investigation that has emerged over the years for the assessment of the content of sustainability reporting (Kolk, 2003; Gallego, 2006; Langer 2006; Daub, 2007; Vormedal & Ruud, 2009; Kolk, 2010; GRI, 2010).

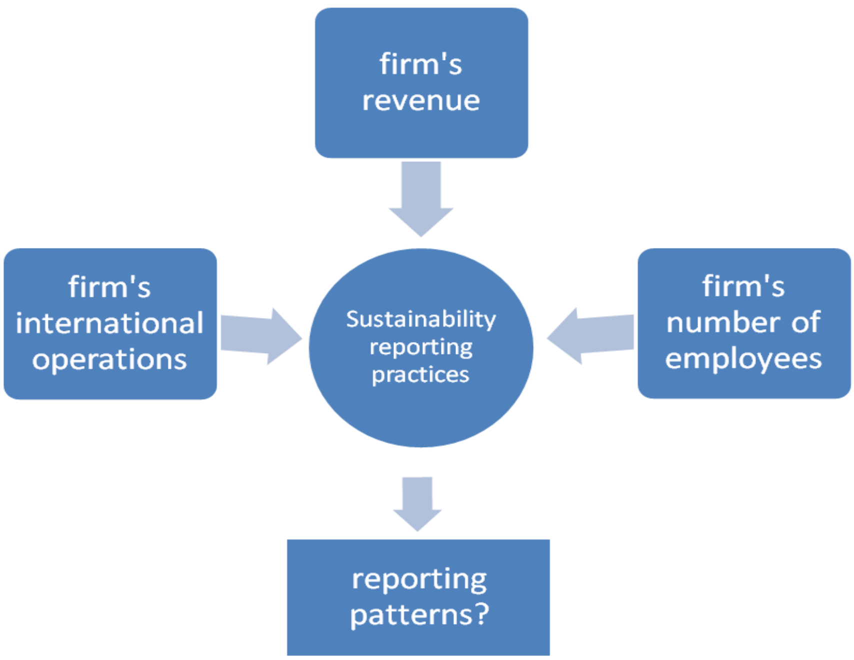


Figure 2: Research model

Patterns were deduced using content analysis as a research method to reinterpret information in Sustainability Reports (Moraes, 1999); methodologically conforming to the application field for this type of study and the nature of the reading (Janeira, 1972) using the key areas on investigation as developed in the Literature.

The key areas of investigation can be summarized as:

1) What indicators are used to describe sustainability dimensions?

2) Do companies address sensitive or corrective issues in the Sustainability reports?

3) Is there a formal CSR governance system? Is responsibility for CSR clearly defined? Who is responsible for preparing Sustainability reports?

4) Is there information on how the company decides on what to include in reports?

5) Do Sustainability reports include third party assurance?

6) Do CEOs or board of management endorse the report?

7) Do companies specify their standards in managing CSR along the supply chain?

8) Are the reports linked to public policy goal setting?

9) Are the sustainability reports published on annual basis?

10) Do companies mention sustainability awards and recognitions for their CSR practices?

11) Do firms describe the future directions of the report focus?

3 Research methodology

The aim of this chapter is to present and describe the research methods employed during this study. Firstly, an explanation on how the sample was selected is presented. This is followed by an introduction on the research method employed in this study and a detailed explanation on how the research was conducted.

The thesis suffers from the same problem as previous studies; the lack of a general accepted framework. As a result, this research had to develop its own approach to undertake the assessment of reports. This is however based on similar approach adopted by previous studies. Such studies have either used a checklist of information to be assessed or a semi-structured interview (Kolk, 2003; Gallego, 2006; Langer 2006; Daub, 2007; Vormedal & Ruud, 2009; Kolk, 2010; GRI, 2010). Over the course of time, it has emerged that reporting practices and patterns can be assessed by looking at the content of key areas of sustainability reporting. This thesis follows the same procedure, choosing a structured checklist as the best method to gather the data needed. This decision was made because it is the purpose of this research to check what elements are included in the Sustainability reports; therefore, it is the most suitable method to collect the data.

3.1 Sample selection

In order to undertake the research, the first step was to define the sample to be assessed. With a clear focus to compare firms of different sizes according to their total revenue, number of employees and international operations, the first goal was to obtain a list of firms that publicize their Sustainability Reports. After an extensive preliminary study, the GRI database was chosen as the source to obtain such a list. This is because of two reasons. The first is that the GRI has its framework based on the TBL, which is in line with the definition of Sustainability report developed by Kolk (2010) and presented in chapter two. The second is the fact that GRI is the most important and influential framework for Sustainability reports (Etzion & Ferraro, 2006).

On its web site (*http://www.globalreporting.org),* the GRI offers a list of companies that publicize Sustainability Reports according to the GRI framework. To allow for a comparison of size, a distinction was drawn between the location of firms' operations, number of employees and total revenues. In the case of this study, which was conducted from the Netherlands, it is worth mentioning that the firms were Dutch and what constituted "Dutch" was defined as a company that was both created and have its headquarters in the Netherlands. This implies that, all the firms that were selected were based in the Netherlands, but were distinguished by the whether their operations were localised to the Netherlands, The European Union, or globally according to the number of continents. According to these criteria, the firms' websites also served as a source of information to scan for further information. This was done for all the firms that were indentified from the preliminary study.

The use of GRI as a criterion for the sample selection proved to be very efficient in the sense that it gave the research a broader scope across different sectors, size, etc. This is due to the fact that the GRI frameworks can be adopted by any company independently of any of those factors (GRI, 2010).

The preliminary study gave rise to the first samples, which included forty reports. However, due to language constraints, only reports in English were analyzed. Hence, seven reports (17% of the previous sample), only available in Dutch, were excluded, generating a number of thirty three reports. One report had to be excluded because there was no further information related to the firm's size to be found. Therefore, the final sample included a total of thirty two reports; 31 from 2009 and one from 2008.

3.2 Content analysis

To appropriately assess the Sustainability Reports, the methodological approach employed throughout the study was content analysis. This is a tool to assess the content of non-financial reports and for the purpose of content validity (Moraes, 1999). This study followed a similar approach as previous studies (Kolk, 2003; Gallego, 2006; Langer 2006; Daub, 2007; Vormedal & Ruud, 2009; Kolk, 2010; GRI, 2010).

The methodology of content analysis allows the description and interpretation of the content of all sorts of documents and texts; i.e. articles, reports, entire books, newspapers, and so on. This serves the purpose of permitting a systematic analysis of descriptions, for qualitative or quantitative purposes, and helps to reinterpret messages in order comprehend their meaning at a level that goes beyond the normal reading (Moraes, 1999). As an investigation method, it entails the use of special procedures to process data and thus serves as a tool and a practical guide for the action, to tackle the diversity of matters and issues investigated (Janeira, 1972).

As a practical guide for action in the description and interpretation of data, content analysis was used as the research method to detect the presence or absence of information in Sustainability reports. This was done by looking at the content of key areas of investigation that has emerged over the years for the assessment of the content of sustainability reporting (Kolk, 2003; Gallego, 2006; Langer 2006; Daub, 2007; Vormedal & Ruud, 2009; Kolk, 2010; GRI, 2010).

These key areas of investigation can be summarized as:

A) What indicators are used to describe sustainability dimensions?

B) Do companies address sensitive or corrective issues in the Sustainability reports?

C) Is there a formal CSR governance system? Is responsibility for CSR clearly defined? Who is responsible for preparing Sustainability reports?

D) Is there information on how the company decides on what to include in reports?

E) Do Sustainability reports include third party assurance?

F) Do CEOs or board of management endorse the report?

G) Do companies specify their standards in managing CSR along the supply chain?

H) Are the reports linked to public policy goal setting?

I) Are the sustainability reports published on annual basis?

J) Do companies mention sustainability awards and recognitions for their CSR practices?

K) Do firms describe the future directions of the report focus?

3.3 Data collection

Following the definition of sample and the methodology to assess the content of reports, this section presents how the rest of the research was conducted. Firstly, each of 32 suitable samples report determined from the preliminary study, the final sample, was scrutinized based on the checklist presented above. The final samples were organized according to size measures. The results of this organization are presented in the form of tables along with quotations extracted from the reports to provide the reader with a better understanding on how the author conducted the research. These provide a general overview of the Sustainability reporting practices of Dutch firms.

The next step was to develop tables where firms were distinguished according to their size. In order to do so, it was necessary to create three charts. The first chart, referred to as total revenue chart, contains the firm's total revenue. The second chart contains the number of employees, whilst the last one contains the number of continents where the firm operates. Additional information included in the charts was collected from either the company's website or its annual report.

- Size chart # 1 lists firms from highest to lowest total revenue;
- Size chart # 2 lists firms from highest to lowest net income;
- Size chart # 3 lists firms from highest to lowest number of continents where the firm operates.

[Please refer to the charts in the Appendix]

In order to look for patterns among firms of different size, firms were clustered into groups. The first two charts divided firms into three groups (large, small and medium) and listed them in descending order according to their total revenue and the number of employees. The last chart (international operations) follows the same structure and is also available in descending order. However, the firms are clustered into five groups according to the number of continents where the firm operates.

After the completion of all the three charts, graphs were plotted to illustrate the relation between firm's size against the key areas of investigation.

4 Findings

This chapter presents an interpretation of the content analysis on key areas of investigation presented in the chapter three. To relate the effect of size on reporting pattern, the results for the analysis is divided into two parts. Firstly, the general reporting pattern is described for each key area of investigation. This is presented according to both the numbers of reports and percentage from the total sample assessed that reported on an area of investigation. Each key area is also illustrated by extracts from the reports.

In the second part, the effect of firm size is linked to reporting patterns. Size is measured according to firms' total revenue, number of employees and international operations. The effect that these have on reporting pattern is deduced from the key areas of investigation to determine the influence of size on reporting practices. Of the 11 key areas of investigation, one in particular (key area "indicators") showed a tremendous divergence in the way it was reported in the 32 reports. This divergence was expected as the number of items contained in Sustainability reports continues to rise year by year (Siltaoja, 2006). While the sheer number of items in the list did not permit a thorough analysis, indications of size was deduced from the indicators and a comparison was made thereof to other key areas of reporting practices. In other words, the key area "indicator" was used to deduce proxies of size- number of employees, firms' revenue and extent of international operations.

4.1 General pattern of reporting

4.1.1 Indicators

What indicators are used to describe sustainability dimensions?

The assessment of this key area follows the GRI guidelines. The guidelines specify indications according to the triple bottom line dimensions (Elkington, 1994): *financial, social and environmental information*. Information on these three dimensions was assessed using the methodology of content analysis in all the reports (Refer to Chapter 3). The results (Table 4) shows that the indicators used to describe firms' activities towards every dimension vary tremendously from report to report.

- The *financial dimension* had 89 different indicators among the reports and less than half of these indicators appear in more than one report. These indicators are, in general, industry specific, e.g. number of retail lease contracts and volume of milk processed. Therefore, they could not be used by all of the firms. The indicator most addressed by firms was the result before tax. This indicator was found in 11 reports, (33 percent of the totals) and was followed by the firms' net results and total revenue (present in ten reports). Operational cash flow and total income are presented in a high number of reports (eight times each). The complete list of indicators can be found in Table 2.

financial indicators	frequency	financial indicators	frequency	financial indicators	frequency
result before tax	11	barrels produced per day (NC)	1	annual retail income	1
net results	9	capital and reserves	1	portfolio value retail	1
Revenue	9	value creation	1	audit FEE	1
operational cash flow	8	group equity as % of assets	1	fraud prevention	1
total income	8	volume of milk processed	1	shareprice (Eur) at the year end	1
operating result	7	volume of milk supplied by members	1	market capitalisation at the year end	1
earnings per share	7	value of new business	1	payments to governments	1
net Sales	4	total assets under management	1	economic value retained	1
number of employees	4	total SRI assets under management	1	order intake	1
operating costs	4	SRI as % of total assets	1	gross investments in heat grids (€ million)	1
total assets	3	purchase of goods and services	1	percentage of shareholders ownership	1
balance sheet	3	ITDA	1	joint ventures and other participations	1
turnover	3	capital expenditure	1	payment to shareholders	1
shareholders' equity	3	net debit	1	total capitalization	1
total amount donated	3	% of eco-premium solutions sales	1	return on capital employed (%)	1
total sales	2	market share	1	return on equity	1
gross profit on sales	2	long-term debt	1	dividend cash flow	1
total dividend per share	2	petabytes memory per 1 million EUR ASML sales	1	training expenditure	1
employment expenses (sSalaries)	2	amortization of in-process of R&D costs	1	solvency (%)	1
r&d investments, costs, net of credits	2	SG&A costs	1	return on average equity (%)	1
employees wages and bennefits	2	number of shopping centers	1	interest cover	1
payment to providers of capital	2	gross leasable area (m2)	1	Loans	1
community investments	2	footfall (million EUR)	1	number of depository receipt holders	1
order booked	2	occupancy rate retail	1	funds entrusted	1
equity	2	number of retail lease contracts	1	number of accounts	1
shareholder return	1	pipeline add. M2	1	funds under management	1
exploration resource additions	1	gross rental income	1	total assets under management	1
key projects -post final investment decision	1	net service charges	1	major shareholders (%)	1
% of world's oil and gas production	1	property operare expenses	1	geographical spread of shareholders	1
total capital investment (NC)	1	net retail income	1		

Table 2: financial indicators

- With regards to the *social dimension*, 76 different indicators were present in the sample of 32 reports (Table 3). The most used indicator by firms is the total number of employees, included in 21 reports or 64 percent of the total. The second most reported indicator was gender diversity, included in 19 reports, followed by number of employees per region and illness absenteeism, both presented in fourteen reports.

social indicators	frequency	social indicators	frequency	social indicators	frequency
total number of employees	21	customer satisfaction	2	vendor policy signed by NPR suppliers (%)	1
gender diversity	19	workfoce type of contract	2	supportive supplier visits since 2007 (number)	1
illness absenteeism	14	number of code of conduct incidents	2	supplier engagement (%)	1
employes per region/country	14	accident severity	1	number of partnerships with universities , colleges and schools	1
employees per age category %	13	security	1	product-related incidents at clients site	1
staff rotation by participating (intake and exit)	13	child labour	1	coss-border assignments	1
lost time incidents	10	contracting and procurement	1	number of nationalites hired	1
full-time/ part-time employees	9	staff forums and grievance procedures	1	age profile intake	1
female /male senior managers	7	integrity	1	% of management vacancies filled internally	1
total of accidents	6	social investment	1	number of interim and temporary	1
fatalities	6	countries where it operates	1	total paper consumption (tons) and average per FTEs	1
employees per business group/unit	6	mandatory safety rules	1	FTEs covered by ISO 9001	1
training days / hours	6	breakdown of business principles	1	supply base profile (%) of top suppliers against the sourcing volume	1
expenses with training	5	lost workdays per injury (per 100 ftes)	1	total number of incidents of discrimination and actions taken	1
contibuitions and donations	5	supplier audit	1	percentage of employees trained in organizations' anti-corruption policies and procedures	1
averager years of employement	5	breakdown of alleged violations GBP	1	actions taken in response to incidents of corruption	1
injuries	4	reasons for departure of company	1	number of customers in the core countries	1
training hours per employee	4	firm geographical breakdown	1	total complaints	1
accumulative number of total audits	3	employees covered by a collective bargaining agreements	1	complaints received from local residents of company sites (by type)	1
number of employees that took training or courses	3	healthy choice products at the year end	1	participation physical fit programme (number	1
employee satisfaction	3	children educated through healthy living programs	1	number of employees with bachelor degree(%)	1
% of employees that received career development performance	3	types of code of conduct incidents	1	permanent vs contract employees	1
age profile turnover	3	code of conducted trained % of employees	1	ratio between the highest and the lowest salary	1
engagement index	2	regulatory actions (number)	1	business units with health and safety policy	1
incident frequency	2	vendor policy signed by key suppliers (%)	1	remuneration increase (% per fte)	1
new hires gender diversity %	2				

Table 3: social indicators

A small number of reports (seven) reported on the number of women in senior management positions. Some other aspects like ratio between highest and lowest salary, number of employees with a bachelor degree and number of partnerships with universities are presented in only one report. The indicators that appeared in a single report represented 60 percent of the total number of indicators related to the social aspect. The complete list can be found below in Figure 5.

- The last dimension, the *environmental dimension*, was represented by 68 different indicators and only 23 of them (thirty four percent of the total) appeared in two or more reports (Table 4). The most common indicator is CO2 emissions, and was presented in 27 reports (85 percent of the total). Energy consumption is also a very common indicator included in the reports, it appears in 20 of them and it is followed by total waste, presented in 17 reports and water consumption, (presented in thirteen reports).

enviromental indicators	frequency	enviromental indicators	frequency	enviromental indicators	frequency
co2 emissions	27	investments in alternative energy (NC)	1	total VOC emissions and per ton production	1
total energy consumption	20	% of suppliers that signed up sustainability safeguards	1	nox emissions and per ton production	1
total waste	17	waste water treatment plants Africa & Middle East Region	1	sO2 emissions	1
water consumption	13	production units with water consumption higher than 7 helicolitres of water per helicolitre beer + soft drinks + cider	1	total Sox emissions and per ton production	1
green house gas emissions	8	environmental and safety complaints	1	r&d investment in green products (%) of total	1
eletricity consumption	7	carbon emissions	1	investments in renewable energy capacity (eur)	1
paper consumption	7	hazardous-non reusable waste and per ton production	1	sources of heat for supply to customers	1
co2 emissions by source	4	operational carbon footprint for logistics (tons)	1	cooling water intake energy per production plants	1
recycled waste	4	charitable contribuition	1	production of renewable energy (GWH)	1
gas consumption	4	KWh purchased derived from wind, solar or water power	1	renewable production capacity installed (MW)	1
sites with ISO 14001 or OHSAS 18001 certification	4	business travel	1	investments in renewable production capacity (€ million)	1
fuel consumption	4	travelper average FTE (km)	1	fuel mix power production in (%) by type of fuel	1
carbon emissions	2	co2 emissions from air travel per employee	1	market share of "grey" and "green" products offered by the company	1
other emissions	2	packaging footprint (by type) %	1	total supply of "green" products for customers and small biz customers	1
source of green house gas emissions	2	environmental prosecutions & fines (number)	1	annual supply of "green" products	1
spills and discharges	2	ozone-depleting potential kg/ton of production	1	total net production of electricity and heat (TWh/Pj)	1
water discharge (m3)	2	lease cars by energy label in the Netherlands	1	reduction of soot emission	1
purchased eletricity	2	materials usage	1	total birds incidents	1
use of recycled paper (% of total)	2	type of energy	1	frequency of service interruption	1
Flaring	1	certified organic products at the year end	1	commuting per means of transport (% of total)	1
energy intensity	1	leakage of refrigerant substances per volume (tons)	1	total co-workers (fte and externals)	1
acid gases and VOCs	1	leakage of refrigerant substances efficiency (as a % of total refrigerants)	1	buildings (surface m2 and volume in m3)	1
ozone depleting emisisions	1	% of sites with sustainable fresh water	1		

Table 4: environmental indicators

Other indicators such as those relating to financial aspects, due to their specificity (e.g. total number of incidents with birds (Schiphol Group, 2010), could not be addressed in all reports. This was because the indicator was not same for all the firms. Indicators that were similar for the sample of firms included for example production of renewable energy. While this could be reported, most of the firms were found to leave this out of their reports.

The results indicate an inconsistency in the manner of reporting and in particular the labelling of items that were reported. For example, an item that is considered an environmental indicator in one report could also be considered social indicator in another report. An illustration of this example is the case for the total paper consumption indicator, referred to as social indicator by DHV while it is considered an environmental indicator by 7 reports (AEGON, ING, Delta Lloyd Groep, Tennet, Triodo, Witteven+Bos and Wolters Kluwer).

4.1.2 Sensitive Issues

Do companies address sensitive or corrective issues in the SRs?

Category	number of reports	% of total reports
sensitive issues	5	16%

The above result shows the presence of sensitive issues in reports and the percentage of firms from the total sample that included this in their report. The result shows a very low number of firms that are willing to discuss sensitive issues in their Sustainability Reports. There were 5 firms that were explicit on sensitive issues in their reports. These were: Shell, KPN, Nutreco, DHV and EADS. This was expected because sensitive issues are difficult to present in reports and firms are not expected by the GRI guidelines to publish this kind of information.

Shell is one of the few firms that discussed problematic issues of the past and also presented actions that the firm had taken to resolve them. Two pages of the Shell report addressed issues in Nigeria, where the firm faced security problems and issues related to oil spills. The report was explicit on problem that arose between Shell and the families of the Ogoni activists, a problem that resulted in the arrest and execution of activist by the Nigerian Government in 1995. The activists, led by Ken Saro-Wiwa, conducted a pacific campaign against Shell. Their claim was anchored on the local view of the non-sustainability exploitation of oil and gas in the Niger Delta. For the local, their way of life and the preservation of their local way of life is matter they felt was of great concern. Their case was heard in court and a resolution was found in the end, as presented in the extract below.

"In June, Shell reached a legal settlement with the families of Ken Saro-Wiwa, the Ogoni activist, and eight others who were convicted and executed in 1995 by the military government. Although at the time both Shell and SPDC tried to persuade the government of the day to grant clemency and avoid such a tragic outcome… As part of the settlement Shell contributed funds towards the setting of an independent trust fund for Ogoni people that will support initiatives in education and agriculture" (Shell, 2010, p. 23).

Unlike issues faced by Shell, which related to an entire community, sensitive issues was discussed where they only related to the internal activities of the firm. For example, The KPN and Nutreco's Sustainability reports were reports that dealt with sensitive issues. Here, the issues related to the sourcing and the use of raw materials respectively.

With regard to the sourcing of raw materials, KPN states that although the firm does not play a major role in the global market, it is also not willing to sell mobile phones that were made using coltan (a scarce raw material used to manufacture phones). Their explicit position centres on the avoidance of conflict in Africa, especially raw materials from Congo, where the mining of coltan is a source of conflicts.

In the case of Nutreco's, their report described an incident where the packaging of raw materials in Poland caused a dust explosion and a small fire. After conducting an internal investigation on the incident, the firm discovered that the reason for this incident was the use of an inappropriate package. The firm therefore took action to avoid this from happening again and has set new rules to make sure suppliers provide the material with the proper package and also provide their personnel with more training. An extract from their report is presented below.

"Following the review, site personnel received extra training on handling fine particle materials and the dangers of dust explosions" (Nutreco 2010, p. 44).

Two other firms' also included how they have dealt with sensitive issues in their reports. These firms were DHV and EADS. Both reports indicate some issues the firms dealt with during the reporting period and the actions that have been taken to solve them.

The general pattern from the results indicate that firms are typically not willing to disclose on sensitive issues. When they do however, the reports tend to elaborate of how the firms have also taken steps to resolve such issues.

4.1.3 CSR governance system

Is there a formal CSR governance system? Is responsibility for CSR clearly defined? Who is responsible for preparing Sustainability reports?

Category	number of reports	% of total reports
CSR governance system	23	72%

A large number of reports presented information that was related and relevant to the CSR governance system within firms. Firms perceive the need to clarify for stakeholders how CSR is embedded within the organization. A good example of a report that explicitly provides the reader with the firm's CSR governance system is the one published by EADS. Here, the firm presented in a clear manner a chart that was possible to understand on how CSR is structured within the company using a figure called "Corporate Responsibility & Sustainability Organisation". The figure displays the departments and their roles concerning CSR. Another example was the ASML's report, which described the existence of a "Sustainability Board" responsible for setting and following-up the targets and measuring the results (figure 3). Moreover, the ASML report highlights the number of specialists (14) employed to monitor and manage "Sustainability issues", an indicator of their effort to ensure that their sustainability practice is not only reported but also implemented.

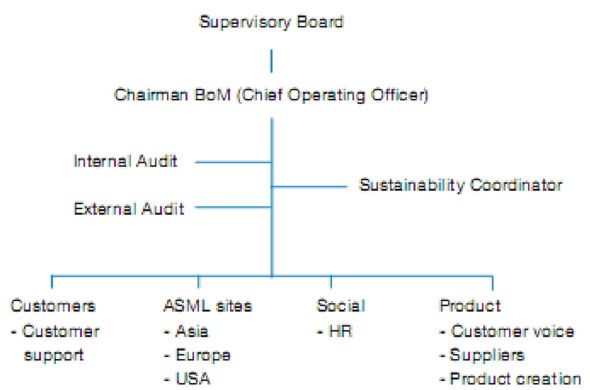


Figure 3: ASML Sustainability Board

Source: ASML Sustainability report 2009

The remaining reports with information regarding CSR governance system follow a similar approach, in the sense that the Sustainability reports offer statements on how CSR is structured and explain how CSR is embedded into the firms' structure. An example is the report publicized by FrieslandCampina. FrieslandCampina (2010) offers a statement explaining how CSR is embedded into the company's structure. Besides indicating who the members of the CSR board are and their functions within the board, it also describes the department responsible for CSR.

"FrieslandCampina's CSR policy falls under the responsibility of the Corporate Environment & Sustainability Department and the Corporate Social Responsibility Board. The Corporate Environment & Sustainability Department reports to the Corporate Public & Quality Affairs Department and is responsible for" (Friesland, 2010, p. 18).

In general there was a lack of consistence in the manner in which firms gave indication of their commitment to CSR. Most of the reports showed how they use governance structures to support the implementation of CSR within the firm. There was nonetheless little indication of how stakeholders were involved in a clear way or was it found in most of the reports.

4.1.4 What to report

Is there information on how the company decides on what to include in reports?

Category	number of reports	% of total reports
what to report	29	91%

90 percent of firms published information on how they decide upon what should be included in the reports. This key area helps the intended audience to understand what firms identify as significant to be communicated to the public. Here, information is often presented in the form of a very brief statement as can be seen below using an example from *2009 AkzoNobel Report*.

"In this 2009 AkzoNobel Report we have focused on the sustainability aspects which form part of the AkzoNobel strategy formulated during 2008. This sets material sustainability metrics and performance firmly alongside financial elements. It is supplemented by issues raised by the annual risk management process" (AkzoNobel, 2010, p. 148).

The only exception to this format is Shell´s report. Instead of a statement, the company presents a matrix that provides the reader with information on how the firm intends to report. The matrix is presented in Figure 4, which demonstrates that not only does Shell intend to report on activities with have a high impact on Shell´s strategy but also that the firm also gives an indication that they will present the impact of such activities on society using formal Sustainability Report. Using a simple figure that is understandable, this explains how the firm decided what should be included in the report.

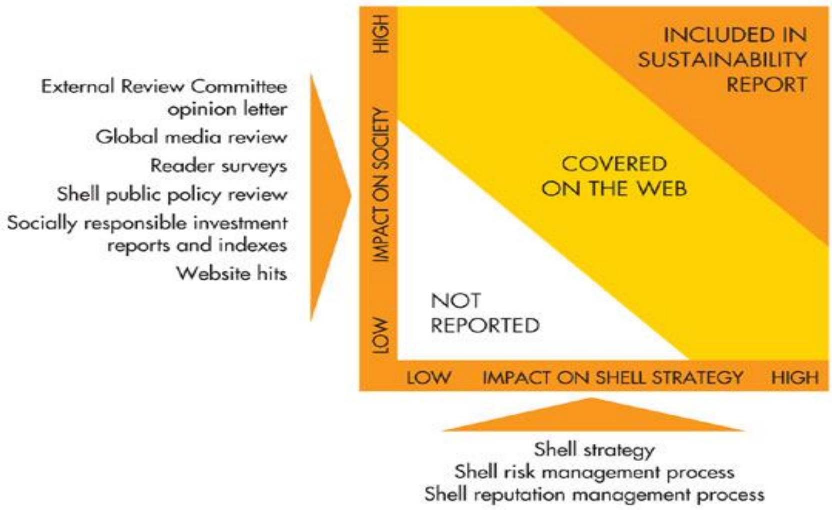


Figure 4: Shell report matrix

Source: Shell Sustainability Report 2009

The results indicate that most firms present the intention of conform to standard; rather put forward how to implement this intention. Except for Shell, the orientation of practice is for the most part ignored. Rather, the statements present current practice of firms and how that is within the remit of CSR practice.

4.1.3 Third party assurance

Do Sustainability reports include third party assurance?

Category	number of reports	% of total reports
third party assurance	25	78%

The results show that a lot of firms rely on and make use of third party assurance. Even though this is not necessarily warranted by the GRI guidelines, the results indicate that firms understand the importance of consulting a third party to assure and legitimize their sustainability practice. The practice of using external consultants and its relevance is somewhat limited in purpose in the sense that third parties assurance is based on data provided by the firm. Moreover, external consultants often limited their liability that may arise out of the information provided by firms. The limited relevance of third party assurance is also indicated by the fact that very few comments requesting clear improvements on the reports are made. The only exception to this indication of correction was found in the third party assurance given PricewaterhouseCoopers Accountants N.V. on the DHV report. An extract from that report is given below.

"Although DHV has increased the number of entities that are now reporting on CR data, the coverage of the Report remains relatively low for some indicators, e.g. for electricity and other CO2 related indicators. We therefore recommend, like last year, to further increase the coverage in 2010 and to achieve a higher degree of completeness in the next CR report." (DHV, 2010, p. 66).

It is noteworthy to mention that the "Big Four" consultancy companies (Deloitte, PricewaterhouseCoopers, Ernst & Young, and KPMG) are responsible for assuring 85% of the total audited reports. The other reports were audited by BECO, SGS, GRI and a committee of experts in CSR. All of the consultancy companies provide their assurance statement, which ranges from one to three pages, always at the end of the reports.

The variation of third party assurers and the fact the only a few actually give any feedback or would want to assume liability for the information they have provided seems to suggest that third party assurance is more a matter of using existing structure, rather than to assure and legitimize the correctness and accuracy of information. The results may indicate that third party assurers aid the conforming of reports to a standard of reporting, rather than firms using third party assurer to establish the content of CSR practice.

4.1.4 Board endorsement

Do CEOs or board of management endorse the report?

Category	number of reports	% of total reports
board endorsement	32	100

All of the reports provide CEO and Board endorsement. This is an area that is warranted by the GRI guidelines and it was predicted the firms will adhere to the guidelines. A statement was typically included in the report from the CEO, chairman or the board of management as an endorsement or assurance of the firms' commitment to CSR. In general, these statements (typically from CEO) are placed in the very beginning of the report and highlight the firm's efforts towards CSR. They were brief, not longer than three pages and sometimes included the CEO's signature. This endorsement helps the reader to perceive company's approach towards CSR and how they embed it within the corporation. As an example, Tennet displays its CSR policy as below.

"Tennet observes the three principles of CSR, People, Planet and Profit, which we have chosen to explore under the headings of 'People', 'Planet' and 'Profit." (Tennet, 2010, p.4).

It is not surprising that all the reports had a board endorsement in the sense that it is contained in the GRI guidelines. The generality and widespread inclusion begs the question as to whether all the firms follow the guideline because it is non-contentious and require little effort or that endorsement is in fact a sign of true commitment from top-management.

4.1.5 Supply chain

Do companies specify their standards in managing CSR along the supply chain?

Category	number of reports	% of total reports
supply chain	19	59%

A little bit more than half of the reports present firms´ CSR management standards in their supply chain. Except for a few cases, most of the firms that reported on this disclosed such standards as the use of a "Supplier code of conducts" as a tool to manage their supply chain. However, they did not describe what is included in the "supplier code of conduct". In that sense, the reader is given little information on exactly how such a code helps firms to manage CSR in their supply chains.

Exceptions to the fore-mentioned, like KPN's report, present the link to their Supplier code of conduct.

"Our Suppliers Code of Conduct (SCoC; available on www.kpn.com) sets down our social and environmental requirements. This code is based on the values set out in the United Nations Charter and on the core conventions of the International Labor Organization (ILO)" (KPN, 2010, p.48).

Along with the code of conduct, some firms also indicated that they audit their suppliers (Philips) in order to verify whether they are working according to their codes. Furthermore, in some cases, firms were found to use recognized environmental standards to manage their supply chain. BAM demanded its three top suppliers to implement ISO 14001 practices in order to continue supplying

BAM. AEGON adopts a similar strategy, with its Sustainability report describing that one of the firm's site only works with ISO 14001-certified suppliers.

"AEGON uses locally-determined standards as part of its selection process for suppliers… In Canada, minimum standards are in line with ISO 14001, an internationally recognized benchmark for environmental management" (AEGON, 2010, p. 61).

Other less frequently used terminologies used in the reports to express firms' standards along their supply chain are sustainable procurement and supplier code of ethics.

The results indicate that firms typically vary in what they disclose on implementation of CSR practice in their supply chain. While most firms tended to refer to the use of "Supplier code of conducts" as a tool to manage their supply chain, firms such as Phillips, BAM and AEGON go further to show how they implement CSR along their supply chains based on known standards. This distinction shows that there is a difference in mere disclosure without proof and indication of implementation.

4.1.6 Public policy

Are the reports linked to the public policy goal setting?

Category	number of reports	% of total reports
public policy	20	62%

The result outlines that almost three fifths of the reports present some form of link between firm's CSR position and public policy. In general, these statements are brief with no explicitly description of the (intended or anticipated) outcomes and the benefits of working with Public policy institutions. For example, in its report NXP (2009) states:

"Our participation in industry organizations lets us interact with governments and regulatory bodies on a number of key issues, including environmental subjects such as greenhouse-gas emissions" (NXP, 2010, p. 78).

Even when firms' presents its willingness to work with Public policy institutions, the report only provided a short statement without any information on why firm decide to pursue such a position is presented or an indication of potential benefits or benefits accrued from such a partnership. This is illustrated by Océ´s report, where the firm presents its link with public policy as below:

"Océ, at executive level, actively took part in strategic and tactical decision discussions that governments and enterprises (jointly) needed to take to build sustainable growth. The Corporate Public Affairs Department was instrumental in gaining the support of governmental authorities in terms of policy, loans and subsidies" (Oce, 2010, p. 30).

Again, most of the explanations are vague and only provide a general overview of those activities. There are no further details on how and why firms undertake these activities and what the outcomes and benefits from working together with Governments are. The reader can only understand that Océ obtained loans and subsidies from the Government, but no information concerning the use of such resources is presented.

The results indicate that while reports may present a firm's CSR position and public policy, this link is often not adequately described. Even when a clear link is disclosed as haven been established, it was evident that the link was typically in the favour of the firm (such as OCE) rather than on the premise of a partnership.

4.1.7 Time horizon

Are the sustainability reports published on annual basis?

Category	number of reports	% of total reports
time horizon – annual basis	32	100%

The time horizon for reporting indicates the extent of review or dedication to the assessment of CSR activities. For this study, all of the reports were found to be published on an annual basis. This shows that firms undertake their assessment of their CSR activities at least once a year. Most of the Sustainability reports also presented information on their review period, using short statements as the one below.

"Ahold's 2009 Corporate Responsibility Report provides a view of company's corporate strategy, practices and performance for the period from December 31, 2008 to January 3, 2010… Ahold has been publishing corporate responsibility reports since 1998, and has been doing so annually since 2007" (Ahold, 2009, pg 55).

As a result it can be deducted that firms really adopted this practice on regular basis; even though and there was no variation or differences in the time horizon.

4.1.8 Awards and recognitions

Do companies mention sustainability awards and recognitions for their CSR practices (Such as Down Jones Sustainability Index, FTSE4Good, Carbon disclosure)?

Category	number of reports	% of total reports
awards and recognitions	19	59%

According to the result, almost 60 percent of the reports presented firms' awards and recognitions. With regards to awards and recognitions that were presented the Dow Jones Sustainability Indexes was most mentioned the most by firms. It appears in ten of the nineteen reports, and it is followed by the United Nations Global Compact, cited in nine reports, and the Carbon Disclosure Project, mentioned in eight reports. At the national level, two awards/recognitions are presented. The Transparency Benchmark, an award promoted by the Dutch Government, is the most common award, presented in three reports; while the Supply Chain Management Award, promoted by the *Dutch Association of Investors for Sustainable Development (*VBDO) appears in two reports.

The result showed that either firms' activities were not awarded, or firms that were given awards did not always want to disclose of the awards in their reports. The latter could however be found on other sources of firm information, such as their websites. This is well known in the literature, which according to Daub (2007) are influence by whether firms' activities were not awarded, or companies do not want to be perceived as too social. Philips' report is an example that represents the latter. This firm is included in the Dow Jones Sustainability Indexes, an index that lists the firms with the most sustainable initiatives; however, the firm does not mention such recognition in its report.

4.1.9 Future directions

Do firms describe the future directions of the report focus?

Category	number of reports	% of total reports
future directions	0	0%

Rather than present information relating to the future directions of the firm in their reports, the reports only had some information on future goals, e.g. reduction of CO2 emission by 2020. In order words, there was no information related to the future direction of the firms in their report e.g., the company will have an additional focus on the environmental aspect due to stakeholder pressure. As a result, the reader is not given an indication of what to expect in the next publications.

Two reasons may explain the lack of information on future direction. Firstly, firms are uncertain on the future directions of their activities and in turn of their reporting on sustainability in the next reports. Secondly, firms also do not find it important to present their future report directions provided their lack can be supplemented by information on future goals.

The results thus indicate that firms present an intention of conform to CSR practice and put forward how that aligns with their future goals. The lack of information on future orientation however implies that there is little information on how they seek to implement this intention.

4.1.10 Additional Data

The sections concern additional relevant data, which are not a part of the key areas of investigation, but entails issues that caught the researcher's attention during the conduct of the research. The first is the number of integrated reports, i.e. Sustainability reports incorporated in the Annual (financial) reports, represents around 25% of the total sample assessed. Secondly, the range of the total number of pages of the reports vary considerably; the shortest report has only four pages while the longest has two hundred and forty eight pages, leading to an average of eighty six pages per report. It is noteworthy that the longest reports are also the integrated ones. Another relevant outcome is the divergence of names to describe the reports. Twelve reports are named "Corporate social responsibility reports" whilst nine are "Sustainability reports". The least common names (included in one report each) are "GRI report", "Sustainability entrepreneurship report" and "Sustainable development overview".

4.2 Effect of Size on Reporting Patterns

After deducing the general pattern of how firms report the key areas of investigation in Section 4.1, this section presents the extent to which reporting patterns are influenced by the firms' size. Measurement proxies of firm size namely total revenue, number of employees, and international operations are used to divide the firms into three groups. The results are compared in the form of graphs, which depict the effect that size has on the reporting on the key areas of investigation.

The choice of size measure was determined using the well established tool for the measurement of productivity, key performance indicators (KPI) such as the balanced scorecard (Maisel, 1992; Kaplan and Norton, 1992). KPI's can be used in a number of ways, and are typically determined from assets, sales, employees and value added information. A single measure is however not sufficient in the sense that *economies of scale* arise out of capital inputs, while *value added* captures the complexity associated with labour inputs. The use of multiple measures is necessary in order to distinguish firms according to the complexity of their operations.

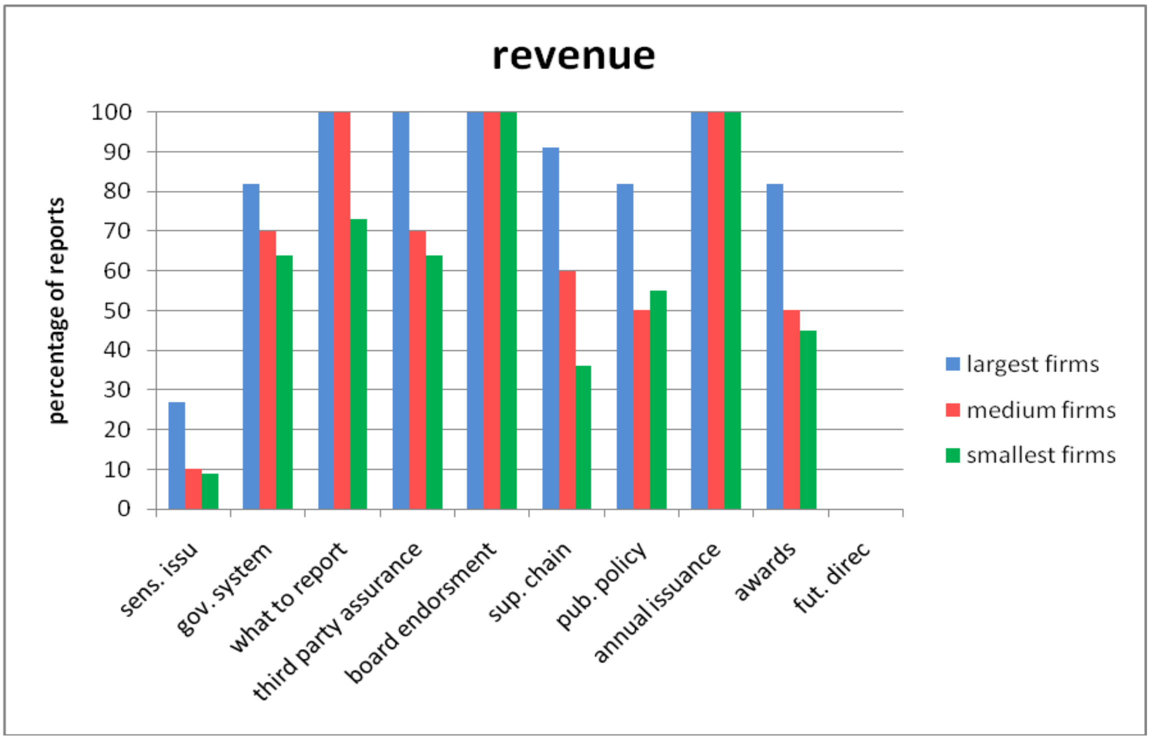
From the fore-mentioned, the number of employees was used as a proxy for value added associated to employees. The second measure, total revenue (TR) in a market, measured as the price in the market multiplied by the quantity traded in the market, was used to depict size in the terms of total receipts of a firm from the sale of any given quantity of output. The other size measure, international operations, was added as proxy to illustrate the complexity of trading in different geographical areas. This measure was analyzed by looking at the number of continents of a firms' operation.

These measures were usually reported in the Sustainability Reports. When they were not reported, the figures were determined from other sources, such as the firms' annual report. The relationship between the different size measures and a firms' reporting pattern is present here according to the key areas of investigation. Due to the tremendous divergence in the way that indicators were reported in the 32 reports, the depiction does not use indicators. Rather, the graphs present the rest of the key areas of investigation.

4.2.1 Total Revenue

The relationship between revenues and a firms' reporting on the key areas of investigation was characterised by dividing the firms into three categories (See Appendix 1). The company with the highest revenue was Shell with a total of 360 billion dollars, whilst the firm with the lowest revenue was Triodos Bank with total revenue of 88 millions euros.

As expected, a similar pattern of reporting was seen across firms of different revenues when it came to board endorsement and annual reporting. There was no difference on *what* firms' with large and medium size revenue reported, while smaller firms reported on fewer items than the other two.



Graph 1: Revenue chart

For large companies, the results showed that such firms reported more on sensitive issues, sought third party assurance and also received a lot of awards. It cannot be concluded that more revenue implies good CSR practice, but it is clear from their use of third party assurers that firms with large revenues find it easier to conform to CSR standards than that those with small and medium revenues.

The results followed a similar pattern in that the size of revenue was typically proportionate to reporting pattern. The only exception is for reporting on the link between firms and public policy in their reports. Strikingly, firms with smaller revenues reported more that medium revenue firms. As was expected larger revenue firms also reported more on this item than smaller and mediums revenue firms.

The variation in revenue and reporting on public policy may be explained by access to resource by firms with smaller revenues. This explanation can be deduced from the OCE report, where the firm admitted that their link is based on instrumental gaining support of financial resources from governmental authorities (Oce, 2010, p. 30).

From the foregoing, it can be deduced that firm revenues is proportionate to their reporting pattern on the key areas of CSR practice, except when it comes to access to resources, where reliance of government support may be a key factor that distinguishes firms. In order words, smaller firms publicise their connection to governmental authorities and report more on how the link is beneficial. As the firm size increases and there is less reliance on such support, their reporting pattern shows a drop in publicising this link, unless they are large.

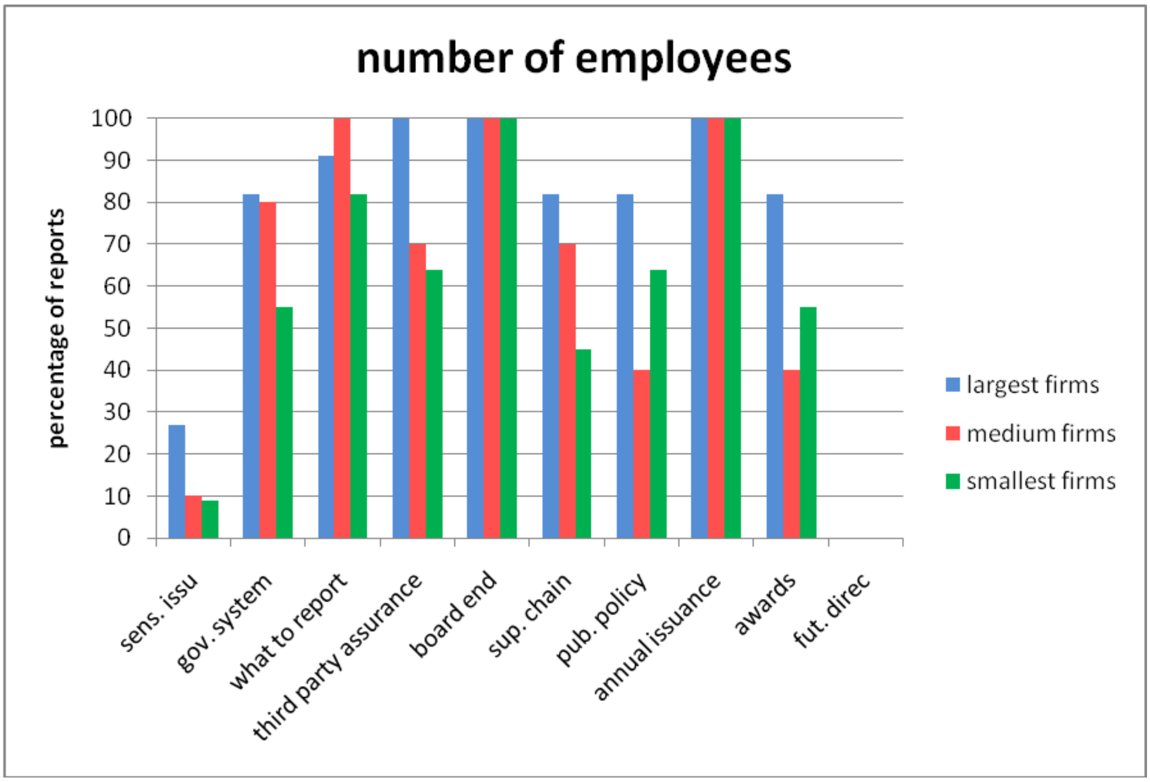
4.2.2 Number of employees

Similarly to the comparison of revenues, the result for the effect that the "number of employees" has on the reporting of key areas of investigation was characterised according to three groups. This time the firms were classified by the number of employees which ranges from the largest, FMO, having 264 thousand employees to the smallest Corio, having 429 employees. The complete list can be also found in the appendix 2.

As expected, a similar pattern of reporting was seen across firms of different number of employees when it came to board endorsement and annual reporting. Unlike for the relationship between revenues and reporting pattern, however, differences were seen for *what* firms' with large and medium range number of employees reported, with smaller firms reported on the lowest number of items than the other two. Firms with a medium number of employees reported on more items, "what to report", than that those with a large number of employees. Firms with smaller number of employees reported less that those with both medium and large employees.

Another distinction that was observed concerned the pattern of firms' reporting on their link to public policy. The pattern was similar to that observed in the link between revenues and reporting pattern, in the sense that, firms with smaller number of employees reported this link more that firms with medium number of employees, while firms with a large number of employees reported the most.

Another striking observation was the reporting patterns relating to awards. In the relationship between number of employees and pattern of reporting, firms with a smaller number of employees reporting more on awards they had received than firms with a medium number of employees. Again the firms with a large number of employees reported more on that than both firms with a smaller and medium number of employees.



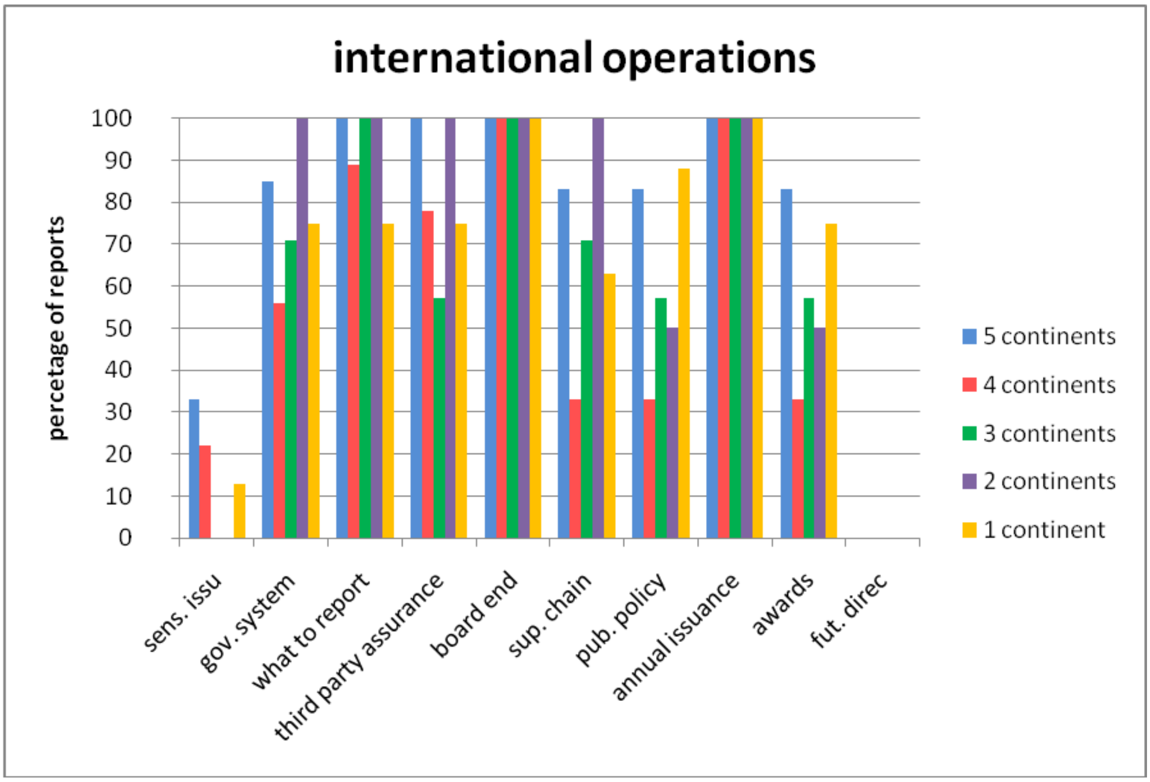
Graph 2: Number of employees chart

From the foregoing, it can be deduced that firms' number of employees does determine what they report on, and that this peaks at given number of employees. From the analysis, firms with a smaller number of employees presented less on what on to report than firms with a large number of employees. Firms with a medium number of employees on the other hand reported much more than both. From that it can be concluded that the *value added* captures per employees peaks within a given range, and that this shows in a firms' reporting pattern.

While access to resources including reliance on governmental support was also a factor that was observed to distinguish firms according to their reporting pattern, it was not evident if this is a factor that actually explains the similarity in other patterns. This pattern was similar to the publication of awards. The awards are not limited to the Netherlands and also include international awards. Given the fact that the presentation of awards is not always disclosed in their reports for fear of being perceived as too social (Daub, 2007), an indication of a relationship between public policy and awards is difficult to establish. Nonetheless, firms with a small number of employees exhibited this link.

4.2.3 International operations

The last measure of size relates to international operations. Here, firms are displayed in five groups, denoting the number of continents where firm operates. This categorisation illustrate firms like Philips and Shell that are in the group of companies operating in five continents whilst firms like Corio and Ballast Nedam are in the group of those that operate only within Europe. The complete list is available in the appendix 3.



Graph 3: International operations chart

The first observation was that firms operating in two or three continents did not touch on sensitive issues. They however reported on the other key areas and for the most of the key areas dominated in the extent to which and consistency with which they reported on the key areas. Except for public policy links and awards, firms operating in two continents reported on the other key areas than firms operating in three continents. Firms operating in two continents reported the most of their use of governance systems in their supply chain management, but also relied most on third party assurance use of governance system.

Unlike for the reporting pattern associated to a firms' total revenue and number of employees, firms operating in a single continent showed the most consistency with which they reported on the key areas than the other categories of firm operations. Their reporting pattern entailed all the issues and again when it comes to awards, showed patterns that were matching to those that operated globally. Indeed, their link to public policy actually supersedes all the other types of international operations categorisation.

The most striking observation was for firms that operated in four continents. The results show such firms as the least to report on all the key areas, except for the key indicated for what to report and third party assurance. They are the lowest to report on all the other key areas, including their pattern on what to report.

In contrary the reporting pattern associated to a firms' total revenue and number of employees, firm operating in five continents did not dominate on the reporting on key areas. Besides the disclosure of their awards and sensitive issues, they primarily showed a median pattern of reporting when compared to the other categorisation.

From the foregoing, it can be deduced that the extent of international operation has an effect on firms' reporting pattern on the key areas of CSR practice. For this measure of size, the issues that stand out is the use of governance systems, third party assurance and the management of supply chains. The results indicate that firms operating in two continents are better at these three areas. These are disclosures that relate but there is little proof or indication of implementation. However, the reliance on third party assurance gives indication of the fact that firms operating on two continents in particular practice CSR well.

5 Conclusions

This study aimed to determine the extent to which resources affect a firms' reporting of their sustainability practice. This was done by looking at the effect that size (total revenue, number of employees, and international operations) has on a firms' reporting pattern. Four key finding were observed from the study. The first was the extent to which firms' disclosed on the link of their CSR practice to public policy, the second concerned the value added per employee, the third related to a relationship between firms that reported on a CSR governance system and their disclosure of the efficiency of managing their supply chains, and finally a firms' reporting of sensitive issues.

Besides the four key observations, the general results were that firms publicized their reports annually and that the reports were endorsed by a managerial board. The pattern for third party assurance that was also sought was proportionate to size, except for the measure of international operations, when it was observed that firms with mid-sized international operation sought this less and drastically so. This pattern was similar to that for the mention of awards received, except that in this case, it was observed in size measure that concerned the number of employees and international operations.

For the four key observations, it was observed that the different measures of size allows for a comparison on the effect that size has on reporting patterns. The extent to which firms' disclosed on the link of their CSR practice to public policy was primarily found for firms of a smaller size. This was observed in all the different measures of size, namely total revenue, number of employees and international operations. The benefit of this link, while it is often not discussed, was found to be relied on by small firms. An indication of their benefit is made explicit, as was found in the report OCE, "loans and subsidies" (Oce, 2010, p. 30).

The second key observation concerned the value added per employee. Again, this observation could be found in all the three measures of size (namely total revenue, number of employees and international operations). For this observation, mid-sized firms were found to dominate on the extent to which their labour inputs gave rise to what to report. According to the different measures of size, it can be concluded that the size of a firms affects its reporting pattern due to the difficulties associated to labour inputs and the coordination to report on sustainability practice across different geographical areas with different practices.

The third observation related to a relationship that could be found between firms that reported on a CSR governance system and their disclosure of the efficiency of managing their supply chains. This observation was predominant in the mid-sized firms and could only be observed using the measure that concerned international operations. This highlight the importance of using different measures of size, as the analysis did not provide any indication of this pattern from the other measures of size, that is total revenue and number of employees. On that basis, it can be concluded that the geographical location of operations has an effect on the extent to which firms can enforce their sustainability practice and that this has little to do with their revenues or number of employees.

Finally, it was observed that large firms in particular reported of sensitive issues. Not only sensitive issue was disclosed, but there was often a clarification on how issues emerged and resolved. This gives an indication of the effect that size has on the impression that firms will like to portray to the public. While this is typically in relation to the negative sentiment associated to large firms, such firms were also observed not to disclosure their awards in proportionate to their size. This is a well acknowledge observation that points to the balance by such firms to be seen as sustainable and at the same time not too social (Daub, 2007).

Reflections and limitation of the research

The primary limitation of the study was that study was not followed by interview from the representative firm to identify the extent of implementation of their sustainability practice. A further limitation was that firms were selected using the GRI criteria and that the sample was acquired from the GRI website. Nonetheless, the choice of methodology and triangulation of the measure for size (namely total revenue, number of employees and international operations) implies that a lot could be determined about a firms reporting practice. For example, the link between the use of governance systems and efficiency of managing supply chains could only be identified in the measure of size looking at international operations and not those concerning number of employees and total revenues. In that sense, the study overcome the limitations to look at the effect of resources on reporting practice, but does not overcome the limitation on whether firms actually implement what they disclose.

Recommendations

This study concludes that size affects reporting practice only to a minimum extent. Where firms' disclosed on the link of their CSR practice to public policy, the link was seen to be based on the benefit they receive. The value added per employee was also not very clear in the sense that it peak for firms that seemed to be localised in geographical area, which tied to the relation that was also found between firms that reported on a CSR governance system and their disclosure of the efficiency of managing their supply chains. Equally, firms' reporting of sensitive issues was found to be striking a balance between perceives as sustainably aware and at the same time not too social.

The recommendations that can be drawn are that a follow-up study will reveal whether what is disclosed is actually implemented. Instead of relying on the GRI guidelines, other sources can be taken as measures to that end. For example, it was found that the indicators used to describe environmental, financial and social activities vary tremendously from report to report. Only five indicators (Co2 emission, total energy consumption, total waste, total number of employees and gender diversity) out of two hundred and thirty three are presented in more than half of the reports. In other words, only two percent of the indicators appear in the majority of the sample assessed.

The reason to rely on other sources rather than the GRI guidelines is that while the reports voluntarily follow a set of rules established by the GRI, they do not follow the same pattern; they diverge more than converge apart from firms' size. The aspect of size has just a little influence on the reporting practices. This influence can be seen in areas like third party assurance and supply chain management but in other aspects this influence is really small (if any). Therefore, it can be said that there is no clear convergence among the report of largest firms neither among those from smallest companies.

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Appendix 1 – List of firms according to their total revenue

Company	revenue (million of euros)
Shell	USD 368,000.00
ING	47,765.00
Aegon	43,346.00
EADS	42,822.00
Unilever	39,823.00
Ahold	27,900.00
Philips	25,420.00
Heineken	14,701.00
AkzoNobel	13,893.00
KPN	13,500.00
BAM	8,353.00
FrieslandCampina	8,160.00
Delta Lloyd	8,113.00
NXP	5,440.00
Nuon	5,112.00
Nutreco	4,500.00
Wolters Kluwer	3,425.00
SBM Offshore	2,956.00
Oce	2,648.00
Royal Boskalis	2,200.00
ASML	1,596.00
Ballast Nedam	1,384.00
Wavin	1,160.00
Schiphol Group	1,154.00
Witteveen+Bos	970.00
Grontmij	799.80
Tennet	546.00
Port of Rottedam	525.00
DHV	480.00
Corio	337.00
FMO	166.00
Triodos Bank	88.30

Appendix 2 – List of firms according to their number of employees

Company	employees
FMO	264.000
Ahold	206.000
Unilever	163.000
EADS	120.000
Philips	119.000
ING	107.000
Shell	101.000
AkzoNobel	57.060
Heineken	55.300
KPN	33.148
Aegon	28.832
NXP	28.000
BAM	27.212
Oce	21.635
FrieslandCampina	20.034
Wolters Kluwer	18.207
Royal Boskalis	10.957
Nutreco	9.700
Grontmij	7.105
ASML	6.548
Delta Lloyd	6.300
Wavin	6.240
Nuon	6.085
SBM Offshore	5.389
DHV	4.868
Ballast Nedam	3.947
Schiphol Group	2.395
Port of Rottedam	1.239
Tennet	934
Witteveen+Bos	766
Triodos Bank	576
Corio	429

Appendix 3 - List of firms according to the number of continents where they operate

Company	continentes where the companyoperates				
	one	two	three	four	five
EADS					x
Oce					x
Philips					x
Royal Boskalis					x
Shell					x
Unilever					x
BAM				x	
DHV				x	
FMO				x	
FrieslandCampina				x	
Heineken				x	
Grontmij				x	
ING				x	
Nutreco				x	
Wavin				x	
Aegon			x		
AkzoNobel			x		
ASML			x		
NXP			x		
SBM Offshore			x		
Witteveen+Bos			x		
Wolters Kluwer			x		
Ahold		x			
Schiphol Group		x			
Ballast Nedam	x				
Corio	x				
Delta Lloyd	x				
KPN	x				
Nuon	x				
Port of Rottedam	x				
Tennet	x				
Triodos Bank	x				
TranspaRAbility	x				