

REPORTING CORPORATE SUSTAINABILITY AND THE CHALLENGES OF POLITICAL RHETORIC

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Where organisations set out their sustainable values and make publically available their sustainable strategy, the rhetoric establishes an agenda against which, should deviation occur, the company can be publically held to account. As a result of recent scandals, it is not surprising that some people remain cautious or even cynical with regard to corporate sustainability, especially where it is found that the actual practices of an organisation are different to that reported. The research provides a review of company reports to identify how multinational organisations advocate their sustainable position. Both construction and non-construction companies are considered with regard to the use of the term 'sustainable'. The review finds that the multinational organisations, both construction and non-construction have in recent years provided a position on sustainability. While heavy construction companies are setting a commitment toward sustainability, the positions stated against which the companies may be measured are often vague. There were, however, company reports where commitments to sustainability were detailed and the statements could be considered measureable. Nevertheless, most company reports use sustainability terms that remain generic and lend themselves to a more flexible approach to sustainability or, cynically, are providing the rhetoric for public relations.

Keywords: corporate reporting, sustainability, sustainable values

THE SUSTAINABLE DIRECTION

Over the last few decades, pressure has been placed on companies to ensure that they align their operation with sustainable values (International Labour Office, 2011). And, although the evidence might be considered tentative, for those companies that trade on the open market, there are benefits associated with a 'sustainable' market image. For example, there are differences in stock market performance when organisations are classed as 'Low Sustainability' and 'High Sustainability' (Eccles *et al*, 2011). Adams *et al*, (2014) have also noted differences in performance when evaluating the companies on the Dow Jones Sustainability Index between 2008-2009, showing that those companies scoring low on the SAM (Sustainable Assessment Management) index did not perform so well on the stock markets and were less likely to be able to find shareholder value creation opportunities. In the work reported by Eccles *et al*, (2011), the benefits of those classed as 'High Sustainability' companies were more closely associated with the companies that competed on the basis of 'brand'; were interested in the influence of 'human capital' or were involved in extracting large amounts of natural resource, where

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potential negative impact on local communities can affect global trade. However, Eccles *et al*, noted that even with such pressures to become sustainable many companies remain reluctant to invest in sustainability, waiting until required to do so.

It has been suggested that most of the companies can be divided into two groups: those voluntarily adopting socio-environmental policies and those maintaining a more traditional model of maximising profits, only responding to environmental concerns when required to by law and regulation (Eccles *et al*, 2011). Between these two polarised positions, many companies will claim to be sustainable, by way of third party accreditation, but may not do much to change their practice. Upstill-Goddard *et al*, (2015) found that when gaining BES 6001 (BRE, 2009) certification for responsible sourcing of products, the construction companies did not seem to adopt a strategic approach to certification, generally sticking with their existing environmental management system rather than adapting their practice in a way that would result in greater recognition within the scheme. The result is surprising, especially when companies may be competitively judged against the criteria.

In practice, organisational sustainability is now established prerequisite, with many prequalification questionnaires requiring environmental criteria to be met (Oke and Aigbavboa, 2017; Hamani and Al-Hajj, 2015). However, when evaluating the tendering process and ranking prequalification criteria, sustainability was not identified as a main or sub-criteria for bid evaluation and thus was not one of the factors listed that influenced success (Puri and Tiwari, 2014). Based on the findings of prior research, it is not surprising that adopting new sustainable processes in construction has been relatively slow, as the construction industry is often reported to be traditional in their practice, lagging behind other organisations (Peansupap and Walker, 2004). Furthermore, the Global Reporting Initiative (Lamprinidi and Ringland, 2008) found that reporting the practice of sustainability was not well established in construction when compared to other sectors, such as the financial services or the electric utilities sectors. While some argue that sustainability can be classed as part of the '6th wave of innovation' representing a key company attribute for companies to be accepted by their peers (Silva and Di Serio, 2016), a lower risk position on sustainability may be preferred, although the research on the construction strategies adopted is relatively uncharted.

This paper therefore provides insight into the reporting practices of multinational heavy construction organisations compared with a sample of other multinational organisations, to help appreciate the value companies place on the term sustainability, based on its use within company policy. The paper will also make note of how companies that do not follow their policy of sustainability may or may not be affected by their rhetoric

METHOD

The work reported here presents part of a recently completed study, which reviewed multinational global company reports with regard to their use of the term 'sustainability' within their published reports (Duwebi, 2017). Under the review, the position and strategy the company reports presented during 2010-2012 is discussed.

Of the 10 industry sectors, based on the Dow Jones Sustainability and Robeco SAM Sustainability Index that were reviewed in the main study, observations made from 3 of the industry sectors are reported here. In each sector, the five highest-ranking companies identified from the SAM sustainability list were selected and reports captured and the content reviewed.

Based on the reports of three sectors, comparisons are drawn across the heavy construction, automobile and chemical sector. The paper will examine how the companies' interpretations of sustainability align with the Brundtland definition, and also how they have positioned themselves in taking up the sustainability agenda. The publically available information, reported by the company is taken as evidence of how the company wish to convey their sustainability agenda, and does not necessarily represent the sustainable actions and activities undertaken.

Purposive sampling was adopted to capture an insight into the sustainability rhetoric of the higher ranking organisations. The review of archival research data provides insight into use of the term sustainability through content analysis, thus by systematically searching coded categories, quantifying and comparing the occurrence of related terms the text is analysed (Hsieh and Shannon, 2005). And, though an analysis of the surrounding discourse, deriving the intended meaning of sustainability by virtue of the non-linguistic factors, discourse analysis, in a situational context, is used to interpret use of the term sustainability (Yang and Sun, 2010). While the interdisciplinary uses of both content and discourse analysis are diverse, the approach adopted here is to systematically search for sustainability and related terms and present the context to understand the position the company wish to convey. The full research method is presented in the main body of work (Duwebi, 2017).

The work is cross-sectional in that each report provides a snapshot of the company activities at that moment in time and across companies, and is also longitudinal in that three annual reports were investigated, for the three years 2010 to 2012 (Duwebi, 2017). In light of recent political changes and to capture any trends or departures, more recent reports are brought into the discussion, but did not undergo the quantitative content analysis reported.

Different types of company reports were recognised as information sources for this study and included; citizenship reports, corporate social responsibility reports CSR, sustainable development reports SD, corporate reports CR, beyond the mine reports BTM and summary review reports. Overall, 308 reports were included within the review for the study. Within this paper we focus on one set of code and discourse linked to sustainability, namely how the company defines sustainability and the proximity with the Brundtland definition of sustainability. However the main study also considered issues associated with the local political, geographical and economic factors (linked to sustainability), management of sustainability, knowledge management and supply chain issues. The broad issues of enquiry was used to gain a greater understanding or how sustainability was being reported (Duwebi, 2017).

With the aid of NVivo software, queries relative to sustainability were used to explore and extract related data. It is noted that many of the company reports were not produced with sustainability or the management of sustainability in mind. The method of searching and querying was an iterative search process, looking for terms, capturing information, recognising different related terms used (compared with those initially searched) and then repeating the search, using broader search terms (Duwebi, 2017). This formed an initial enquiry from which more detailed investigations can be taken forward.

Results: Sustainability within Company Reports

The analysis of the raw data relating to use of the term 'sustainability' showed that the use of sustainability is not limited to environmental and humanitarian definitions, as would be expected. Thus, the context within which the term is used is fundamental to

interpretation. The information surrounding the word sustainability was expected to be of more relevance than the term itself. Considering the context of individual words is a logical step in developing understanding and, in most cases, the nature of a word's meaning and intent can be distinguished as the surrounding non-linguistic and context discourse is considered. The occurrence of discourse related to environmental 'sustainability' is recorded in the tables below (tables 1, 2 & 3).

Table 1: Heavy Construction Sector

Company in the SAM index	Number of reports found containing relevant references Sources (and reference to the word)
Acciona	2 (3)
Fomento de Construcciones y Contratas	3 (4)
GS Engineering & Construction	1(1)
ASC	0 (0)
Hyundai E&C	0 (0)

Not all heavy construction companies use the term sustainability, as considered here. However, based on the content analysis alone, the leading organisations of the heavy construction sector are not found to be particularly different or as has been suggested 'lagging behind' other sectors. In the larger sample of research, other industries such as Aerospace, Banking, Food and Drugs, Mobile Sector, Oil Sector, Automobile, Chemical, Mining and Pharmaceutical were reviewed (reported by Duwebi, 2017). In comparison to these industries, the degree to which the heavy construction sector refer to environmental 'sustainability' within their reports is comparable to that used in the mining and pharmaceutical sectors. It is interesting that the companies using a greater amount of 'sustainability' content were the chemical and automobile sectors. Within these sectors, the top listed companies were most explicit about their commitments, placing emphasis on how their companies are progressing in their commitment to sustainability. It is interesting that the top level 'generic' statements are relatively consistent across different companies.

Table 2: Automobile sector

Company in the SAM index	Number of reports found containing relevant references Sources (and reference to the word)
BMW	5 (9)
Daimler	6 (9)
Fiat	1(1)
VW	1 (1)
Toyota	0 (0)

BMW's (BMW Annual Report 2010: 171) commitment aligns closely with the philosophical content of the Brundtland definition, giving equal consideration to ecological, social and economic development. They also use the term sustainability from an organisational perspective referring to the relevance of corporate sustainability and its importance in three areas: resources, reputation and risk.

Similarly, Daimler, in their annual reports from 2010 (Daimler Annual Report, 2010: 251) define sustainability in line with Brundtland, as:

...using natural resources in such a way that they continue to be available to fulfil the needs of future generations. In the view of the Daimler Group, sustainable business operations have to give due consideration to economic, ecological and social aspects.

Also, in the following year's Sustainability Report (2011: 10) sustainability is defined as:

...responsible corporate behaviour that leads to long-term business success and is in harmony with society and the environment. The company moves toward its goals by making sustainability a firmly integrated aspect of their operations and by requiring and promoting a strong sense of responsibility for sustainable operations among all of their managers and employees throughout the Group.

With a lesser degree of emphasis than the two previous companies, Volkswagen, in their sustainability report (2012: 16), interpret sustainability as:

...a call for a balance of economic, environmental and social objectives.

The comments from the Volkswagen group precede the emissions violations, which started to emerge, following a 'tip-off' in 2014. However, it is claimed that some of the cars affected, were in production as early as 2009 (Atiyen, 2017). A recent review of the affair concluded that the root cause of the "unethical scandal goes back to business culture and structure of the company". Furthermore, the review suggests that compliance-based business ethics, such as those used by Volkswagen, are failing to treat employees ethically and present employees with the dilemma of either losing their jobs or taking unethical action. The difference between the report and actual company culture and practice that led to the problem is evidenced through the company confession. Volkswagen attracted all the opprobrium for this, but were following EU-wide policy in the drive to reduce carbon dioxide emissions. Government policy was based on the single issue of carbon dioxide emissions to the exclusion of all else, including air quality and health considerations. Other manufacturers have since confessed to similar practices, and this incident exposes some of the dangers inherent in maintaining a single-issue focus by governments.

Table 3: Chemical sector

Company in the SAM index	Number of reports found containing relevant references Sources (and reference to the word)
AkzoNobel	1 (1)
BASF	1 (1)
Bayer	6 (9)
DMS	3 (17)
Dow chemical	0 (0)

The chemical sector also provided the highest number of references to sustainability. BASF Corporation in their annual report (BASF Annual Report 2010: 205) aligns to the Brundtland definition of sustainable development. Meanwhile, AkzoNoble in their 2012 annual report (AkzoNoble Annual Report 2012: 163) only make a tangential reference to global sustainability. They see sustainability as connected to every area of business, stating that:

...by doing more with less, sustainability value will be fundamentally connected to business value. We are making sustainability profitable by tailoring solutions to our customers' needs today and in the future and by future-proofing our supply chain.

The chemical corporation DSM (Dutch State Mines) introduced their approach and understanding of sustainability in their integrated annual reports (2010) as a purpose to

create 'brighter' lives for people today and generations to come through connecting life science and materials sciences to create solutions that nourish, protect and improve performance. DSM suggest they focus on the triple bottom line in order to create value for all stakeholders. Furthermore, they state why the commitment is important for the company's future, "sustainability will be the key differentiator and value driver over the coming decades" (2010: 11).

Comparison with Construction: Discussion

Within the companies listed, there is some evidence to suggest the heavy construction sector is cognisant of sustainability, comparable to that found in other fields and is concerned with improving its social, economic and environmental sustainability indicators.

Acciona's annual report 2010 (10) referred to the company's commitment to sustainability, as it goes beyond generating economic value, and stated that "we aim to contribute to development with a balanced business model for the benefit of future generations." They go on to suggest that the company's sustainability master plan 2010-2013 (Acciona Annual Report 2010) rests on six pillars: innovation, environment, engagement with society, people, the value chain and governance, all aimed at achieving concrete goals of sustainability.

Fomento de Construcciones Contratas (Report 2012) makes reference to the importance of sustainability in both the construction product and process. The report (2012: 447) states that "sustainable construction refers not only to the managing of environmental impact while the works are being executed, but also to the management of the "product" throughout its useful life."

GS Engineering & Construction (Annual Integrated Report 2012: 6) differ from this view and instead interpret sustainability as, "creating value that can be shared among various stakeholders, as well as fulfilling their responsibilities as a corporate citizen." The company vision of sustainability (Annual Integrated Report: 7) relies on: "maximising organisational competence based on core values of great innovation, great challenges and great partnerships to earn trust to grow as a sustainable global company." The company aim is defined as being to "Pursue growth by creating sustainable value together." (Annual Integrated Report 2012)

The related terms and expressions used in the company reports, link sustainability to environmental, social and economic values to create company principles that claim to add corporate value, for future markets.

Deeper into sustainability: Acciona a more recent enquiry

A review of Acciona Annual Report in (2015a) found no specific reference to 'sustainability', however, there is a significant shift from early towards sustainable reports with greater detail. The growth in renewable energy and the need to strategically position itself with emergent markets, where companies will need to operate in a sustainable manner, was recognised as a key business driver. The company has shifted from an acknowledgement of sustainability issues to one where it has positioned itself to take advantage of emergent energy markets and to adapt company practice to suit. The company's Sustainability Report (2015b) details training and development initiatives-performance incentives linked to sustainability and covers many aspects of practice which makes some commitments measurable. It is interesting that this is done even after the preceding years were seen as financially challenging and where the company had to

restructure itself. Sustainability and business development are no longer seen as opposing agenda, but very much one and the same.

Acciona has assumed these challenges (United Nations General Assembly Sustainable Development Goals) as its own, and incorporated them into its business model... (with a plan)...to make Acciona a carbon neutral company (Acciona Sustainability Report, 2015b)

One of Acciona's key values remains a "concern for the environment"

ACCIONA sees the fight against climate change, sustainable use of natural resources and protection of biodiversity as the main principles of its environmental strategy." Acciona (2015a: 13) and "to play a leading role in transforming the planet's infrastructure and in sustainable energy, while focusing on having a strong balance sheet, remunerating our shareholders appropriately, and constantly seeking growth opportunities. Acciona Annual (2015a: 10).

The reports show commitments being made to a sustainable agenda, such observations are of interest, as this was similar to VW where their public commitment was high but divergence from agreed standards resulted in legal and financial consequences. A question is raised as to whether it is wise for companies such as Acciona, to make strong sustainable commitments, when political and commercial markets are transient.

Sustainability: Policy departures and reactions

Recently there is degree of uncertainty in sustainability policy brought about as a result of political developments such as BREXIT and the US presidential election (Watson, 2017). In light of changes to UK markets, leading firms, including Kingfisher, BAM and ARUP have lobbied the UK Government to use its Clean Growth Plan to tackle emissions from buildings (letter to Greg Clark Secretary of State, WWF, 2017). Furthermore, concern has been raised by the Head of Energy and climate change at WWF:

The low carbon economy represents a huge opportunity for UK businesses so it's no wonder that they're desperately looking for longer term clarity that will enable them to invest in the technologies that we know can help to tackle climate change... (Bairstow, 2017).

However, most of the organisations reviewed have not committed totally to sustainability, they provide an overarching position with regard to sustainability. For many of the organisations there remains a question of how far such rhetoric accounts for real change in company practice. In most of the reports little is discussed in the way of detail that can be measured. This is not the case for some organisations that do set down some firm commitments in a manner that can be used to publically hold them to account, such as the reports produced by Acciona. However, the reporting of sustainability remains contentious (Murguia and Bowling, 2013). And for many, the reports where generic sustainability rhetoric is used without measurable content, may be viewed more as a public relations and marketing exercise. It is noted that even when reporting is mandatory, organisations have been found to disclose their management approach but fail to consistently disclose performance indicators (Aktas, Kayalidere and Kargin, 2013), noting an apparent difference between that advocated and the practice undertaken. The review of the reports here, found all organisations disclosing their strategic approach with regard to sustainability with a few companies committing and providing measurable statements. Where the companies have committed heavily, will the rewards be forthcoming?

A change in direction from the USA was recently signalled as the President signed an executive order placing economic and employment concerns above those of the climate change agenda (Merica, 2017). The USA President argued that both growth in business and tackling issues of climate change can sit alongside each other, which is not so

dissimilar to the position set out by the UK's former Chancellor of the Exchequer in its 'Fixing the foundations' review.

Productivity is the challenge of our time. It is what makes nations stronger, and families richer. Growth comes either from more employment, or higher productivity... ..we need to focus on world-beating productivity, to drive the next phase of our growth and raise living standards. (Osborne, 2015: 3)

The UK Department for International Trade is prioritizing trade and growth ahead of climate change, in the wake of the BREXIT referendum (Shipman, 2017). For both the USA and UK, the discourse signals a relaxation of some the climate change legislation in favour of trade and economic growth.

As a result of this discussion, a question is raised: If companies have positioned themselves for sustainability, what impact are recent changes likely to have on their markets if company and political strategies are not aligned?

CONCLUSIONS

Over the years many companies have positioned themselves for sustainability and the emergence of related markets. While the uptake is viewed as conservative, each of the companies reviewed were found to have introduced sustainability into their strategic vocabulary. The review of Acciona's more recent company reports in 2015 show that the company has aligned its operations to embrace sustainability, ready for the emergence of the new energy and sustainability markets.

Reports for 2016 are not yet available, so the evidence of how companies will react to recent political changes and relaxation of legislation has not been formally reported. However, at a UK domestic level, there is some evidence of government lobbying, by construction firms, requesting clarity and change for the industry in the form of the Clean Growth Plan. It is clear that over the years, commerce has acknowledged the need to develop sustainable policies and to invest so that it is ready to engage. The lack of clarity with regard to public policy is of concern for those in the industry that have invested to ensure that they can continue to operate when sustainability legislation is introduced. Without policies that are robust and stable, it is questionable why companies would make commitments beyond the generic position currently provided. Further research is required to evaluate the value or consequences of a strong commitment to sustainability.

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