The Triple-Bottom-Line: Benchmarking New Zealand's Early Reporters

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Abstract

If recent pronouncements and events are any barometer, many organisations in New Zealand look set to begin issuing Triple-Bottom-Line reports. Such reports are intended to communicate an organisation's social and environmental performance as well as its financial performance. The New Zealand Business Council for Sustainable Development has been a key promoter of such reporting, and recently launched a *Business Guide to Sustainable Development Reporting*. The practice and promotion of TBL reporting, however, is not just confined to business entities. A number of public sector organisations are also beginning to embark on such a reporting process. Internationally, the practice and analysis of triple-bottom-line reports has a longer history. SustainAbility, the London-based consultancy headed by John Elkington, has conducted benchmarking studies since the mid 1990s. Using a version of SustainAbility's benchmarking guidelines, the content of eight of New Zealand's earliest triple-bottom-line reports issued in 2001 are examined. We highlight how they stand up to international best practice, the key trends to emerge from these early reports, and provide suggestions for further improvement.

We particularly welcome feedback on the analysis and results in this paper, and this should be addressed to either Markus Milne or Sara Walton.

Introduction

Reflecting the diversity of public reporting to emerge in Europe during the late 1990s, John Elkington (1997) coined the phrase the *triple-bottom-line* to capture the notion that organisations should report not only on their financial performance, but also on their social and environmental performance. Some companies had started to issue stand-alone Health, Safety and Environment (HSE) reports, in which employee and environmental performance information were combined, but Elkington's phrase appears to have been a catalyst for some organisations to start issuing single annual reports in which financial, social, and environmental performance are reported together. The emergence of such reporting practices also spawned a host of other developments including new reporting awards schemes and attempts to standardise such practices, with the multi-agency and international Global Reporting Initiative (GRI) being the primary mover in developing final draft standards in 2002 (see, www.globalreporting.org).

While corporate New Zealand seemed slow to acknowledge and adopt the practice of corporate environmental reporting, lagging well behind international best practice by about 5 years, it seems much more ready to take up the practice of triple-bottom-line reporting. During the mid and late 1990s only a very few New Zealand companies seemed willing to embark on a process of publicly reporting their environmental performance, either in conjunction with their financial performance as substantial supplementary information in the traditional annual report to shareholders, or in separately prepared reports. As Milne *et al*. (2001) noted, New Zealand performed poorly in international surveys of corporate environmental reporting, and a series of articles appeared during the 1990s lamenting the impoverished state of such reporting (see, for example, Gilkison, 1995, 1996, 1997, 1998; Gilkison & Ensor, 1999; Milne & Owen, 1999). Using a "model" report, Milne *et al*. (2001) went on to survey corporate managers' attitudes to such reporting and optimistically reported that things seemed set to change within the next three years. Well, three years on, and things have changed quite considerably.

For one thing, the upsurge in the interest and practice of organisations publicly reporting performance other than traditional financial performance has not been confined to reporting environmental performance. Instead, it has expanded to include social and economic performance. While corporate environmental reporting in Europe took hold from about 1990, it was not until the mid 1990s that a number of European companies, and particularly leaders like the Body Shop, the Co-op Bank, Traidcraft, BP and Shell, expanded their public reporting to include separate social and ethical accounts (Adams *et al*, 1995, 1998; Gonella *et al*., 1998; Gray, 2001). The content of such reports vary, but they typically focus on such aspects as statements of organisational values and ethics, the results of social audits, and the results of stakeholder dialogue (Gonella *et al*. 1998; Wheeler and Sillianpaa, 1997).

During the mid 1990s the London-based consultancy, AccountAbility, also sought to further promote and standardise social and ethical accounting and reporting through the issuance of its AA1000 Social Accounting Standards (ISEA, 1999), and 1999 also saw the introduction of the UK social reporting awards scheme —the UK environmental reporting awards scheme was introduced as early as 1991. This 'new wave' of social accounting – the practice, in fact, has a history dating back to the social audits of the 1970s – has not gone without criticism, however (see, Doane, 2002; Gray, 2001; Owen & Swift, 2000; Owen *et al*., 2000, NEF, 2000).

Despite New Zealand organisations' early reticence to engage and develop separate environmental and social reporting practices, developments and activities on a number of fronts suggest a greater number of New Zealand organisations appear ready and willing to leap-frog forward into a new era of triple-bottom-line reporting.

Promoting Triple-bottom-line Reporting in New Zealand

In part, the New Zealand Business Council for Sustainable Development (NZBCSD) can take substantial credit for energizing the development of triple-bottom-line reporting. Founded in 1999, the NZBCSD has about 40 members ranging from very small consultancies to New Zealand's largest manufacturers, retailers and service organisations (see, www.nzbcsd.org.nz). One of the conditions of Council membership is accepting a commitment to publicly release a TBL report within three years, but the Council has been far more proactive than that. A key project since its inception has been the promotion of triple-bottom-line reporting or what it refers to as sustainable development reporting.

An early Council report, *Corporate Reporting on Sustainable Development (1999)*, acknowledged a range of possible frameworks for reporting corporate social and environmental performance, and a range of possible reasons for organisations to do so. In conjunction with the Ministry for the Environment, a subsequent programme was implemented to support several members in developing their reporting processes, leading to *The NZBCSD Sustainable Development Reporting Guide for New Zealand Business (2001)*, released along with a report on the eight pilot case studies of TBL reporting implementation. These reports have now been publicly released as part of a *Business Guide to Sustainable Development Reporting (2002).* The NZBCSD guidelines have tended to coalesce around the international developments of the AA1000 Social Accounting Standard and the Global Reporting Initiative.

The NZBCSD conceives of approaching sustainable development via "the three pillars of economic growth, environmental protection, and social progress", and has set its mission to "promote eco-efficiency, innovation, and entrepreneurship" (NZBCSD, 1999, 2001, 2002). Such a position has undoubtedly shaped the development of its "business case" for triple-bottom-line reporting, its guidelines, and, most likely, the subsequent content of the reporting by its members. Its business case for TBL reporting, for example, is clearly entity focused, strongly argued on economic grounds, and appeared in the 2001 guide as simply:

- Increased financial return for and reduced risk for shareholders
- Attracting and retaining employees
- Improving customer sales and loyalty
- Growing supplier commitment
- Strengthening community relations
- Contributing to environmental sustainability

Even the latter two aspects to the case, which at least hint at some wider notion of responsibility and accountability to society, were tightly presented in terms of their economic and instrumental value to the reporting organisation. Such reporting, we are told, "…can potentially lessen adverse comments from the community about a business and enables the company to profile the positive contribution it is making to the community", and such reporting can "assist businesses in identifying opportunities for reducing waste, and thereby costs…" The latest version of the guidelines have dropped any direct reference to "maximising shareholder value" (and also any direct reference to "contributing to environmental sustainability"), but the touted benefits from TBL reporting are still strongly couched in terms of increased financial returns, enhanced reputation and reduced risk for the organisation.

Another key promoter of the triple-bottom-line has been the group New Zealand Businesses for Social Responsibility (NZBSR), founded in August 1998 (see, www.bsr.org.nz). The NZBSR's first newsletter contained ample reference to sustainability, social and environmental accountability and the triple-bottom-line, and with support from the Ministry for the Environment, the group has recently produced a guide on triple-bottom-line reporting for smaller organisations. The Ministry, itself, has also recently released a report on a pilot project to investigate the value of triple-bottom-line reporting among public sector agencies, including central government agencies and local government groups like regional and city councils (see, www.mfe.govt.nz/publications/ser).

Perhaps not surprisingly, many business and accountancy consultancies have also sought to promote TBL reporting activity. Deloitte Touche Tohmatsu, PricewaterhouseCoopers, KMPG and others, for example, reveal a host of references to the triple-bottom-line and sustainability, and how businesses can reap the benefits of competitive advantage, enhanced efficiency and reputation, and reduced risk and liability from embarking on such a reporting programme. KPMG (2002) recently dedicated its "model annual report" —a guide to producing an annual report—to the triple-bottom-line, telling us that: "Organisations now operate in a world where stakeholders are asking for more transparency and accountability than ever before. Sustainability is the new demand. This is the time of profit with responsibility. The bottom line has changed." (KPMG, 2002, p. 1).

The Institute of Chartered Accountants of New Zealand has also added weight to TBL's promotion with the establishment of a taskforce to investigate such reporting, and the release of its report, *Sustainable Development Reporting (2002)*. Key issues in the report, which a new standing sub-committee of the Financial Reporting Standards Board is set to pursue, are the extent to which sustainable development reporting fits within current frameworks for the external reporting of financial information, and the status and quality of the auditing of such reports.

Other key players in promoting TBL reporting have been leading reporters themselves. The Auckland-based local authority trading enterprise, Watercare Services, along with several other organisations including Tasman Pulp and Paper, and the then ECNZ, were early pioneers in developing stand-alone public environmental reports. A winner of the New Zealand environmental reporting awards scheme for 5 straight years, Watercare has gone on to develop a stronger commitment to stakeholder reporting, and in 2001 issued its first triple-bottom-line report. Landcare Research, the Lincoln-based Crown Research Institute, has also been a standout developer and promoter of triple-bottom-line reporting. Issuing its first triple-bottom line report in 2001, an earlier stand-alone report in 2000 on its social and environmental performance took the 2001 award for best environmental report. Landcare has also actively promoted triple-bottom-line reporting by engaging with and supporting other reporters through the NZBCSD's pilot reporting project.

The position on sustainable development, and the business case for TBL reporting taken by many of these promoters can be contrasted with the views of others who hold alternative, broader and more radical perspectives on sustainability and TBL reporting (see, for example, Welford, 1997, 1998; Rossi *et al*., 2000; Dyllick & Hockerts, 2002; Gray & Milne, 2002; 2003, PCE, 2002). Even SustainAbility and John Elkington, key promoters of the corporate triple-bottom-line, recognise that:

> At is narrowest, the term ‘triple-bottom-line’ is used as a framework for measuring and reporting corporate performance against economic, social and environmental parameters. At its broadest, the term is used to capture the whole set of values, issues and processes that companies must address in order to minimise any harm resulting from their activities and to create economic, social and environmental value…The three lines represent society, the economy and the environment. Society depends on the economy – and the economy depends on the global ecosystem, whose health represents the ultimate bottom line.

Of some interest, then, is to what extent New Zealand’s early reporters follow the narrow or the broader conception of the triple-bottom-line. In the following section we outline a framework for analysis, before applying and reporting on the results of an analysis of eight of New Zealand’s earliest triple-bottom-line reports.

A Framework for Analysing Triple-bottom-line Reporting

To analyse the content of the eight TBL reports, we use a benchmark tool developed by UNEP/SustainAbility that they have used in several surveys of international corporate environmental and social reports (1994, 1996, 1997, 2000, 2002). The tool was chosen as it grounds the study in international standards and compares New Zealand corporate reports to international levels. The tool is similar to those used in a number of other international benchmarking studies (see, for example, Kolk, 1999; Morhardt, 2001; Morhardt *et al.*, 2002), but was chosen for its explicit guidelines, which permitted a clear procedure to be followed.

The benchmark tool produced by the UNEP/SustainAbility group has been revised several times since its development, making slight alterations to account for new developments in reporting. This study used the 1996-revised edition (shown in Figure 1). This particular edition included a clear and complete description of the categories and items along with comprehensive criteria and guidelines for scoring each item. This detail was perceived important as it allowed for the reports to be reviewed consistently with the design of the benchmark and also by multiple reviewers. The benchmark tool comprises 50 reporting items, grouped under the five sections of (1) Management Policies and Systems, (2) An Input/Output Inventory, (3) Finance, (4) Stakeholder Relations and Partnerships, and (5) Sustainable Development.

Scoring the Reports:

48 of the 50 reporting items are scored on a scale of 0-4. Two are scored as either 0 or 1. This rating scale (shown in Table 1 below) is based on the principle that the more complete and comprehensive the information relating to a given reporting item, the higher the score that it is given. Thus a score of 0 indicates that the element was not reported while a score of 4 indicates comprehensive coverage. While this scoring system gives the appearance of the items being scored along a continuum, it has been pointed out by Jones & Alabaster (1999), and quite correctly we believe, that the scoring system in fact uses a nominal scale, or, at best, an ordinal one. Essentially each item is being classified into one of 5 possible and mutually exclusive categories. The importance of this, and a point noted in Jones & Alabaster (1999), is that contrary to how SustainAbility reports its benchmarking surveys, one cannot legitimately aggregate or average the scores for given items or sections. Instead, it is more appropriate, and more useful from an analytical viewpoint, to report the disaggregated frequencies. The danger with aggregated scores for reports is that they shift attention away from what is and what is not being reported, and from the quality of the items being reported. Aggregate scores can hide the fact that two reports, while apparently receiving equal mid-level scores, are vastly different in terms of the breadth of coverage versus the quality of the coverage. Aware of these issues, we report both aggregate scores and disaggregated frequencies.

Figure 1
UNEP/SustainAbility "Engaging Stakeholders" Survey Instrument 1996 Revised Version

1 MANAGEMENT POLICIES AND SYSTEMS

1. Top Management Statement
2. Environmental Policy
3. Environmental Management System
4. Responsibility & Accountability
5. Environmental Auditing
6. Goals & Targets
7. Legal Compliance
8. Research & Development
9. Awards*
10. Verification
11. Reporting Policy
12. Corporate Context

2 INPUT/OUTPUT INVENTORY

Inputs

13. Material Use
14. Energy Consumption
15. Water Consumption
16. Clean Technology
17. Health & Safety
18. Accidents & Emergency Response
19. Risk Management & EIAs
20. Land Contamination & Remediation
21. Stewardship of Ecosystems

Outputs

22. Waste Minimisation
23. Air Emissions
24. Water Effluents
25. Noise & Odours
26. Transportation

Products

27. Life-Cycle Design & Assessment
28. Environmental Impacts
29. Product Stewardship
30. Packaging

3 FINANCE

31. Environmental Spending
32. Environmental Liabilities
33. Market Solutions & Instruments
34. Environmental Cost Accounting
35. Charitable Contributions*

4 STAKEHOLDER RELATIONS & PARTNERSHIPS

36. Employees
37. Legislators & Regulators
38. Local Communities
39. Investors
40. Suppliers & Contractors
41. Customers & Consumers
42. Industry Associations
43. Environment Groups
44. Science & Education
45. Media
46. Mana Whenua†

5 SUSTAINABLE DEVELOPMENT

47. Technology Co-operation
48. Global Environment
49. Global Operating Standards
50. Visions, Scenarios, Future Trends

All items are scored from 0-4, except those marked with *, which are scored 0 or 1.
† To acknowledge Maori culture within New Zealand's context, we added an extra item, labelled 'Mana Whenua', to the section 'Stakeholder relations and partnerships'. This item carried a maximum score of 4, equivalent to the other stakeholder groups. To balance this addition and keep the total possible score at 194, the item 'Global Development Issues' was omitted from the fifth section 'Sustainable Development' as this was considered covered by the item 'global operating standards'.

Table 1: UNEP/Sustainability Report Scoring Criteria

0	1	2	3	4
No coverage.	Minimum coverage, little detail.	Detailed and honest, including company shortcomings and commitments.	Commitment to and progress towards sustainable development in core business.	Commitment to and progress towards 'triple bottom line' of sustainable development in core business plus benchmarking against competition and/or best practice in other sectors.

Source: UNEP/SustainAbility (1996) Engaging Stakeholders

In order to alleviate some of the subjectivity associated with analysing the reports, two reviewers scored each of the eight reports independently. The process started with several thorough readings over each report to get a sense of the layout, terminology and breadth of the report. The next stage involved scoring the reports. This involved going through the table of items one by one and finding evidence of them within the report and ranking them on the nominal scale from 0-4. Once each reviewer had assessed all reports against the framework and individual scores had been ascertained the figures were compared and discussed.[1]

To assess any potential bias in the scoring of the two coders, we compared the scores provided on the 400 pair-wise decisions of the two coders (i.e., 50 items across 8 reports). The results, shown in Table 2, indicate that of the 400 decisions, the two coders agreed on 269 (67%) of the decisions, and of the 131 (33%) disagreements, these were limited in all but 4 (1%) cases to disagreements of only one scoring category. Analysis of the 131 disagreements reveals that in 87 (66%) cases scorer 2 gave a lower score, and in 44 (33%) cases scorer 1 gave a lower score, indicating the disagreements were not random and scorer 2 was the more demanding.

Table 2: Levels of Scoring Disagreement Between the Two Scorers

All Reports	% items with disagreement	% items in disagreement Scorer 2 < Scorer 1
Total Benchmark (400 items)	33	66
Management Policies & Systems (96 items)	32	68
Input/Output Inventory (144 items)	30	59
Finance (40 items)	18	71
Stakeholder Relations (88 items)	43	84
Sustainable Development (32 items)	40	30
Separate Reports (50 items each)		
Hubbard Foods	30	80
Landcare Research	50	56
Meridian Energy	32	75
Mighty River Power	22	54
Sanford	8	50
Urgent Couriers	34	76
The Warehouse	26	61
Watercare Services	60	66

[1] Complete sets of the two scorers results are included in Appendix A.

Further analysis of the two sets of scores reveals that the disagreements are not randomly distributed across either the main sections of the benchmarking scorecard, or across the individual reporters. Table 2 reveals greater levels of disagreement across the Stakeholder Relations sections and less across the Finance Section than occurs overall. Table 2 also shows that scorer 2 is "harder" than scorer 1 across all sections of the benchmark except the Sustainable Development section — if the disagreements were entirely random, one would expect scorer 2 to award lower scores than scorer 1 in 50% of cases. Table 2 shows scorer 2 is harder than scorer 1 across 7 of the 8 reports, being particularly harder on Hubbards Foods, Merdian Energy, and Urgent Couriers. Interestingly, however, and shown in column 1 of Table 2, the greatest levels of disagreement amongst the scorers occurs over the longer standing and, as we shall see from the results below, the higher scoring reporters Landcare and Watercare. Overall, then, the results tend to show greater levels of disagreement are likely to occur over the narrative sections of the benchmark, and amongst the more experienced reporters, reflecting to some extent disagreement over the more subjective higher scoring criteria (e.g., awarding a score of 2, 3 or 4). Due to the levels of discrepancy, scores from both independent reviewers are analysed in the results section below.

Benchmarking New Zealand's Early Reporters

The Reporting Companies:

In late 2001 eight TBL reports from companies belonging to the NZBCSD were located. These companies come from diverse industries and vary in terms of size, organisation and ownership. The reporting history of companies also varies. Although a first attempt at any sort of TBL reporting for Hubbards, Mighty River, Urgent Couriers and The Warehouse, the others (Meridan, Sanford, Landcare, and especially Watercare) had previously issued stand-alone reports on at least their environmental performance. Table 3 profiles the eight reports included in this study.

Table 3: TBL reports analysed

Company	Report Title	Sector	Period
Hubbard Foods	Triple Bottom Line	Consumer products	2001
Landcare Research	Annual Report	Research & Consulting	2001
Meridian Energy	Sustainability Report	Electricity Utility	2001
Mighty River Power	Sustainability Report	Electricity Utility	2001
Sanford	Triple Bottom Line	Fisheries	2000/2001
Urgent Couriers	Sustainable Development Report	Courier	2001
The Warehouse	Triple Bottom Line	Retail	2001
Watercare Services	Sustainable Development Report	Waste water treatment	2001

The Benchmarking Results:

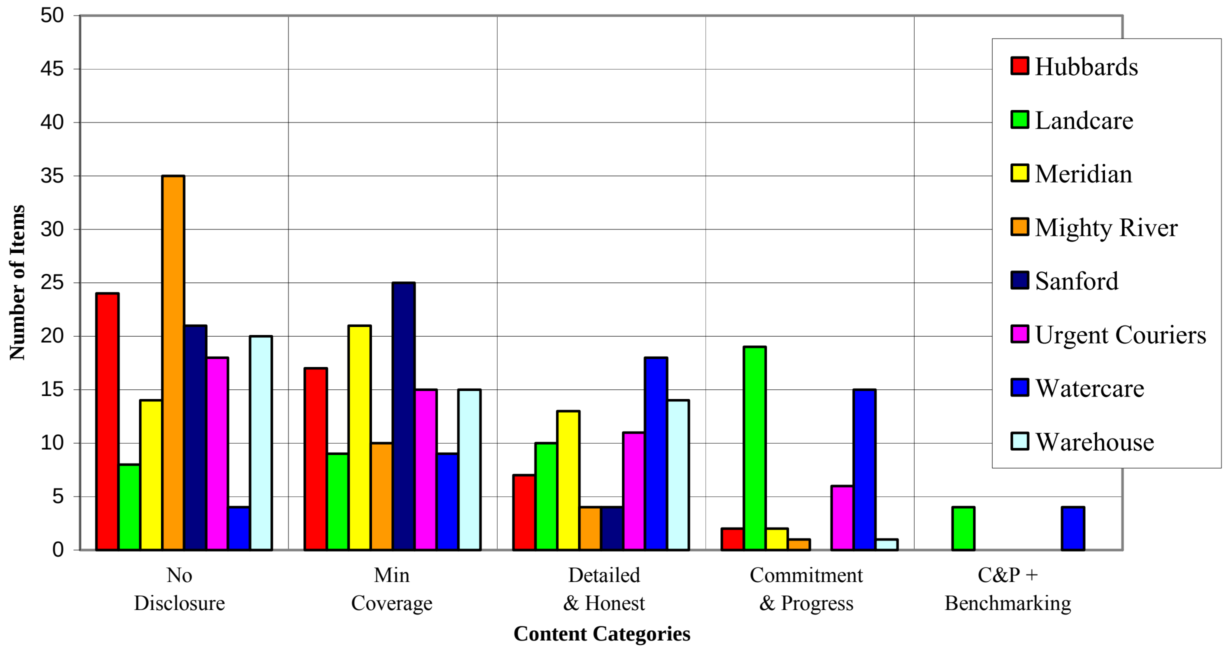
Overall, the results from this study indicate that these companies are moving towards triple-bottom-line reporting with many reporting on all three areas, social, environment and economic. The study, however, also identifies considerable variability in report coverage and quality. We start by conveying the overall aggregate report scores using SustainAbility's categories for overall report scores (e.g., Bottom Crawler, etc.). Table 4 shows two clusters of reports. Firstly, the majority of the reports are categorised as 'Ultra Narrow' and 'Not So Hot' indicating reports from an early and embryonic process. Secondly, Watercare Services and Landcare Research are clearly standout reporters. Their classification as 'New Benchmarks' identifies them not only as leaders in this sample, but also as two reporters with an international pedigree.

Table 4: Aggregate Report Scores

UNEP/SustainAbility Category	Total Score	Company
Over the Horizon	141-194	
Trailblazers	121-140	
New Benchmarks	101-120	Watercare Services Landcare Research
State-of-the-Art	81-100	
Pressing Hard	61-80	
Not So Hot	41-60	Urgent Couriers Meridian Energy The Warehouse
Ultra Narrow	21-40	Sanford Fisheries Hubbard Foods Mighty River Power
Bottom Crawler	0-20	

For each of the reporters, Figure 2 provides a breakdown of the total items covered and in which qualitative category of disclosure as determined by scorer 1, the scorer providing the least harsh assessment. Figure 2 shows, for example, that both Hubbards and Mighty River fail to provide any disclosure on nearly half or more of the 50 items, and that they, along with Sanfords, rarely provide any disclosure that gets beyond minimum coverage. These three companies provide "detailed and honest" or better quality levels of disclosure on less than 10 of the 50 reporting items contained in the UNEP/Sustainability framework.

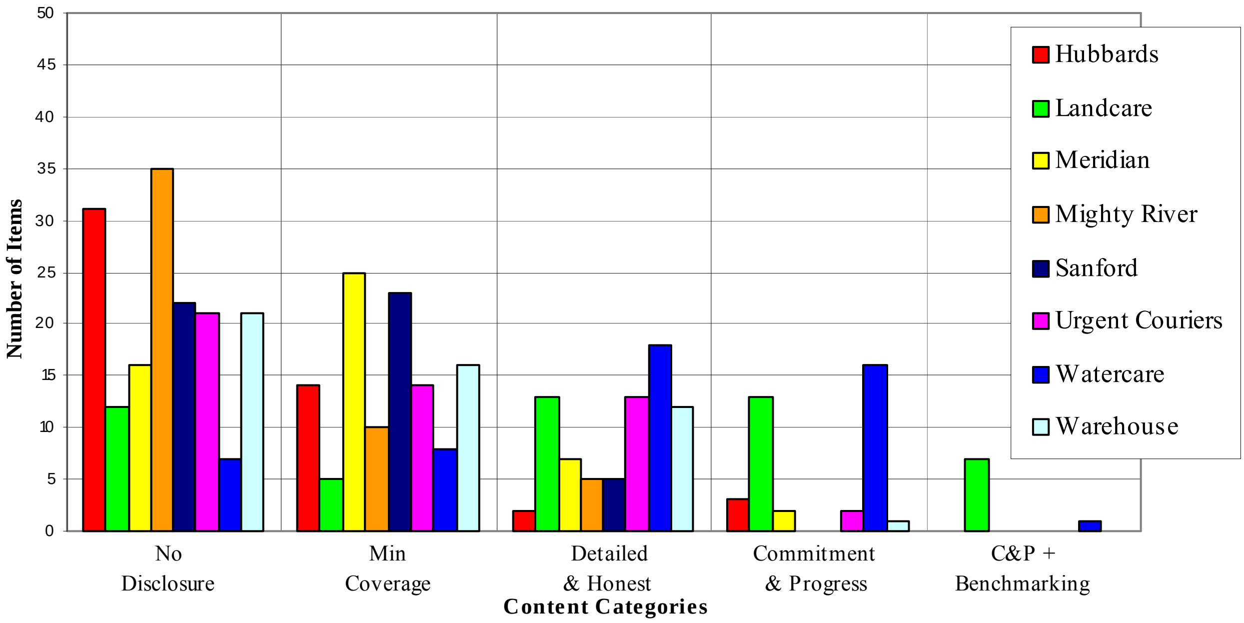
Figure 2: The Breadth and Depth of TBL Reporting in New Zealand (scorer 1).



The Warehouse and Urgent Couriers show similar levels of report development to each other with at least "minimum coverage" on about 30 items, and about half of these items receiving "detailed and honest" coverage. Notably, only Watercare Services and Landcare Research really break into the higher quality categories of evidencing "commitment and progress" and "benchmarking" with about 40 percent of the overall 50 items being in these higher categories. Figure 2, however, also shows that for both these companies about 30 percent of the items contained in the UNEP/SustainAbility framework receive no or minimum coverage.

Despite scorer 2 being more demanding, Figure 3 reveals a similar pattern of analysis. This time, however, it shows how Hubbards and Meridian fall even further back, along with both Mighty River Power and Sanfords. Clearly, the better disclosers are those with substantial numbers of items appearing in the two right hand columns of Figures 2 and 3, and few or none in the left hand columns, and the only two companies to even begin to approach this according to both scorers are Landcare and Watercare.

Figure 3: The Breadth and Depth of TBL Reporting in New Zealand (scorer 2).



Further insights into New Zealand's TBL reporting practice can be gained from examining the most and least disclosed items from the UNEP/Sustainability scorecard. We do this in two ways, by focusing on the whole sample, and by examining the reporting of individual reporters on each section (e.g., management systems, input/output, finance, etc) of the scorecard. Table 5 presents the overall sample results, based on the classification of each item by both coders. It shows that only 13 of the 50 items are judged by both coders to be at least of a "detailed and honest" standard of disclosure in at least half of the 16 reports they scrutinise. In other words, 75% of the reporting items do not reach at least a level of "detailed and honest" disclosure in most of the reports examined. Table 5 also reveals that those items that are most disclosed to a detailed and honest level mostly come from section 1 (Management policies & systems) and section 4 (Stakeholder relations & partnerships) of the UNEP/Sustainability scorecard. Least disclosed sections overall are those on Finance, Sustainable Development, and to some degree Input/Output items.

Table 5: The Most to Least Disclosed UNEP/SustainAbility Items

			Score*
12	Corporate Context	Management Policies & Systems	13
36	Employees	Stakeholders	12
1	Top Management Statement	Management Policies & Systems	11
11	Reporting Policy	Management Policies & Systems	10
22	Waste Minimisation	Input-Output Inventory	10
38	Local Communities	Stakeholders	10
44	Science & Education	Stakeholders	9
5	Environmental Auditing	Management Policies & Systems	8
7	Legal Compliance	Management Policies & Systems	8
10	Verification	Management Policies & Systems	8
13	Material Use	Input-Output Inventory	8
14	Energy Consumption	Input-Output Inventory	8
46	Mana Whenua	Stakeholders	8
3	Environmental Management System	Management Policies & Systems	7
6	Goals & Targets	Management Policies & Systems	7
16	Clean Technology	Input-Output Inventory	7
17	Health & Safety	Input-Output Inventory	7
40	Suppliers & Contractors	Stakeholders	7
41	Customers & Consumers	Stakeholders	7
35	Charitable Contributions	Finance	7
8	Research & Development	Management Policies & Systems	6
21	Stewardship of Ecosystems	Input-Output Inventory	6
23	Air Emissions	Input-Output Inventory	6
43	Environment Groups	Stakeholders	6
27	Life-Cycle Design & Assessment	Input-Output Inventory	5
28	Environmental Impacts	Input-Output Inventory	5
29	Product Stewardship	Input-Output Inventory	5
42	Industry Associations	Stakeholders	5
2	Environmental Policy	Management Policies & Systems	4
26	Transportation	Input-Output Inventory	4
37	Legislators & Regulators	Stakeholders	4
39	Investors	Stakeholders	4
50	Visions, Scenarios, Future Trends	Sustainable Development	4
19	Risk Management & EIAs	Input-Output Inventory	3
20	Land Contamination & Remediation	Input-Output Inventory	3
45	Media	Stakeholders	3
47	Technology Co-operation	Sustainable Development	3
4	Responsibility & Accountability	Management Policies & Systems	2
15	Water Consumption	Input-Output Inventory	2
24	Water Effluents	Input-Output Inventory	2
25	Noise & Odours	Input-Output Inventory	2
30	Packaging	Input-Output Inventory	2
18	Accidents & Emergency Response	Input-Output Inventory	1
33	Market Solutions & Instruments	Finance	1
48	Global Environment	Sustainable Development	1
49	Global Operating Standards	Sustainable Development	1
9	Awards	Management Policies & Systems	1
31	Environmental Spending	Finance	0
32	Environmental Liabilities	Finance	0
34	Environmental Cost Accounting	Finance	0

*****This is determined by counting the number of times a given item was classified *as at least being of "detailed and honest" disclosure* by the two scorers across the set of 8 reports. The maximum possible score for any item, then, is 16. "Awards" and "Charitable Contributions" are exceptions where the score is based on the number of times they were classified as being disclosed. Again, the maximum score is 16.

Individual section analysis by company shows that most companies at least provided "minimum coverage" on the majority of the items from the Management Policies and Systems section. This section was the best disclosed with three companies (Landcare, Urgent Couriers and Watercare) providing at least "detailed and honest" disclosure on at least half of the items in this section. Landcare and Watercare both provide examples of best practice by scoring into the upper two categories —"commitment and progress" and "C&P with benchmarking"— on the majority of items in this section.

Disclosure on items in the Input/Output inventory section, arguably the section that relates most clearly to operational performance metrics, is patchy. Neither Hubbards Foods nor Mighty River Power provide any disclosure on the majority of items in this section, and only Landcare and Watercare provide at least "detailed and honest" disclosure on the majority of the 18 items. The rest typically provide a minimum level of disclosure on most items. Meridian, however, provides detailed discussion of its ecosystem stewardship, and Urgent Couriers detail calculations of energy consumption and emissions as well as identify the company's efforts to reduce fuel consumption.

Section 3 covers the financial aspects of social and environmental performance and this is the lowest scoring section of the five (both reviewers identify that over two thirds of the items receive no coverage). There are no examples of best practice from this section, and the analysis clearly identifies this as an area for development.

Disclosure on Stakeholder Relations, Section 4, is also patchy. Two companies (Mighty River and Urgent Couriers) fail to provide disclosure on the majority of the eleven items, and no company manages to reach the upper two categories for the majority of the items in this section. Landcare, Watercare and The Warehouse, however, provide best practice examples with at least "detailed and honest" disclosure on identifying key stakeholders, interacting with them to gain their input and considering them in decision-making.

Section 5 looks at the company's consideration of the global environment (eg beyond a company perspective), the integration of practices and processes into the company at all locations and commitment to sustainable development in the long term through the consideration of future scenarios, trends and visions. Generally it was poorly covered, with five companies (Hubbards, Merdian, Mighty River, Sanfords, and The Warehouse) providing no disclosure beyond minimum coverage. While Landcare score well relative to the others, as we note in the following section, it would be difficult to identify their disclosures in this section as best practice.

International Comparison:
Watercare and Landcare represent New Zealand's best TBL practice. This is not a surprise. Both companies have previously received national reporting awards, and reported on environmental and social issues for a number of years. But how do these reporters stand up to international practice? Based on comparisons with top international reports issued in 2001 by British Telecom, The Co-operative Bank, British Airports Authority, Novo Nordisk and Royal Dutch/Shell International, Watercare and Landcare stand up well in respect of sections 1 and 4, but both place well behind with respect to sections 3 and 5. Landcare also falls behind to some extent with respect to section 2. Typically, then, even among New Zealand's leading reporters, major gaps exist in the level of financial information presented on social & environmental spending, the scope or focus of the reports to wider global issues, and on some quantification of performance reporting. And these are not just observations that can be taken from this analysis. The UNEP/Sustainability *2000 Global Reporters* survey placed Landcare at 14th and lagging some 30 points behind the leaders British Airports Authority and Novo

Nordisk, and the UNEP/Sustainability *2002 Trust Us* survey placed Landcare outside of a top seven who managed to score over 50% on the benchmark total.

This international comparison raises questions about several other aspects of the state of New Zealand and international TBL reporting. For one thing, we find a major difference in the type of organisation producing top reports. Among New Zealand's leading reporters are small organisations whose 'job' it is, one could argue, is to 'care' for the land or water. Among leading international reporters, however, are banks, telecoms, airport authorities, pharmaceuticals, and resource extraction companies, most of which are publicly listed, and this begs the question, what are New Zealand's equivalents doing about reporting the triple-bottom-line? Moreover, when we consider the large NZBCSD companies that do report (eg The Warehouse, Meridian, Mighty River Power, and Sanford) we find that compared to international best practice they are extremely poor.

What is also clear is that "leading" international reporters aren't that good, well at least when compared to the complete benchmark. They fail to score full, or even near to full marks on the UNEP/SustainAbility benchmark tool, and according to the most recent *2002 Trust Us* report from SustainAbility appear to have reached a plateau. With leading international reporters able to do little better than half of SustainAbility's scorecard, and New Zealand's reporters not able to do even this, what is the future of TBL reporting in New Zealand? Have New Zealand's top reporters done all they can in the way of reporting on their environmental and social impacts? Is the benchmark tool too difficult and too demanding? One can certainly see that some items in the scorecard might not be relevant to all organisations, but one can also wonder whether organisations are falling short of the ideal benchmark because of the costs involved in generating the necessary information to report to the next level. For example, benchmarking performance requires not just awareness and measurement of company performance, but also a measure of company performance relative to that of others in your sector. Nonetheless, despite concerns about the upper levels of TBL reporting, one thing seems certain based on the analysis here, and that is that most, if not all, of New Zealand's reporters have a long way to go before they need worry about that.

Improving Future Triple-Bottom-Line Reports

Overall there are several things that organisations can do to improve their future triple-bottom-line reports. For one thing, and this has clearly emerged from the forgoing analysis, they can address the quality and completeness of their reporting. For another, they need to address the assurance, honesty and consistency of their reporting. A good question for any producer of a triple-bottom-line report to ask is why would anyone want to believe what we have to say about our performance? And, finally, if triple-bottom-line reporting is to seriously improve, organisations need to stop muddling the term, and their social and environmental performance and reporting practices, with concepts like sustainable development and sustainability.

Quality and Completeness:

As we have seen, the quality – and, especially, the *completeness* – of many of New Zealand's early TBL reports are not high. The analysis shows reporters do relatively well in areas that require dialogue only (e.g., sections 1 and 4) and tend to do badly in areas where quantification seems necessary (e.g., sections 2 and 3). The reporters also fail to do well when consideration beyond the organisation is required (e.g., section 5). Comparisons with top international reporters substantiate these observations, and much can be gained in terms of improving reporting practice by focusing on those items in Table 5 that receive poor or no coverage.

While leading edge environmental reporting started in Europe as early as 1990, it has remained, in most cases, partial and rarely covers matters like ecological footprint, total resource use and so on. Moreover, despite increased awareness, recent reporting remains little better than that of the pioneers in 1990, and, according to the latest SustainAbility *2002 Trust US* survey, there is a danger that in seeking to report on all aspects of the triple-bottom-line, reporters may fail to reach even the modest developments of the early 1990 environmental reporters.

Modern (i.e. post 1990) social reporting has had less development but, with a few notable exceptions, the reports cover few stakeholders (typically few beyond employees and local communities), cherry pick elements of news and generally ignore the major social issues that arise from corporate activity such as lobbying, advertising, increased consumption, distributions of wealth and so on. Indeed, most social reports are not social reports at all, they are "employee reports", or in some cases "employee, consumer and local community reports". In many cases, though, where local communities are included, the focus is almost invariably on the organisation's sponsorship of local community groups.

Assurance and Honesty:
Unfortunately, the record to date of regulating and auditing social and environmental information is pretty pathetic. No country seems to have passed legislation that requires social and environmental reports to be independently audited in the same way as they have financial statements, and New Zealand is no exception. The voluntary adoption of verification is patchy, with the standards and practices that have emerged being largely organisation controlled rather than stakeholder controlled. Added to this, the "independence" of the verifier often can be called into question, and the standard of the audits or verification statements themselves are often of a poor quality and little use to an external stakeholder (see, for example, Ball *et al*., 2000; Milne *et al*, 2001; Owen *et al*, 1997, 2000, 2001). In many cases, the so-called auditor does little more than we have done in this study and that is closely scrutinise the content of the TBL reports.

In one of the TBL reports in this study, for example, a careful and studious reader will be able to determine that the verifier is also one of the organisation's top contractors of services, and, given the disclosure of the value of those services as well as the disclosure of the audit fee, likely earns consultancy fees many tens of times in excess of their verifier's fee. Yet neither the organisation nor the verifier draw attention to this possible conflict of interest! In another instance, the appointed verifier is found to have previously acted in "scoping the report as part of a separately commissioned NZBCSD study." Recent cases like Enron, WorldCom and Xerox have served to raise alarm bells about the shonky practices of auditing financial information, and we can but hope that the recently formed sub-committee of the Institute of Chartered Accountants will seriously engage with the status and quality of the verification of social and environmental performance information. Clearly, however, more will be needed than simply producing a set of rules and regulations akin to those used to assure the external reporting of financial information. Also required will be a set of auditors with the moral fibre that the organisations they audit so readily claim for themselves.

The belief factor can also be destroyed by a lack of comparability across metrics, both within a single organisation's report, and across several organisations' reports, as well as bringing to the reports a sense of measurement accuracy that in some cases seems completely unwarranted. In this sample, for example, a number of organisations are reporting "carbon footprints"— a practice developed and supported by Landcare Research. Across the sample reports, however, we observe multiple discrepancies. In this case the information relates to the reported tonnage of CO_2 produced by an organisation, and its reported actual (although in most cases, its *possible*) offset (carbon sequestration) using forest "sinks". The "offset rate" (e.g., hectares of bush needed to offset tonnes of CO_2) clearly varies from report to report. For example, Urgent Couriers report "1117 tonnes of CO_2 and a need to purchase 203.0 hectares of native forest". Hubbards Foods, however, report a near identical "1109 tonnes of CO_2 " yet apparently need to purchase some 25% less forest at "151 hectares of native forest." Landcare in their 2001 report state they produced "1200 tonnes of CO_2 and they are acquiring 155 hectares", yet in their 2002 report they produced "1633 tonnes of CO_2 and that they have acquired in partnership with a land trust 40 hectares of bush covered land to offset 200 tonnes of CO_2 per year." Clearly the reported "offset rate" is all over the place across the reports, but nothing is said about this. Furthermore, calculating actual carbon footprints is simply not done in these companies. Instead, the footprint is based on "imputed" calculations (e.g., kms travelled by air, land etc). Similarly, the actual carbon sequestration rates of given forest cover vary, and forests do not continue to sequestrate carbon indefinitely—once mature growth is reached, the forest is no longer a sink but a "reservoir", and so further offset requires further purchases (or planting) of new forest cover. Despite these issues, the reported information appears as if the science of carbon accounting were cut and dried, which, on the basis of discussions with several scientists, it is not. Honest and transparent reports would alert the reader to the lack of exactitudes involved.

Stop Confusing the Triple-Bottom-Line with Sustainability:

What we can judge from the content of the TBL reports, and from the pronouncements of associations like the NZBCSD and NZBSR, along with rhetoric from consultancies positioning to provide TBL services, is that they have all been quick to grasp the (eco) efficiency nettle (e.g., resource, waste and energy management), and more recently some concept of stakeholder engagement and dialogue, and especially in relation to those stakeholders closely associated with the organisation. Virtually unaddressed, however, are issues of equity and social justice (Gray and Bebbington, 2000; NEF, 2000; Owen *et al*., 2000), and completely unaddressed are issues of the scale of development, limits and constraints to that development, and future generations (Beder, 1997; Gray, 1992; Milne, 1996; Welford, 1997). And it is these issues, as far as we are concerned, that have always remained central to any concept of sustainability or sustainable development.

Indeed, it is on the issue of scale of development that most organisations founder when it comes to reporting on sustainability. As Paul Hawken (2002) so clearly illustrates with reference to McDonald's Foods:

> The question we have to ask is what is enough? Is it enough that one in five meals in the US is a fast food meal? Does that satisfy McDonald's? Or do they want that figure to be one in three, or how about one in two? How about the developing world? …They won't answer those questions because that is exactly their corporate mission. They have 29,000 restaurants with nearly 3,000 new ones added each year.
>
> A valid report on sustainability and social responsibility must ask the question: What if everybody did it? What would be the ecological footprint of such a company? What is McDonald's footprint now? The report carefully avoids the corporation's real environmental impacts…An honest report would tell stakeholders how much it truly costs society to support a corporation like McDonald's. It would detail the externalities borne by other people, places, and generations.

Despite the fundamental differences that exist between the concept of sustainability, and concepts like the triple-bottom-line, businesses, and their allied associations, have continued to muddle the terms. According to Deloitte NZ's website "Sustainability Reporting, also referred to as Triple Bottom Line Reporting (TBL), brings together Economic Viability, Environmental Soundness, and Social Responsibility to report to a wider group of stakeholders", while PricewaterhouseCoopers tell us sustainability is about "Improving competitiveness through the triple-bottom-line". Similarly, the recent Institute of Chartered Accountants' taskforce report defines sustainable development reporting as "the external reporting of the economic, social and environmental performance and impacts of an entity", a position also long held by the New Zealand Business Council for Sustainable Development, although they also claim SDR is to be preferred to TBL because it "further permits other dimensions, like culture, to be included in the reporting framework."

In all these cases, however, sustainability or sustainable development reporting has effectively been translated from something we have long known as simply social and environmental reporting. To those quoted above, and on the basis of the analysis presented, sustainability reporting is little more than "stakeholder reporting". Such approaches have been criticised as adopting "weak" conceptions of sustainability (see, for example, PCE, 2002), yet, as Welford (1997, 1998), Dobson (1998, pp. 54-55) and Gray & Milne (2002) note, these sort of approaches to sustainability are so weak as to be not about sustainability at all. They effectively continue to assume unlimited resource availability, infinite substitution possibilities, a lack of connectedness and collective peril, and no special place for the environment at all. "What is to be sustained?" is a fundamental question Dobson (1998, but also see Sutton, 1999, 2000, 2001) asks in trying to define conceptions of environmental sustainability. What he and Sutton note, however, with respect to concepts like "sustainable development" and the approaches illustrated throughout this paper is that they do not ask this question, or if one were to try and fit an answer to such a question on the basis of what one reads in TBL reports and related business literature, it would have to be "the business" or "economic growth" and nothing to do with the environment or society. This, of course, should come as no surprise, for that is what the system demands, and that is what directors and managers are paid for. Yet, what it amply illustrates is that acting alone, voluntarily, and on the basis of economic motives, businesses are not capable of addressing the fundamental issues of sustainability, and if they were being truly honest and transparent, they would refrain from saying they are.

Conclusion

There is some good work being done in New Zealand, but by too few organisations. In seeking to identify, report on, and reduce their social and environmental impacts, there is undoubtedly more to come. Nonetheless, as we have shown, there is a considerable way to go if organisations are going to live up to their own claims for being transparent, accountable, and responsible. Work on the triple-bottom-line, however, is being crucially undermined by the way in which the term "sustainability" is bandied about by business consultants and organisations in the context of the triple-bottom-line. Such usage has no connection with any concept of sustainability with which we are familiar.

Indeed, as Paul Hawken (2002) recently noted in relation to the McDonald's Corporation Report on Corporate Social Responsibility, "At this juncture in our history, as corporations and governments turn their attention to sustainability, it is crucial that the meaning of sustainability not get lost in the trappings of corporate speak…I am concerned that good housekeeping practices such as recycled hamburger shells will be confused with creating a just and sustainable world." We, too, share these concerns, and warn that being aware of, if not able to prevent, the capture and emasculation of sustainability by business to further economic interests at the expense of society and the environment seems crucial if any real progress is to be made.

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Appendix: Details of Scores Provided by Two Scorers on Eight Reports

	Eight Reports Scored by Two Scorers															
	Hubbards		Landcare		Meridian		Mighty		Sanford		Urgent		Watercare		Warehouse	
UNEP/SustainAbility Items	1	2	1	2	1	2	1	2	1	2	1	2	1	2	1	2
Top Management Statement	1	1	3	3	1	2	2	2	0	0	2	2	2	2	2	2
Environmental Policy	0	0	2	2	1	1	1	0	1	1	1	1	3	4	0	1
Env Management System	0	0	2	3	1	2	0	0	1	1	2	2	3	2	0	1
Responsibility &	0	1	3	4	1	1	0	1	0	0	1	1	1	1	1	1
Environmental Auditing	0	1	3	3	1	2	0	0	2	1	2	2	3	2	1	1
Goals & Targets	1	1	2	3	1	2	1	1	1	1	2	2	3	2	1	0
Legal Compliance	0	0	2	2	2	3	0	0	2	2	0	1	3	3	1	1
Research & Development	0	0	4	3	2	2	0	0	1	1	0	1	3	2	0	0
Awards	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0
Verification	0	0	3	3	2	2	0	0	0	0	3	3	3	3	0	0
Reporting Policy	2	1	3	4	1	1	2	2	0	0	2	2	1	2	2	2
Corporate Context	2	2	3	3	1	2	2	2	1	1	2	3	4	3	2	2
Material Use	0	1	2	2	1	1	0	0	1	1	2	2	3	3	2	2
Energy Consumption	0	2	3	3	1	1	0	0	1	1	1	2	2	3	2	2
Water Consumption	0	0	0	0	0	1	0	0	1	1	0	0	2	3	0	0
Clean Technology	0	0	3	3	1	2	1	0	1	1	2	3	2	2	1	1
Health & Safety	1	2	2	2	2	1	1	1	1	1	0	0	2	3	1	2
A & Emergency Response	0	0	1	1	1	1	0	0	0	0	0	0	2	1	0	0
Risk Management & EIAs	0	0	0	1	1	2	0	0	0	0	0	0	3	2	0	0
Contamination & Remediation	0	1	2	1	1	1	0	0	1	1	0	0	3	2	0	1
Stewardship of Ecosystems	0	0	3	2	2	2	1	1	1	1	0	1	2	2	0	0
Waste Minimisation	1	1	3	2	2	2	0	0	2	2	1	2	2	2	1	2
Air Emissions	1	1	4	3	1	1	0	0	1	1	2	2	2	3	1	1
Water Effluents	0	0	0	0	0	0	0	0	1	1	0	0	3	4	0	0
Noise & Odours	0	0	0	0	0	0	0	0	0	0	0	0	3	4	0	0
Transportation	1	1	4	3	0	0	0	0	0	1	2	3	1	1	1	1
Life-Cycle Design	0	0	0	0	1	1	0	0	0	0	1	2	2	2	2	2
Environmental Impacts	1	1	4	3	1	1	1	0	1	1	2	1	2	2	1	0
Product Stewardship	1	1	4	3	1	1	0	0	0	0	1	0	2	1	2	2
Packaging	0	1	1	1	0	0	0	0	0	0	1	1	0	0	3	3
Environmental Spending	0	0	0	1	0	0	0	0	0	0	0	0	0	1	0	0
Environmental Liabilities	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0
Market Solutions &	0	0	1	1	0	0	1	0	0	0	1	1	1	2	1	1
Environmental Cost	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0
Charitable Contributions	1	1	0	0	0	0	0	0	0	1	1	1	0	0	1	1
Employees	3	3	3	3	1	1	0	0	2	2	2	3	3	3	2	2
Legislators & Regulators	0	1	2	4	0	0	1	1	0	0	0	0	2	3	1	0
Local Communities	1	2	2	3	3	2	1	1	1	1	1	2	3	4	2	2
Investors	0	1	0	2	0	1	0	1	1	1	0	0	2	3	1	2
Suppliers & Contractors	1	2	0	1	0	1	0	0	1	1	3	3	2	3	2	2
Customers & Consumers	3	3	2	2	1	1	0	1	1	1	0	1	1	2	2	2
Industry Associations	1	2	2	3	1	1	0	1	1	1	0	1	2	2	0	1
Environment Groups	1	1	2	3	1	2	0	1	0	0	1	1	3	3	2	1
Science & Education	3	2	4	4	2	1	1	0	2	2	1	1	3	3	0	1
Media	0	0	3	3	0	0	0	0	0	0	0	0	1	2	0	0
Mana Whenua	0	0	3	3	3	3	2	2	0	0	0	0	2	3	0	0
Technology Co-operation	0	0	4	2	1	1	0	0	1	0	1	0	2	1	1	0
Global Environment	1	0	2	1	1	1	0	0	1	1	1	1	1	1	0	0
Global Operating Standards	0	0	0	0	0	0	0	0	0	0	0	0	1	2	0	0
Visions, Scenarios, Future	0	0	1	2	1	0	2	3	1	1	2	1	0	1	1	1