

THE GLOBAL REPORTING INITIATIVE AND THE QUEST FOR A CONCEPTUAL FRAMEWORK

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ABSTRACT

This paper aims to produce an original model distilling a conceptual framework for sustainability reporting. Two levels of information reliability are described, derived mainly from accounting conceptual frameworks, and Global Reporting Initiative (GRI) Guidelines. We follow an inductive approach: we analyze the qualitative characteristics of specific environmental indicators, in order to assess the degree of relevance and reliability of each particular provision. We will finally make an attempt to derive the objective of sustainability reporting, while evaluating the degree of usefulness of this type of documents that closely follow the more formalized process of financial reporting. We conclude that there are a number of reasons for not reporting; most of these are related to internal data reliability. Hence, stakeholders cannot distinguish between different types of data unreliability; and the GRI does little on this matter.



Sustainability, accounting conceptual framework, corporate reporting, GRI, stakeholder theory

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INTRODUCTION

The level of disclosure generated by markets has always been a subject of debate and an object of regulatory initiatives. Disclosure comes with a cost, generally borne by the reporting entities; at the same time, disclosure is presumed to generate benefits for the stakeholders of the organisation. From a narrow perspective, costs and benefits can be easily separated and quantified; from a bird's eye view, the corporate actors may experience the costs of transparency, while enjoying at the same time the benefits of being informed on market evolutions at the most suitable time.

The definitions for the major concepts in use throughout this article might shed light on a number of pivotal distinctions (Greuning, 2006: 7). *Transparency* is the truthful correlation between discourse and its underlying reality. *Disclosure* refers to the process and methodology of providing the information and making policy decisions known through openness and timely dissemination. The conceptual separation between transparency and disclosure comes from the factual details of transforming the objective of the 'true and fair view' into reality through a continuous and high-quality flow of information.

Accountability refers to the need for market participants, including the authorities, to justify their actions and policies and accept responsibility for their decisions and results. Transparency, as defined above, is the means of fostering accountability, internal discipline and better governance. The pro-principles rhetoric that surrounds the notion of transparency reflects a desire to promote ethical values, emphasizing the descriptive as well as the normative qualifications of these concepts (Cunningham, 2007).

This article employs a conceptual analysis of sustainability reporting, aiming to produce a detailed picture of the difficulties surrounding the implementation of a widely accepted framework, such as the Global Reporting Initiative (GRI) Guidelines. The anomalies of sustainability reporting derive from the very core of the framework on which it relies.

We first identify the institutional foundations and the mission of GRI, implicitly discussing the foundation of constructive reporting. The paper then checks for the two qualitative characteristics of reporting – reliability and relevance – in the conception of the GRI performance indicators. Two levels of reliability are described, mainly derived from accounting conceptual frameworks (e.g. FASB), the sources of inspiration for the reporting principles of GRI. Finally, the assessment of relevance and reliability calls for the identification of major flaws in the presentation of the 'true and fair view' from the GRI perspective. Rules and principles are contrasted, while the usefulness of sustainability reporting is put under scrutiny. We conclude that there are ways to obtain a license to operate, while at the same time eroding the foundations of ethical behaviour.

1. SUSTAINABLE DEVELOPMENT AND SUSTAINABILITY REPORTING

The sustainable dimension of any activity is mainly ethical. Sustainability is a concept which deals with a fair allocation of resources on a global scale. Fairness comes from a rational and responsible distribution of resources and opportunities between the future and present generations, and a scale of economic activities relative to their ecological life support systems (O'Dwyer & Owen, 2005).

The publication of the Brundtland Report in 1987 and the subsequent Summits of Rio and Johannesburg supported by the United Nations have helped to bring about the development of a shared consciousness on the need to reflect on how society can contribute to social welfare without threatening survival of bio-diversity. To date, the most widely accepted definition of *sustainable development* is that proposed in the Brundtland Report: "Development that meets the needs of the present without compromising the ability of future generations to meet their own needs" (World Commission on Environment and Development, 1987). However, no generally accepted definition is to be found in the literature, and this is part of the problem for corporate actors, and part of the attraction for academics, policy-makers, and lobbying groups (Moneva *et al.*, 2006).

The KPMG (2002: 7) report defines sustainability reports as "reports that include quantitative and qualitative information on [companies'] financial/economic, social/ethical and environmental [triple bottom line] performance in a balanced way". However, it can be argued that 'sustainability reports' are organisation-centric approaches, while sustainability is a collective and cumulative, broader ecosystem-based assessment of economic activity relative to resources base (Elkington, 2006; Starik, 1995).

1.1 The institutional foundations of GRI

Environmental reporting, the precursor of sustainability reporting, took shape in the early 1990s as part of the search for tools to enhance accountability. The 1989 Principles of the Coalition for Environmentally Responsible Economics (CERES) – shared corporate social responsibility (CSR) and multi-stakeholder alliances – were readily taken up by those environmental advocates who stressed the necessity of business participation in solving global environmental problems (Enderle, 2004). The 1992 UN Conference on Environment and Development in Rio was a turning point in the balance of power between global corporations, governments, and the society. Acting from the platforms of the International Chamber of Commerce and the newly created Business Council for Sustainable Development (since 1995 World Business Council for Sustainable Development, WBCSD), the corporate sector presented itself as not only part of the environmental problem, but also an essential part of the solution.

In 1997, environmental reporting reached a turning point with the launch of the GRI by CERES in partnership with the United Nations Environmental Program. Its goal was to enhance the quality, rigor, and utility of sustainability reporting. It was an attempt to integrate and unify the many standards in the marketplace into a single, generally accepted sustainability reporting framework, encompassing environmental, social and economic performance.

The first official edition of the GRI Guidelines was released in June 2000, and the work on the next edition commenced immediately thereafter. By August 2002, the second edition of the Guidelines was released in Johannesburg during the World Summit on Sustainable Development, which was followed in quick succession by a series of supplements tailored for individual industrial sectors and by scores of technical protocols and resource materials. By the end of 2005 the governance structure of GRI was completed. The third generation of the Guidelines (G3) – addressed within this paper – was released in October 2006.

The guidelines are for voluntary use by organisations reporting on the triple-bottom-line (economic, environmental, social) dimensions of their activities, products and services. According to GRI, a number of key trends has fuelled its swift progress: expanding globalisation; the search for new forms of governance; reform of the corporate governance in the light of stakeholder theory; global role of emerging economies; rising visibility and expectations for multinationals; measurement of progress toward sustainable development; governments' and financial markets' interest in sustainability reporting; and the emergence of next-generation accounting (Graham & Woods, 2006).

1.2 GRI and the constructive role of reporting

The hypotheses that are to be found in the abundant literature (Elkington, 1997; Ballou *et al.*, 2006; Hess, 2005) on sustainability reporting are as follows: triple-bottom-line reporting, also known as sustainability reporting, involves reporting nonfinancial and financial information to a broader set of stakeholders than just the shareholders. Through the consistent and inevitable exposure that results from this high level of transparency, companies are motivated to improve their performance on a range of indicators to demonstrate continued improvement and outperform others in their sector.

The constructive role of reporting is a by-product of the development of a pluralistic system of accountability in stakeholder networks (Benner *et al.*, 2004). The diffusion of power is an important precondition for the efficacy of different forms of accountability in networks. Among the different accountability mechanisms, reputational accountability is of prime importance for guaranteeing accountability in networks. Since not only information but also sanctions have to be part of our understanding of accountability, the loss of credibility is one of the

most effective negative sanctioning mechanisms for companies, governments, individuals and civil society organisations. The company's stakeholder-oriented activities – as implementations of ideas derived from stakeholder theory – seem to find their legitimacy in the company's capacity of delivering quantitative and qualitative statements (Zambon & Del Bello, 2005).

1.3 Principles and rules for a conceptual framework

The GRI framework is a self-declared principle-centric reporting framework. The reporting principles are intended to help achieve transparency, defined as the complete disclosure of information on the topics and indicators required to reflect impacts and enable stakeholders to make decisions, and the processes, procedures, and assumptions used to prepare those disclosures. The principles themselves are organized into two groups: 1) principles for determining the topics and indicators on which the organization should report; and 2) principles for ensuring the quality and appropriate presentation of reported information (GRI, 2006).

The structure of any theoretical construct has always been subject to ongoing debates and faces the challenges of defining the set of elements and relationships that govern the development of sustainability reporting. Thus, we turn to the structure of accounting theory (e.g. the FASB Conceptual Framework, as in Financial Accounting Concepts No.1 – *The Objectives of Financial Reporting by Business Enterprises*), the inspirational source of the GRI framework. We extract from the literature (Riahi-Belkaoui, 2004: 211) the following definitions:

- 1) The **postulates** are self-evident statements or axioms, generally accepted by virtue of their conformity to the objectives of financial and nonfinancial statements, that portray the economic, political, sociological, and legal environments in which accounting and sustainability reporting must operate.
- 2) The theoretical **concepts** aim at portraying the nature of accounting entities in a free economy characterized by private ownership of property and sustainable development concerns.
- 3) The **principles** are general decision rules, derived from both the objectives and the theoretical concepts of the triple-bottom-line perspective of the enterprise.
- 4) The measurement **techniques** are specific rules derived from principles and account for the specific transactions and events faced by the organisation.

The four definitions given to postulates, concepts, principles and techniques have in common the fact that the underlying regulatory reality (the actual provisions) reside on a continuum according to the provision's relative vagueness (Cunningham, 2007). They can be pictured in a more contracted form as rules and principles that, to varying degrees, enable regulators to communicate expectations and provide people with guidance on what is required or permitted.

The principles-centric claim of the GRI framework needs a careful analysis, which is the core of this paper. Whether we make reference to the four-step-pyramid structure (Riahi-Belkaoui, 2004: 181) described above (*i.e.* postulates, concepts, principles, and techniques), or we simplify the discourse to the simple categories of rules and principles, a crucial effort is to define the extremes of the continuum. Principles and rules can be classified according to:

- a) Their temporal orientation: rules define boundaries and provide guidance *ex ante*, while principles define them *ex-post*. In the case of reporting principles, a certain point of disclosure on sustainability can be considered to lack materiality, or reliability, or completeness, only when it is integrated into the final report and released to the public, thus *ex post*. Such kind of evaluation can sometimes imply a high degree of subjectivity. For example, a company may choose to disclose total water discharged by quality and destination (EN21); a “rule” may sound like this: “companies should have a specific technique to measure water discharges, otherwise their disclosures are unreliable”. The respective GRI principle states that “If the reporting organization does not have a meter to measure water discharges, this figure needs to be estimated by subtracting the approximate volume consumed on-site from the volume withdrawn”. In this case, it is up to the public to decide whether the approximation is a relevant figure, or just an arithmetic exercise.
- b) Their relative generality versus specificity, abstractness versus concreteness, universality versus particularity. Provisions characterized by generality, abstractness, or universality are principles, while those that are specific, concrete, and particular are rules.
- c) Their discretion reposed in designated actors: the more discretion a provision reposes, the more it is principle-like, and the less-discretion reposes, the more it is rule-like. This approach mimics the first point of our taxonomy, in assuming that groups of actors can exhibit high levels of discretion based on the likeliness of a system to be principles-oriented rather than the opposite.

Cunningham (2007) considers that principles may promote conservatism among regulated actors, protect other participants, and have longer shelf lives. In the case of sustainability reporting, if we rule out market efficiency as an objective of the system, and if we consider that fairness can only be achieved through extensive disclosure and stakeholder scrutiny, we may argue that a principles-based system, embedding the above traits, may be the best solution to the problem of sustainable development. In general, prioritizing fairness and contextual analysis leads to the formulation of principles; nevertheless, the desirability of a rule over a principle depends on the clarity with which one can define the importance of relative objectives.

In the following sections we follow an inductive approach: we analyze the qualitative characteristics of various indicators of the GRI, in order to assess the degree of relevance and reliability of each particular regulatory instance. We will then proceed to suggesting an objective of sustainability reporting, while evaluating the degree of usefulness of this type of document that emanate from self-regulatory initiatives.

2. A TWO-TIER MODEL OF RELIABILITY

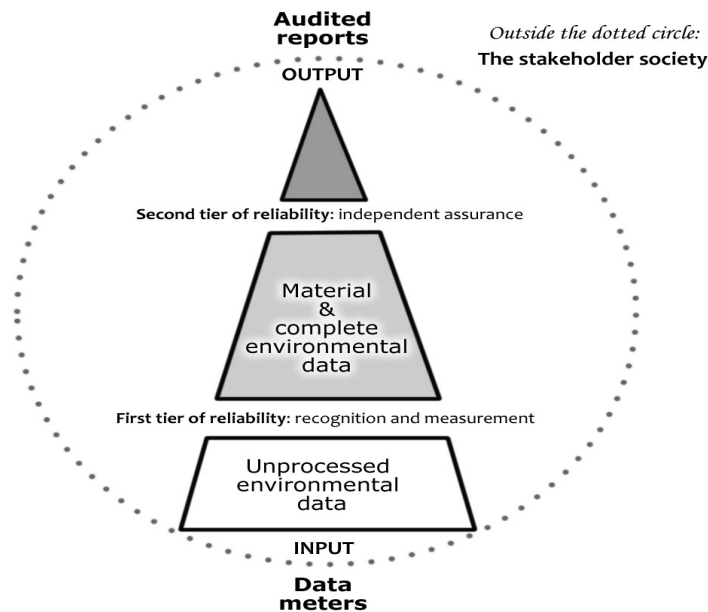
Transparency can be envisaged as a multi-level concept that is useful for evaluating the quality of financial or non-financial reports from the point of view of the user. The multi-layer framework described in the dedicated literature imagines transparency as a hierarchy of lenses that should ultimately provide a view of the firm's economic performance and financial position. A lack of transparency at a high level automatically reduces transparency at lower levels (Mensah *et al.*, 2006):

- Transparency level 1 (Transactions and Events) is the most critical transparency level because any significant occlusion at this level would lead to a distorted view of the firm's economics irrespective of transparency at other levels.
- Transparency level 2 (Accounting Methods) allows the user to judge whether measurement methods are acceptable and comparable to those of other entities.
- Transparency level 3 (Management estimates and judgments) implies full disclosure on management's discretionary judgments and estimates, the underlying assumptions and procedures employed.
- Transparency level 4 (Economic substance of measurement) relates to FASB's framework, where economic substance is most closely related to the concept of representational faithfulness.
- Transparency level 5 (Forecasting) produces numbers which should come to exhibit total comparability to previous periods and predictive qualities on future developments.
- Transparency level 6 (Access and integration) deals with the intelligent data organisation within the reports: tables, references, functional definitions, and the integration of information.

In order to assess the degree of reliability promised by the use of the GRI Guidelines, we have devised a reduced two-tier framework that combines several of the qualitative characteristics of sustainability reporting. At the same time, our perspective on reliability derives from a more common-sense approach, on account that the sophisticated multi-layer model described above is mostly inapplicable to the analysis of the GRI Guidelines.

The model in **Figure 1** describes the corporate information flow, from the input data obtained by using specific environmental meters (*bottom*), to the system's output, represented by audited sustainability reports (*top*). At the same time, the entire quantity of information specific to environmental activities is contained within the large pyramid at the centre of the model. At the bottom of the pyramid lies a large quantity of unprocessed data; by employing specific assessment techniques, only selected data can be considered reliable and material; further independent assurance is needed in order to convey a balanced sustainability report. Outside the dotted circle lies the stakeholder society which is at the same time the provider of raw environmental data and the final user of reported environmental performance indicators.

Figure 1. A model of corporate sustainability information flow



2.1 The first tier of reliability: recognition and measurement

Within the Sustainability Guidelines, reliability is defined as

Information and processes used in the preparation of a report [that] should be gathered, recorded, compiled, analyzed, and disclosed in a way that could be subject to examination and that establishes the quality and materiality of the information (GRI, 2006: 7).

This section is dedicated to the analysis of the reliability of several environmental performance indicators. Reliability was modeled by the FASB as one of the two primary qualities of information usefulness. The reliability of information depends on 'how faithfully the information represented what it is supposed to, the availability of evidence to verify this, and the neutrality of the information' (FASB, 1993). Because ensuring maximum reliability proves in practice to be difficult, accountants have employed the objectivity principle to justify the choice of measurement procedures.

We have identified several issues on which sustainability measurement techniques do not prove to be reliable, and which need to be treated as such. It should be noted that the use of indicators to estimate variables that cannot be measured precisely has a long history in environmental science, where variables that are inherently complex cannot be directly observed (Lamberton, 2005).

- Total energy saved by efforts to reduce energy use and increase energy efficiency (EN5). Reduced energy consumption from reduced production capacity or outsourcing should not be included in this Indicator. We claim that an estimate of energy saved can only be provided *ceteris paribus*, when all other factors are held fixed over a period of time – say, one year. By “all factors”, we refer to keeping all levels of activity steady, which is not a realistic assumption.
- Indirect energy use through purchasing materials and components or services such as travel, commuting, and subcontracted production (EN7). When monitored comprehensively, indirect energy use can be reduced effectively (e.g., by carefully selecting energy-efficient materials, services, or production capacities, or substituting phone or video conferences for travel). In contrast, we affirm that relevant upstream/downstream indirect energy use is not directly measurable except for the costs borne by the employees or the company in their name. Whenever one type of service is found a replacement, a reliable evaluation for the latter should also be provided.
- Significant direct and indirect positive and negative impacts (EN12) with reference to the following: species affected; extent of areas impacted (this may not be limited to areas that are formally protected and should include consideration of impacts on buffer zones as well as formally designated areas of special importance or sensitivity); duration of impacts; and reversibility or irreversibility of the impacts. The first remark concerning this indicator focuses on the costs of establishing the significance of environmental impacts. The lower the amounts invested in assessing such aspects, the less the reported significance; a company seeking to maximize shareholder value is highly unlikely to decrease profits in order to investigate past damages inflicted to the environment. Secondly, significant impacts occur over extensive periods of time; the point in time when an impact becomes significant is at the managers' discretion.

Another “metric” of reliability is the materiality principle. In the context of the GRI Guidelines, materiality is defined as:

...the threshold at which an issue becomes sufficiently important that it should be reported. [...] A combination of internal and external factors should be used to determine whether information is material, including factors such as the organization’s overall mission and competitive strategy, concerns expressed directly by stakeholders, broader social expectations, and the organization’s influence on upstream (e.g., supply chain) and downstream (e.g., customers) entities (GRI, 2006).

The principle of materiality holds that transactions and events having insignificant economic or sustainability effects may be handled in the most expeditious manner, and need not be disclosed. Materiality serves as an implicit guide for the reporting entity in terms of what should be disclosed in company reports, enabling the organization to decide what is not important or what does not matter on the basis of record-keeping costs, accuracy of statements, and relevance to the users. However, the materiality principle lacks an operational definition. Most definitions of materiality stress the reporting entity’s role in interpreting what is and what is not material (Riahi-Belkaoui, 2004).

Conversely, completeness is concerned with both the extent of an organization’s operations in the report (its scope) and the extent to which significant impacts are presented in a report (Adams & Evans, 2004). The greatest consideration should be given to the tradeoff between the application of the materiality principle and assuring the completeness of sustainability reports. However, the GRI definition of completeness is logically flawed, for it builds on another definition (materiality) whose terminology contradicts the semantics of the current definition:

[Completeness is the] coverage of the material topics and definition of the report boundary [which] should be sufficient to reflect significant economic, environmental, and social impacts and enable stakeholders to assess the reporting organization’s performance in the reporting period (GRI, 2006: 11).

We consider that the definition of ‘completeness’ provided by the GRI does not envisage the actual completeness of the reports, but “the dimensions of scope, boundary, time, and [...] practices in information collection”, which is no more than the above definition of materiality. In other words, the provision of complete information is equivalent to the provision of information on material topics only, while materiality is established through a prioritization process which uses ‘a range of established methodologies to assess the significance of impacts’ (GRI, 2006). However, as a compensation for the exclusion of “non-material” items, the process by which the relative priority of topics was determined should be explained.

A controversial environmental performance indicator is concerned with the monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations (EN28). The organization should report on significant fines and non-monetary sanctions in terms of: a) total monetary value of significant fines; b) number of non-monetary sanctions; and c) cases brought through dispute resolution mechanisms. However, the literature has showed that the high esteem held for materiality may become a cover-up of a lack of full disclosure regarding the ethical, social and environmental impacts of particular companies. A recent case study analyses company Alpha's sustainability reporting practices; the following excerpt supports our contentions:

The two pages in the 1999 annual review give a similarly unproblematic impression of progress though it mentions a £2,000 fine for "two losses on containment in 1998". Alpha was top of the Environment Agency's list of fines for pollution by companies in England and Wales published in March 1999 with fines amounting to £382,500 for pollution during 1998 (Adams, 2004).

We can conclude that the materiality principle – information is deemed material only if its omission or misrepresentation could influence the decisions and actions of stakeholders – would be effective and trust-inspiring only in the presence of external assurance. Assurance statements need to move beyond this restrictive approach which implicitly defines materiality as it pertains to management (O'Dwyer & Owen, 2005).

2.2 The second tier of reliability: independent assurance

There is a natural passage from internal reliability – as discussed above – and external assurance. Stakeholders should have confidence that a report could be checked to establish the veracity of its contents and the extent to which it has appropriately applied reporting principles. The information and data included in a report should be supported by internal controls or documentation that could be reviewed by individuals other than those who prepared the report.

Assurance is an evaluation, against a specific set of principles and standards, of the extent of the accountability to stakeholders provided by specified public reports. It involves an examination of the quality of the systems, processes and competencies that deliver the information underpinning the reporting organisation's performance (AccountAbility, 2003). The third version of the Guidelines specifies that the use of external assurance is recommended, but not mandatory, for sustainability reports, while a variety of approaches are suggested: the use of professional assurance providers, stakeholder panels, and other external groups or individuals. The GRI uses the term 'external assurance' to refer to activities designed to result in published conclusions in the quality of the report and the information contained

within it. This is different from activities designed to assess or validate the quality or level of performance of an organisation, such as issuing performance certification or eco-labeling.

Overall, the key qualities for external assurance of reports using the GRI Reporting Framework are that it:

- Recommends the provision of independent assurance conducted by groups or individuals external to the organization who are demonstrably competent in both the subject matter and assurance practices;
- Utilizes groups or individuals to conduct the assurance who are not unduly limited by their relationship with the organization or its stakeholders to reach and publish an independent and impartial conclusion on the report;
- Assesses the extent to which the report preparer has applied the GRI Reporting Framework (including the Reporting Principles) in the course of reaching its conclusions; and
- Results in an opinion or set of conclusions that is publicly available in written form, and a statement from the assurance provider on their relationship to the report preparer (Ballou et al., 2006).

Unguided by auditing standards, monitoring will struggle to achieve the credibility that it seeks to provide to a company's efforts on environmental, human rights, or labor rights reporting. Formal standards remove discretion from the auditor and reinforce its claim to be acting independently of the firm being audited. Further, auditing standards make it easier for all stakeholders to determine whether the assurance process itself was completed successfully (Graham & Woods, 2006). The European Commission argues that:

Verification by independent third parties of the information published in social responsibility reports is also needed to avoid criticism that the reports are public relations schemes without substance. Indeed such services are already beginning to be offered by a variety of companies, which would seek to perform them following agreed standards. The involvement of stakeholders, including trade-unions and NGOs, could improve the quality of verification (Commission of the European Communities, 2001: 18).

One of the key criticisms of current assurance practices of social, ethical and sustainability reports concerns the huge audit expectations gap (Adams & Evans, 2004), resulting from several factors particularly apparent when comparing the work of financial and sustainability assurers:

- Unlike the financial audit, sustainability assurance is not a legal requirement. This characteristic is a corollary of the adherence to the self-regulatory regime. Even if the organization opts for voluntary

compliance to the GRI Guidelines, it cannot be forced to submit its reports for external assurance.

- Adherence to relevant accounting principles must be specifically confirmed in the financial report, while the sustainability assessor only has the GRI Principles and qualitative characteristics to report upon. We believe that these controversial principles – namely materiality, sustainability context, and completeness – and qualitative characteristics – namely balance, timeliness, accuracy, clarity, comparability and reliability – are vaguely defined and provide considerable incentives for managerial discretion.
- Unlike the financial audit report, there are no guidelines specifying what type of sustainability assurance opinion should be issued on what circumstances, presenting difficulties in conveying the appropriate guarantees. In the absence of generally accepted assurance standards, high-level assurance cannot be offered (O'Dwyer & Owen, 2005: 223).
- The audit scope and methods are generally at the will of the assessor, a situation which may alter credibility in the collection and interpretation of evidence.

Recent analyses (Kolk, 2004) of verification statements included in sustainability reports have shown that the audit assignment had varied widely in content and scope, ranging from assurance on data consolidation, data generation at the local level, completeness of the issues covered, internal compliance with policies, consistency with the data in the financial report, to the adequacy of companies' information on environmental management systems. Of the audit statements 40% contained subjective wordings, which were not fully based on the work performed. Thus, the very fact that a report has been audited does not imply that its data and all its contents have been checked thoroughly and are fully reliable.

3. THE OBJECTIVE OF SUSTAINABILITY REPORTING

The “sustainable development” concept is widely recognized as a multi-tier concept; the tiers are highly interdependent, and global sustainability can only be achieved through action at every level (Lamberton, 2005). Sustainability reporting is an attempt to provide additional accounts which will capture some of the externalities and, by doing so, to encourage behavior which will ameliorate the consequences of unsupervised economic activity (Moneva *et al.*, 2006). The GRI framework imposes that the report should present the organization's performance in the wider context of sustainability (GRI, 2006: 11).

The primary objective of any sustainability accounting framework is to measure performance towards sustainability. Central to this assertion is the debate as to whether sustainability is a relevant goal at the organizational level, and whether it is measurable at this level. The organization's own sustainability and business

strategy provides the context in which to discuss performance. The relationship between sustainability and organizational strategy should be made clear, as should the context within which performance is reported (Brown *et al.*, 2007: 12).

In the world of financial accounting, the application of the principal qualitative characteristics of information and of appropriate accounting standards should result in financial statements that convey what is generally understood as the true and fair view of such information. In the European setting – here including the IAS/IFRS body of standards – the true and fair view is used as an ‘override’, which means that it is intended to be the governing criterion by which financial statements are judged. In the US, however, the governing criterion is the conformity with GAAP (FASB, 1993). “Present fairly” is defined by reference to conformity with GAAP, and there is no authoritative literature in the US in which a clear definition of fair presentation is given. In the US, therefore, “present fairly” is not in itself a governing criterion by which financial statements are judged by the organized accounting profession and the Securities and Exchange Committee (Alexander & Archer, 2000; Bahnson & Miller, 2007).

‘Truth’ as in the true and fair view has never benefited from a generally accepted definition in the context of accounting literature. Given the possibilities and impossibilities of truth in accounting, the traditional spectrum of theories advances that truth is at best a normative idea that has few chances of being applied in financial reporting. Reliability, as discussed in the previous section, seems to be the framing notion of truthful reporting (Riahi-Belkaoui, 2004):

- To avoid injecting bias in the knowledge, description and communication of facts, accountants are expected to be neutral. Thus, neutral information is free from bias toward attaining some desired result or inducing a particular mode of behavior. In the language of GRI, the closest concept to that of neutrality may be the qualitative characteristic of balance. The overall presentation of the report’s content should provide an unbiased picture of the reporting organization’s performance (GRI, 2006: 13).
- The consistency principle holds that similar economic events should be recorded and reported in a consistent manner from period to period. Maintaining consistency with the methods used to calculate data, and with explaining the methods and assumptions used to prepare information, supports the neutrality assumption that underlies the preparation of financial statements. From GRI’s perspective, comparability is necessary for evaluating performance. Stakeholders using the report should be able to compare information reported on economic, environmental, and social performance against the organization’s past performance, its objectives, and, to the degree possible, against the performance of other organizations (GRI, 2006: 14).

The reliance on conventional fairness in presentation in conformity with GAAP has created some limitations and unfairness in reporting and disclosure. Bedford (1973) proposed extensions in accounting disclosure to alleviate the problems created by the fairness doctrine in accounting. Rather than merely relying on generally accepted accounting principles as the only measurement method, Bedford called for the development of new tools to provide management and decisions-makers with useful information:

- a) An expansion of the scope of users from shareholders, creditors, managers and the general public, to groups of stakeholders;
- b) An expansion of the scope of users from evaluating economic progress, to providing for intercompany coordination, meeting specific user information needs and developing public confidence in firm activities;
- c) An expansion of the type of information from transaction-based monetary valuations, to data aiming to reveal both internal activities and the environmental setting of the internal activities;
- d) An expansion of measurement techniques from arithmetic and the bookkeeping system to the total management science area;
- e) An expansion of the quality of disclosure from excellent in terms of past needs to improved relevance for specific decisions;
- f) An expansion of disclosure devices from conventional financial statements to multimedia disclosures based on the psychology of human communications.

Just as truth and fairness are inextricably linked to reliability, sustainability accounting information must exhibit the qualitative attributes of transparency and comparability in a relevant sustainability context to enable stakeholders to assess the environmental and social impact of the organization (Lamberton, 2005). The hypothesis behind the implementation of the GRI Guidelines is that the developed indicators, incorporated in reports respecting the Principles, should offer a strong prospect of escaping the problems of anecdote and incomparability that have affected the reporting of environmental and social impacts. Though much relevant information remains unquantifiable, standardized reporting facilitates systematic inter-firm and inter-temporal comparisons (Graham & Woods, 2006).

CONCLUSIONS

The process of disclosing specific aspects of unsustainability, with a detailed exposure of its causes and consideration of alternative paths could prove a significant and cathartic experience (Lamberton, 2005: 7). Transparency and accountability are mutually reinforcing. Transparency enhances accountability by facilitating monitoring, and accountability enhances transparency by providing an incentive for agents to ensure that the reason for their actions are properly

disseminated and understood (Dragomir, 2008). The common goal of the two intertwined conceptual realities is imposing a discipline that goes beyond legal compliance (Buhmann, 2006; Greuning, 2006). Empirical evidence supporting these assertions has proved the existence of a positive association between environmental performance and the level of discretionary disclosures in environmental and social reports. In other words, superior environmental performers are more forthcoming in truly discretionary disclosure channels, as predicted by economics based voluntary disclosure theories (Clarkson *et al.*, 2007).

There are a number of reasons for not reporting; amongst them, the doubts about the advantages it might bring, the already good reputation of the company, the cost-benefit considerations, or the difficulty to gather consistent data are some of the most prominent (Kolk, 2004). However, when the organization does choose to report on sustainability, the worst scenario usually involves strategic disclosure. Many authors (Hess, 2005; O'Dwyer & Owen, 2005) have expressed concern that reporting processes have become prone to 'managerial capture' in that corporate management has taken control of the entire process of reporting, thus resulting in information disseminated only when deemed appropriate to collect reputational benefits, rather than seeking true transparency and accountability to stakeholders. Lack of completeness, little negative coverage of negative impacts, or insufficient evidence on sustainable development, all these are signs of a dead end in the chain of accountability.

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