The Shifting Sands of Transparency: Sustainability reporting in New Zealand

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ABSTRACT

By 2013, nearly 95% of the 250 largest companies in the world, and 71% of the top 100 companies across the Asia Pacific region used sustainability reporting as a tool to inform and manage the impacts of their activities on society, the environment, and the economy. There are now over 400 sustainability reporting instruments being used in 64 countries, 80% of which are introduced by governments. However, by the end of 2013, only 17% of the top 100 companies in New Zealand were providing a corporate responsibility report and, by the end of 2017, this number had not grown much. This is particularly significant when sustainability reports are widely viewed as a proxy for corporate transparency.

This thesis examines the ways in which some of the largest companies in New Zealand perceive and react to stakeholders' expectations for non-financial disclosure, and the factors that may have caused the current lack of sustainability reporting in this country. It also looks critically into the relative power of shareholders and other stakeholders to influence the publication of sustainability reports. The thesis draws on a theoretical framework that combines Mitchel, Agle, and Wood's (1997) Salience Model with Zygmunt Bauman's (2000) concept of liquid modernity, to explain how different stakeholders have different impacts on target companies, and why that differentiation tends to run counter to theoretical, market based expectations.

Twenty-eight interviews, including those with key representatives of 21 public companies (reporting and non-reporting), and seven sustainability professionals, were the primary sources of data. Secondary data was gathered from the participating corporate reports, reporting frameworks such as the Global Reporting

Initiative (GRI), government regulations in New Zealand, and formal organisational documents, policies, and regulations. This study applies thematic analysis to identify the most important themes to emerge from the interview transcripts and other documents.

The results of the study demonstrate how leading corporations in New Zealand perceive different stakeholder groups and their expectations, and how that perception affects the way they publish corporate reports. While some companies view the lack of stakeholders' expectation as a barrier for non-financial reporting, the findings of this study suggest that there may have been little to no communication between these organisations and their stakeholders in practice, and that, therefore, company perceptions may have little substance.

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List of Acronyms and Abbreviations

ASX	Australian Securities Exchange
CR	Corporate Reporting
CSR	Corporate Social Responsibility
EEC	European Economic Community
FMA	Financial Market Authority
GRI	Global Reporting Initiative
IIRC	The International Integrated Reporting Committee
IR	Integrated Reporting
MCG	Major Companies Group
NGO	Non-Governmental Organisation
NZBCSD	New Zealand for Business Council for Sustainable Development
NZCSD	New Zealand Central Securities Depository Limited
NZX	New Zealand Stock Exchange
RBNZ	Reserved Bank of New Zealand
SBC	Sustainable Business Council
SLO	Social License to Operate
SBI	Sustainable Business Intermediaries

SBN	Sustainable Business Network
SOE	State Owned Enterprise
TBL	Triple Bottom Line
TI	Transparency International
UNEP	United Nations Environment Programme
WBCSD	World Business Council for Sustainable Development

CHAPTER 1: Introduction

The focus of this thesis is on non-financial disclosure, more specifically sustainability reporting, by public companies in a neoliberal political system such as New Zealand's, and how different stakeholder groups can affect non-financial transparency in such a context. Until late 2017, public corporations in New Zealand were able to choose whether to disclose non-financial information or not, but a majority of them chose not to.

I begin this introductory chapter by outlining the background and development of non-financial reporting on a global scale as well as in New Zealand over the past two decades. I then explain the significance of this study, including why I chose this topic and why it is important, the research questions which guided this thesis, and finally the structure and content of this study.

1.1. Background

Sustainability has increasingly become an important aspect of corporate communication around the world as societies grapple with and deliberate on the social and environmental impacts of corporations (Higgins & Coffey, 2016). The concept of sustainability is closely related to notions of transparency and corporate social responsibility (CSR) in which stakeholders are central to policy making and corporate communication (Ihlen, Bartlett, & May, 2011). Although non-financial information has been communicated to stakeholders in different ways (e.g., annual reports, or a separate sustainability report) by companies around the world, such communication is either by way of compliance with regulations (Nidumolu, Prahalad, & Rangaswami, 2009) or voluntary when companies believe that sustainability creates value and competitive advantages (Hockerts, 2015).

Formal sustainability reporting is less than a few decades old. The idea of socially responsible behaviour arose from the works of scholars such as Davis (1960) and Beams & Fertig (1971), and the growing pressure from the public for more ethical behaviour from corporations (Gavin and Maynard, 1975). The first separate environmental reports came out in 1989 and, ever since, the number of non-financial reports and sustainability policies have been on the rise globally (Kolk, 2004). More recently, scholars such as Gray and Bebbington (2001) have paid special attention to corporate social and environmental accountability.

KPMG has been following the development of non-financial disclosure since 1993 with *The KPMG Survey of Corporate Responsibility Reporting,* which is conducted every two years. Their research suggests that back in 1993, barely ten per cent of the 250 largest companies in the world released non-financial information and reported on their activities which affected the environment, society and the economy. Today, around 95% of the same group of companies produce a non-financial report and they consider it as “standard business practice” (KPMG, 2015).

While European companies used to have the highest rate (71%) of non-financial reporting (KPMG, 2011), Asia Pacific companies took the lead (79%) by the end of 2015 (KPMG, 2015). Countries such as India, Malaysia, Indonesia, and South Africa have the highest rate of reporting globally. In their report “Currents of Change” (KPMG, 2015), Adrian King, KPMG’s Global Head of Sustainability Services, sees increasing regulations as one of the important factors in the growth of non-financial reporting around the world and explains KPMG’s view:

> What will change the game is the introduction of more regulation requiring companies to report non-financial information. I expect to see a proliferation of such legislation over the next five years. Non-financial reporting will become required business practice. Companies now need to focus on what they will report and how best to integrate their financial and non-financial information. (p. 30).

Not all of the non-financial reporting instruments are introduced by governments. Out of the 400 instruments used globally, 35% are non-mandatory frameworks (UNEP, KPMG, GRI, & CCGA, 2016). In New Zealand, the government has neither introduced mandatory frameworks nor has it recommended one. KPMG's reports also show little growth of non-financial disclosure in the country. It is important to note that I refer to the neoliberal governing system of New Zealand as "the government", regardless of the party in power, as it is a system that has been established and maintained by successive governing parties since 1984.

As will be discussed in greater detail later in this study, the New Zealand government's refusal to make non-financial reporting mandatory may be due to a conflict of interest. New Zealand's small but growing economy (RBNZ, 2018), and its stock exchange, which includes only around 170 public companies, needs to create an investment friendly environment for foreign investors by reducing the number of regulations. In comparison, for other neoliberal countries such as the UK, it may be easier to introduce regulations because of their larger and more attractive economy. For example, there are currently over 2100 companies listed on the London Stock Exchange (London Stock Exchange, 2018), a number that is considerably higher than New Zealand's 170 companies. This puts New Zealand in a relatively weaker position in terms of its ability to introduce and enforce market regulations.

1.2. Research questions

The main objectives of this study are to explore what “transparency” means in New Zealand, and whether the slow development of sustainability reporting is connected to the absence of reporting legislation in the country. More specifically, this research seeks to answer the following questions:

RQ 1: What does 'transparency' mean to some of New Zealand's largest companies?

RQ 2: What are the motivations and barriers for participating companies to undertake sustainability reporting in New Zealand?

RQ 3: How do some of the largest public companies in New Zealand perceive and respond to the influence of different stakeholder groups?

Furthermore, this study pays special attention to the relationship between corporations and the New Zealand government and seeks to understand how transparency has been defined in legal terms. Where necessary, comparisons between global progress and trends of sustainability reporting and the current reporting conditions in New Zealand are made.

1.3. The Significance of the study

As mentioned in the background section, sustainability reports and other forms of non-financial reporting have been growing fast globally. What makes this topic important is the fact that New Zealand and its neo-liberal economic system have fallen far behind other developed countries (below the global average rating for non-financial reporting) in addressing corporations' impacts on society, environment, and the economy. This is while organisations such as Transparency International (a global organisation against corruption) have ranked New Zealand as one of the most transparent countries in the world (currently ranked the most transparent country together with Denmark) (Transparency International, 2017). Therefore, it is important to understand why the most transparent country in the world is doing so poorly in advocating non-financial transparency.

It is the nature of a neo-liberal economic system to minimise the involvement of the State and empower the market. In such systems, decisions are made in favour of the market and concepts such as transparency only serve the market's interest, as the most important part of the society (Hansen, Christensen, & Flyverbom, 2015). Hence, the market makes decisions that ensure its wellbeing. An example of this could be the recommendation of the NZX's new governance code for listed companies (the NZX itself is also a listed entity) to disclose their social and environmental impacts, or explain why they choose not to disclose such effects (NZX, 2017a). This "comply or explain" recommendation still gives a choice to the companies that do not wish to report.

While neoliberal proponents, such as Friedman (1970), believe that a corporation's obligation is only to satisfy its shareholders, voluntary organisations such as the Sustainable Business Council (SBC) have been recognised as the only solution to address the demand for non-financial transparency (Nadesan, 2011). The Sustainable Business Council in New Zealand (SBCNZ) encourages its members (which join the organisation voluntarily) to submit a sustainable development report annually (SBC, 2016). However, despite its efforts, only around 10% of the public companies in the country have joined the SBC. It is also important to understand the effectiveness of organisations such as the SBC in the context of a neo-liberal system.

The study is also significant for me at a personal level. I grew up in an entrepreneurial family which prompted me to pursue a bachelor's and a master's degree in business. My interest in non-financial reporting began when I was writing my Masters dissertation, which focused on corporate social responsibility (CSR) and how customers, purely from a marketing point of view, perceived it. My transition from business to communication was also motivated by an interest in enhancing my marketing abilities. However, as I researched the current condition of corporate sustainability in New Zealand, I became aware of what could happen when corporate sustainability is ignored. This is something I had experienced before. I am originally from Iran and lived there until I was 17 years old. I then moved to the Philippines and stayed there for nearly a decade before moving to New Zealand and settling down here. As an Iranian who lived in the Philippines, I have seen, felt, and breathed the consequences of the absence of corporate sustainability, and its negative social, economic, and environmental impacts. As a result, I became really interested in studying what I believe is a huge gap in the current literature. What is truly missing from the equation for a fully transparent organisational culture in the country? Is it the case that decision makers of public corporations in New Zealand are not feeling any pressure from their stakeholders to produce non-financial reports? Or is it something else?

1.4. Structure of the thesis

This thesis is divided into eight main chapters:

Chapter 1: Introduction

This chapter includes four sections. It briefly discusses the background on sustainability reporting on a global scale and in New Zealand and then introduces the research questions that guide this thesis. It goes on to explain the significance of the study on an organisational as well as personal level before outlining the key features of the chapters to follow.

Chapter 2: Literature Review

This chapter reviews and discusses the literature on communication aspects of corporate sustainability, including corporate transparency and corporate social responsibility (CSR). An overview of neo-liberalism is included in this section, together with an outline of corporate transparency applications in such a system. Next, communication and information management in organisations are considered, as well as the flow of information to internal and external stakeholders. A discussion on corporate sustainability and non-financial reporting methods, such as triple bottom line, sustainability, and integrated reporting follows. The chapter concludes by identifying the gaps in the literature.

Chapter 3: Theoretical Framework

A combination of the Salience Model (Mitchell, Agle, & Wood, 1997) and liquid modernity (Bauman, 2000) serve as the theoretical lenses for this research in order to categorise stakeholder groups from a managerialist perspective, and assess how different stakeholders' levels of power has shaped corporate transparency in New Zealand.

Chapter 4: Methodology and Method

The methodology and methods of data collection adopted to complete this study are explained in this chapter. The thesis draws on a qualitative content analysis approach and uses thematic analysis (Owen, 1984) to analyse the findings of the research.

Chapter 5: Findings I. Compliance

Chapter five is one of two chapters that discusses the findings of this study. This chapter explains how top public companies write and organise their corporate reports and what corporate transparency means to them. It also explores whether or not the participants perceive any expectations from their stakeholders (as evidenced in both the reports and interview transcripts) for sustainability reports and looks into the participants' varying opinions regarding mandatory sustainability reporting.

Chapter 6: Findings II. Motivations, Challenges, and Barriers

The second findings chapter discusses the main drivers that motivate companies in New Zealand to publish a sustainability report. It explains the challenges that companies are facing in New Zealand, and the barriers, which have stopped some of the biggest companies in the country from disclosing non-financial information.

Chapter 7: Discussion

This chapter discusses the findings to explore how transparency is defined in legal terms in New Zealand and by public companies and to examine whether or not the companies' perceptions of stakeholders' expectations has anything to do with poor sustainability reporting in New Zealand, or if it is due to something else.

Chapter 8: Conclusion

The final chapter summarises the findings and highlights the contribution of the thesis to the current literature on corporate transparency. The chapter also notes recommendations for public companies and policy makers and lays the ground for future research.

CHAPTER 2: Literature Review

Overview and organisation of the chapter

As outlined in the Introduction, the neoliberal logic of free markets and de-regulated business environments has characterised the post-1980s political and economic landscape of New Zealand. This chapter examines the current literature on transparency within this neoliberal context, focusing particularly on non-financial disclosure in New Zealand. The chapter has five sections (Figure 1). The first section offers an overview of the concept of surveillance in modern and postmodern eras by drawing on concepts such as Panopticism, leading into a discussion of what transparency could mean to organisations in a neoliberal system. In the next section, I look at stakeholders and different approaches to stakeholder theory, as well as the concept of transparency and flow of information within and outside of companies. The third section of this chapter pays special attention to non-financial transparency, particularly in New Zealand. I then summarise the literature review chapter in the fourth section. In the final section, I discuss the gaps identified from the literature and shape my research questions.

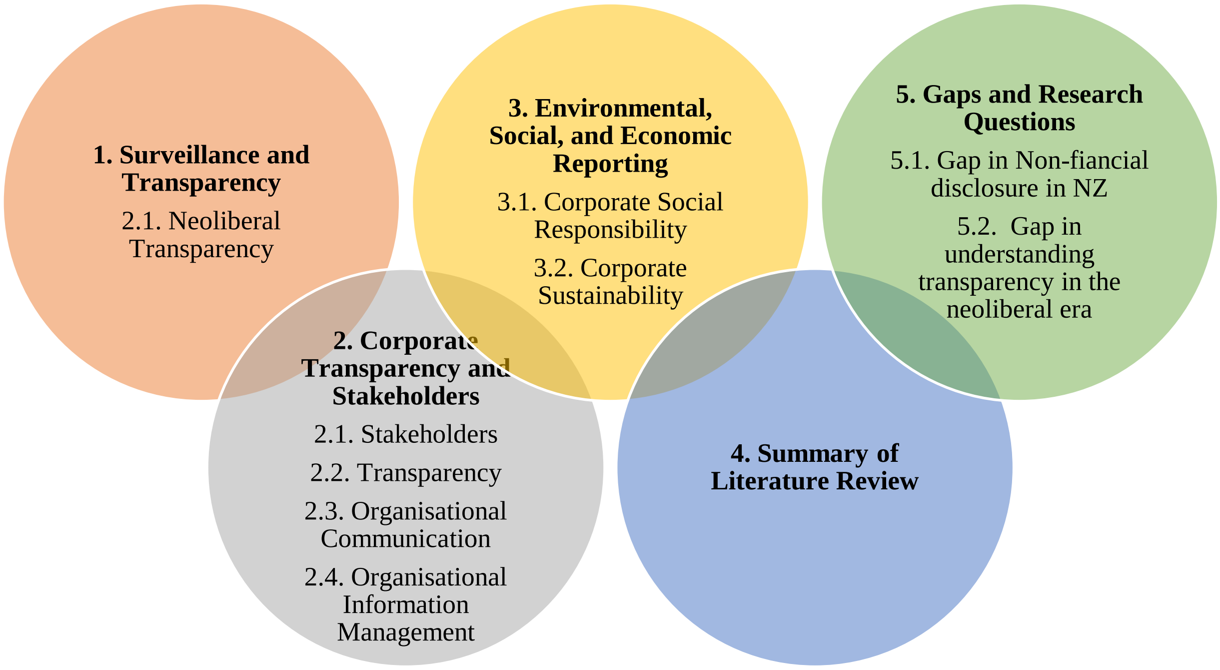

Figure 1. The flow of the literature review chapter and the topics discussed in each section.

2.1. Surveillance and Transparency

In his famous work *Discipline and Punish*, Michel Foucault (1997) describes the concept of Panopticism (based on Jeremy Bentham's letter written in 1787) as "a state of conscious and permanent visibility" (Foucault & Sheridan, 1997, p. 201). The Panopticon (Figure 2) is conceived as a prison-like construction in which the cells are built around a central tower allowing a few guards unlimited surveillance and supervising power over many inmates (Bentham & Božovič, 1995). The watcher maintains his power through visibility, which not only enables the supervisors to see the inmates from the control tower, but also allows them to conceal their own presence using blinds. This gives the supervisors in the panopticon unlimited capacity for watching their subordinates or for creating an environment where the subordinates (the prisoners) cannot know if, and when, they are actually being observed. As Gane (2012) explains, the concept of the Panopticon works not because it creates a type of power that can be verified, but because it regulates the behaviour of its subordinates, who act like they are under surveillance.

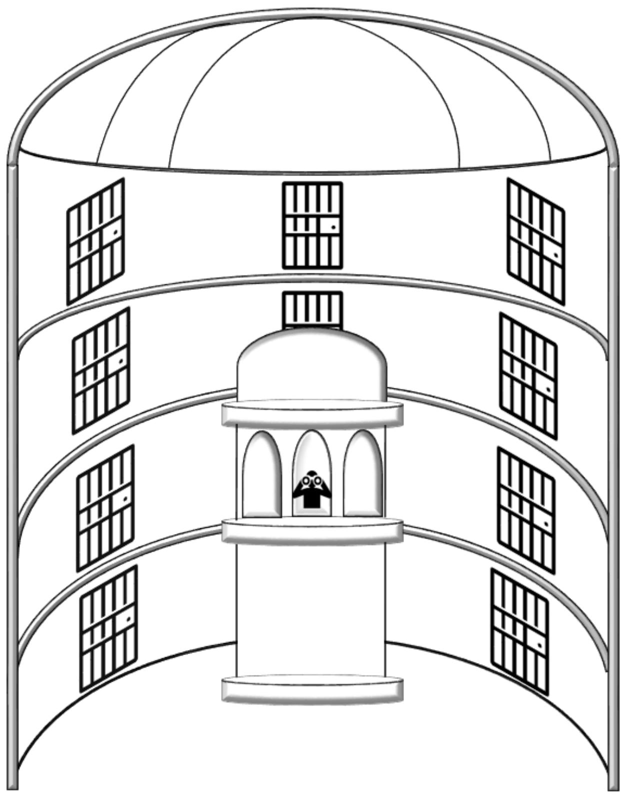

Figure 2. In a Panopticon, building the prison cells around the central tower, gives the watcher ultimate supervision power. The figure is based on the description of Bentham & Božovič, 1995 of a Panopticon.

For Foucault, the concept of a Panopticon was more than a method for modern prisons; it implied a new form of society "**where the few see the many**" (Mathiesen, 1997, p. 217). The Panopticon in this context explains the relationship between the market and the state in the modern era. As Gane (2012) says, Foucault sees the Panopticon as a standard power model of governance where the government monitors the activities of the market and thus disciplines it through very tough regulations, creating a place of "distributive justice" (p. 617).

By the 1990s, as neoliberal ideology began to spread, markets began to be deregulated and started to encroach upon the traditional domain of the state. As Foucault, Davidson and Burchell (2008) point out, in a post-panoptic or neoliberal arrangement it is the market that progressively dictates the shape and actions of the government. While the emphasis of the panopticon era was on “visibility, not on control through publicity” (p. 73), surveillance in post-panopticon times is marked by the vigorous involvement of the market in the government and its activities. At this point, the market is viewed to have its own reasoning and values and is no longer a place for justice (Foucault, Davidson, and Burchell 2008).

In this new relationship between the market and the state, the market is gradually able to create “its own relationship between value and price” while the government, progressively, has restrictions placed on its powers (Gane, 2012, p. 617). In such a setting, the best way to improve human wellbeing is seen to be through individual business freedom based on “private property rights, free market, and free trade” (Harvey, 2005, p.2) and the role of the government is seen solely to be ensuring that there is an appropriate environment and providing the right market for such practice. Other than that, the state is not expected to get involved (Friedman, 2009; Harvey, 2005).

According to Peck and Tickell (2002), neoliberalism blends a guarantee of expanding the markets and competitiveness with an intense opposition to collectivism. They write: “The constitution and extension of competitive forces is married with aggressive forms of state downsizing, austerity financing, and public-service reform. And while rhetorically antistatist, neoliberals have proved adept at the (mis)use of state power in the pursuit of these goals” (p. 381).

Foucault et al. (2008) argue that the neoliberal system works towards defining and adjusting society through values that are introduced by the market and that it is marked by “permanent vigilance, activity, and intervention”. In the next section, I look into how this rise in the market’s power in a neoliberal system has shaped the meaning of transparency.

2.1.1. Neoliberal Transparency

Neoliberalism actively works towards eliminating government involvement in managing social order, and is based on the belief that societal growth should instead be managed by the market. Rather than regulate the economy, the responsibility of governments in such a system is to create an environment where entrepreneurs can easily start a business and compete (Barry & Osborne, 2013; Jankowski & Provezis, 2014).

Neoliberalism, and consequently the corresponding corporate behaviour, has become hegemonic by virtue of widespread societal acceptance. Hegemony (Gramsci, 1971) is described as the “'spontaneous' consent given by the great masses of the population to the general direction imposed on social life by the dominant fundamental group; this consent is 'historically' caused by the prestige (and consequent confidence) which the dominant group enjoys because of its position and function in the world of production” (Mumby, 1997, p. 348). According to Gramsci, hegemony is evident when organisational realities are not forced on people but are established at all levels of society by virtue of being accepted as ‘common sense’. Such acceptance results in the dominated obeying the dominant and supports the system even if the interests of the subordinated groups are not necessarily the same as that of the dominated groups. In this way, hegemony serves as a concept to explain how a social group establishes and maintains supremacy over other groups through “intellectual and moral leadership” (Gramsci, 1971, p.57).

Hegemony, thus, is a sophisticated form of power exercised by a dominant group. Those in power manipulate the others and get them to accept the dominant worldview in such a way that the dominant worldview is regarded as normal. Hegemony is maintained by responding to multiple challenges at the margins in order to protect the ideological core – which is, in the case of neoliberalism, the free market system. Powerful corporations, used to exercising their hegemony by manipulating information to their advantage, resist the need to provide information on social and environmental issues. When faced with a situation where they have to produce social and environmental corporate reports, they strategically create such reports. For these corporations, such reports then can become a legitimising tool deployed to mislead powerful stakeholders such as governments into assuming that corporations are, or are working towards, becoming sustainable organisations, while the change they make may be mostly rhetorical (Tregidga, Milne, & Kearins, 2014).

Corporate reports in such a context become a mechanism for responding to that particular need of defending the free market. Tregidga et al. (2014) write:

> An obvious danger is that while organisations are able to convey an adaptable and ‘changed’ identity to meet the demands of a changed social and political context, and thereby maintain legitimacy and avoid more stringent regulatory reform, the nature of that ‘change’ is not sufficient to provide for social and environmental betterment in the absence of such

regulatory reform. (p. 491).

Hence, in a neoliberal environment, where the power of the government is lessened, and privatised organisations (Mehrpouya & Djelic, 2014) work more freely, CSR and non-financial transparency concepts are viewed as a problem by the corporations (Nadesan, 2008). Social and environmental reporting has the potential to uncover what corporations can and cannot do for society, and where society has to regulate how companies behave (Milne, Tregidga, & Walton, 2005).

Nadesan (2011) argues that in neoliberal theories, fiscal transparency discourses are designed to ensure well-organised and protected operations in the market. However, by highlighting the importance of the availability of financial data, they understate the requests of other stakeholders such as environmentalists and social stakeholders to access the information they want. A neoliberal government pays more attention to financial and trading concerns. As Milne et al. (2005) explain, "Organisations in modern capitalism are designed to follow the financial and, to the extent that they do not, they will be penalised by the market" (p. 5). In such governance systems, non-financial transparency is regarded as optional. Transparency expectations of social and environmental stakeholders are, therefore, addressed by voluntary institutions.

There is a link between neoliberalism and voluntary forms of accountability (Garsten & De Montoya, 2008), where voluntary transparency is encouraged by Non-Government Organisations (NGOs), such as the SBC in New Zealand. According to Nadesan (2011), such voluntary transparency advocates are characterised as being as effective as government-mandated systems but for specific reasons they may not exactly have the power to officially demand information to address social and environmental issues. Firstly, these organisations seldom require verification of self-recorded corporate data. Second, they lack the executive power to make the corporations follow the rules set by the NGOs or to punish offenders, even among their own members. As a result, voluntary transparency organisations serve a legitimising purpose that could, in reality, deflect criticism of activists by immunising societies against damaging stories of bad corporate behaviour. Nadesan (2011) believes that decades of financial corruption show that voluntary transparency practices are likely to generate opportunities for calculated misrepresentation and fraud.

Powerful neoliberal advocates such as Milton Friedman and their economistic view of how corporations should behave in society has its own followers and critics. In his well-known article “The Social Responsibility of Business is to Increase its Profits,” Friedman (1970) argues that a business as a whole does not have responsibilities except towards those individuals or groups (shareholders) who own the corporation, and that a company’s primary responsibility is to keep them satisfied by returning a profit. Furthermore, he writes that the corporate executive as an individual may have responsibilities towards his family and society that require him to take actions, such as refusing to work for a corporation or spending his own earnings on charity or other things to serve the community. He argues that these are “social responsibilities” taken on by the executive as an individual and not on behalf of the business. Friedman further argues that the executive should make as much money for the company as possible, in the best ethical way (Aune, 2007). Overall, Friedman (1970) disagrees with the idea of spending investors’ money on what he calls a “general social interest” (p.2).

While the ‘neo’ in neoliberal is supposed to stand for a concept that the government must have a bigger role than it did in the traditional liberalism of the 19th century for capitalism to work well (McAllister, 2011), reducing regulations increases the risk of having an unstable economy (Masquelier, 2017) and society.

While business people and regulators endorse transparency, not much is done to stop corporations from prioritising business (Hansen & Flyverbom, 2015). Even though the prime catchphrases of neoliberalism such as transparency and accountability remain popular and have flourished with more expectations than ever (Hetherington, 2011), the approach towards transparency and accountability in the environment provided by a neoliberal system makes it easier for companies to hide their questionable activities (Hansen & Flyverbom, 2015; Zyglidopoulos & Fleming, 2011).

The following section looks into corporate transparency and explains the flow of information within and outside of organisations to their stakeholders.

2.2. Corporate Transparency and Stakeholders

The term corporate “transparency” can reflect different values ranging from standing against corruption to sustaining the environment (Padideh, 2015). Borgia (2007) defines transparency as providing information for others to freely examine and see what a corporation has really been up to. She believes that transparency is found somewhere between the public’s right to know and the right of the corporation for privacy. But is there such a thing as a homogenous ‘public’? Few, if any would claim that there is. On the contrary, it is widely recognised that ‘the public’ comprises individuals with diverse and contextually based values and beliefs, and that certain groups become organisationally significant depending upon a number of variables. Such groups are commonly referred to as ‘stakeholders’ and their grouping allows organisations – including governments and corporations – to decide how they need to react to them. Such reactions include the degree to which organisations believe they must provide information in an effort to improve their transparency.

2.2.1. Stakeholders

The term “stakeholder” was first used in the early 1960s, to challenge the concept that only stockholders are worthy of management’s attention (Parmar, Freeman, and Harrison, 2010). Freeman (2010, p. 46) defines stakeholders as “any group or individual who can affect or is affected by the achievement of the organisation's objectives". Although widely used, this definition is not necessarily accepted by everyone and there is no global standard as to who a legitimate stakeholder is (Collins, Kearins, and Roper, 2005; Donaldson & Preston, 1995). According to Parmar et al. (2010), it was not until the late 1970s that scholars such as Freeman started working on theories to help management understand issues that involved uncertainty. Prior to that, most of the literature assumed the environments around organisations were unchanging.

Freeman argues against the economist view of scholars such as Friedman (1970) and emphasises the value of stakeholders through his stakeholder theory (Jensen, 2001; Evan & Freeman, 1988; Freeman, 1999; Freeman, 1994). Freeman, Harrison, and Wicks (2010), write that the main responsibility of management is to make value for the stakeholders as much as they can. Baker and Nofsinger (2012, p. 40) agree with Freeman’s view and explain further that Freeman is avoiding “responsibility-based” discussions regarding stakeholders and is clarifying the risk that executives might be taking by not understanding the expectations of stakeholders well.

CSR activities, for example, from this point of view must add value for stakeholders. However, not all CSR activities are satisfying in the view of stakeholders. Peloza and Shang (2011) suggest that this could be because of the broad range of activities undertaken. Different stakeholders may have different views over different activities: while some regard the activities as positive and productive, some might consider the same activities as negative and destructive. The deeds that are perceived positively by stakeholders can have constructive effects on organisational image and therefore increase profit.

Other scholars take the notion of stakeholder theory further. For example, according to Post, Preston, and Sauter-Sachs (2002) "The corporation cannot and should not survive if it does not take responsibility for the welfare of all its constituents, and for the well-being of the larger society in which it operates" (pp. 16-17). According to Dando and Swift (2003), organisations’ commitment to establishing an ethical position towards stakeholders motivates them to be more transparent. Further, Fombrun and Rindova (2000) argue that open communication with stakeholders is the key to achieving transparency, but corporate scandals in recent years have made it more difficult for the public to fully trust organisational leaders. Since executives are fully responsible for the trust that people put in a company (Bandsuch, Pate, & Thies, 2008), stakeholders expect a certain amount of access to information in organisations, with Kochan (2003) arguing that increasing the number of stakeholders who can access information regarding executive behaviour can help prevent scandals from happening in the future. On the other hand, Hess (2012) believes new types of non-financial information must be presented to stakeholders to stop companies from misbehaving.

Morsing and Schultz (2006) argue that stakeholder theory has increasingly focused on creating value for stakeholders and engaging them, rather than immediately thinking of profit. They explain that their argument does not suggest that making profit for companies is not important, but rather it is dependent on engaging with different stakeholders. Instead of companies managing stakeholders, the focus is now on building a relationship with them (Andriof, Waddock, & Rahman, 2002; Morsing & Schultz, 2006).

Some scholars, however, believe that stakeholder engagement, particularly in the context of sustainability, may come with a downside. Collins et al. (2005) argue that too much is expected of stakeholder engagement, and in many cases engagement is done to create legitimacy for the company. They believe it has yet to bring extensive sustainability due to assumptions often made that stakeholders embrace an environmentally and socially oriented view of sustainability, have the time and resources, and care about such issues enough to get involved with the business at a sufficient level to resolve them without being disrupted by their other interests. They write:

> conflicting demands by stakeholders provide business yet another potent excuse for not engaging in fundamental change toward sustainability. At the same time stakeholder engagement holds for business the promise of more understanding on the part of stakeholders and enhanced legitimacy while

> often making mainly only incremental changes to business fundamentals in the name of sustainability. (p. 13)

To demonstrate the power of stakeholders' expectations, Dando and Swift (2003) argue that, in terms of accountability, most stakeholders may not be particularly powerful but their views on what they expect from the company can affect the company's ability to accomplish its goals. They explain that stakeholders need more than accurate data. They expect to know that the information presented in the reports represents how the organisation has been performing, and independent experts must be able to provide their opinion on the presented data freely.

Open communication between a business and the environment around it (including stakeholders) creates positive relationships that lead to corporate efficacy. The transmission of information is done while considering the satisfaction of the expectations of the environment (Salvioni, 2002). Parum (2005) further explains the importance of communication between the company and its external environment and argues that being transparent and open to stakeholders and shareholders are important conditions that allow them to connect to the company, evaluate it, and thus contribute to constructive relations with the firm. Therefore, organisations often make transparency a fundamental part of an organisation's culture and the way they manage the company (Flyverbom, Christensen, & Hansen, 2015).

Christensen (2002) argues that organisations are under pressure to enclose not only their annual reports and plans as required by law, but their stakeholders also expect them to give access to information and hold them responsible for their strategic choices as well. Stakeholders can exercise their power (discussed further in the next section) by possessing more information (Flyverbom et al., 2015). Christensen (2002, p. 163) considers transparency in communication as “the proper managerial response” and a “basic requirement”. He also argues that the communication environment is filled with “competing messages” that corporations send out to promote themselves as legitimate.

In today’s corporate world, customer satisfaction goes beyond just guaranteeing good products and services. Consumers expect corporations to give back to the communities that they are operating in as well as to look after the environment. They have forced organisations to be more transparent than before (Zyglidopoulos & Fleming, 2011). Therefore, despite the risks and costs that transparent communication might bring, organisations have a certain degree of transparency in their corporate policies, although they might not want it at all (Christensen & Langer, 2009). Flyverbom et al. (2015) advise managers and organisations to not only concentrate on how much information they make public, but also on “how transparency reconfigures boundaries, responsibilities, identities, and standards” (p. 404).

A common point made by a much of the literature on stakeholder theory is that paying attention to all stakeholders and considering their interests will assist the company with value creation and as a result improve the company’s performance (Bosse, Phillips, & Harrison, 2009; Donaldson & Preston, 1995; Freeman, 1994; Freeman, 2010; Freeman, Harrison, & Wicks, 2007; Jones, 1995; Jones & Wicks, 1999). According to Harrison and Wicks (2013), the empirical literature usually backs a positive relationship between a stakeholder oriented style of management and company’s performance, which is assessed in economic terms most of the time

(Harrison & Wicks, 2013). They argue that the financial performance of the company is important to several of the stakeholders of the company, but it is not the only part of value creation. Thus, a company's performance can be defined as "the total value created by the firm through its activities, which is the sum of the utility created for each of a firm's legitimate stakeholders" (p.102).

Harrison and Wicks (2013) argue that, instead of concentrating mainly on measures that evaluate economic performance, stakeholder-based performance measures challenge managers to assess the value their company is creating from the point of view of stakeholders who are a part of the value creation process. Therefore, these measures provide the information that the managers need to engage with stakeholders and boost management's ability to use such information to create more value for the stakeholders: "At its core, this perspective is about creating a higher level of well-being for the stakeholders involved in a system of value creation led by the firm" (p. 98).

Morsing and Schultz (2006) explain three CSR communication strategies, based on models of public relations designed by Grunig and Hunt (1984): stakeholder information, stakeholder response, and stakeholder involvement.

Stakeholder information strategy describes a one-way communication from the company to its stakeholders, where the company makes statements and does not take feedback. The main purpose of this strategy is to inform stakeholders about the company in a very objective manner. Companies which choose to use this strategy are constantly sending press releases to let stakeholders know about company activities.

The stakeholder response strategy refers to a two-way communication between the stakeholders and the company, where the company engages in communication with the stakeholders through different ways (e.g. survey and suggestion box). In this strategy, the company informs the public regarding their actions, and then asks publics' opinion and feedback to improve its CSR activities.

The stakeholder involvement strategy is when the company engages in a two-way communication with the stakeholders, where both parties try to convince the other party to change. In this strategy, conducting a survey and just asking for stakeholders' opinions is not enough, and the company invites them to negotiate their concerns. By involving the stakeholders, the company endorses positive and open communication. In this strategy, ideally, both parties are willing to change. Morsing and Schultz (2006) write:

> Because the stakeholder involvement strategy takes the notion of the stakeholder relationship to an extreme, companies should not only influence but also seek to be influenced by stakeholders, and therefore change when necessary. While this could apply to Freeman's stakeholder conceptualisation, it would also challenge his stakeholder concept regarding the extent to which a company should change its (CSR) activities when stakeholders challenge existing (CSR) activities, and the extent to which a company should insist on its own possibly divergent assessment. (p. 328)

Stakeholder theory can be employed in three correlated but at the same time diverse approaches in the communication and management literature: instrumental, normative, and descriptive (Donaldson & Preston, 1995). Although part of the framework used in this study (the salience model) is considered a descriptive approach, I will provide a summary and analysis of all three to elucidate their distinctions.

An **Instrumental approach** assesses stakeholder management strategies' ability to accomplish goals set by the companies (Mason & Simmons, 2014). This approach (within the management literature) suggests that companies that are approachable and respond to stakeholders promptly are more successful than those that do not because, in this approach, it is assumed that stakeholders have the power to impact the wellbeing of the company (Maltby, 1997). While in an instrumental approach there may be ethical results as a consequence of stakeholder benefit, stakeholder management is not necessarily established on moral foundations (Miles, 2017). Instead, the long term existence and wellbeing of the company is the main focus (Collins et al., 2005). This aspect of stakeholder theory is particularly strong within the communication literature in areas such as issues management. An extensive definition of this aspect of public relations is "the practice of identifying potential problems and working to deflect or defuse them in order to minimize their impact on an organization or business… it is exercised with a view to ensuring long-term business survival by winning public understanding and approval" (Collins et al., 2005, p. 4).

A **normative approach** is based on ethical values rather than perceived standards (Miles, 2017) and, unlike the instrumental approach, power is not relevant to the normative attribute and companies respond to their stakeholders (for example by providing reports) not because it will be in their interest but, for moral reasons, they must (Maltby, 1997)**.** The notion of legitimacy is essential to the normative approach and is created by aligning the values of the organisation with social norms and what is perceived as appropriate behaviour by the company (Suchman, 1995). Collins et al. (2005) explain that from a normative standpoint, the legitimacy of a company continuously needs to be refreshed and renewed since the perception of the public changes. They argue that inability to oversee these changes can lead to a gap between what is expected from the company and what the company is perceived to be doing. Sethi (1979) calls this a "legitimacy gap" and warns that the continuous spreading of the gap will result in the company losing legitimacy which will jeopardise its existence.

The **descriptive approach** draws a picture of how companies are managed in terms of recognising and responding to stakeholders' demands (Maltby, 1997). Just like the instrumental, the descriptive approach of stakeholder theory provides a justification for voluntary acts of transparency by emphasising that companies acknowledge that their interest rests in responding to stakeholders' social demands (Maltby, 1997). However, the rationale behind this approach is that since companies cannot find the resources to satisfy the demands of all stakeholder groups, it is necessary to prioritise them based on their level of power (Madsen & Ulhøi, 2001).

2.2.2. Transparency

While stakeholders may be seen as, and may indeed be, demanding transparency, there is little agreement on what transparency itself means or entails. If transparency is to be interpreted as honesty, it may not be easily achieved. Drucker and Gumpert (2007) write that "transparency, the opposite of opacity, is a worthy, but unobtainable ideal in the social relationships of people, the workplace, and between government and the governed" (p. 493).

To achieve an ideal level of transparency, information must be released truthfully and at an appropriate time (OECD, 2015). Transparency, through access to information, can be attained through different channels such as organisational reports and announcements, through Official Information Act requests (Official Information Act 1982, 1982), or via an unauthorised information leakage by a whistle blower (Bovens, Goodin, & Schillemans, 2014).

In order to be transparent, organisations provide access to a massive amount of information while minimising the control of it (Drucker & Gumpert, 2007). This availability of information can be external, for stakeholders outside the organisation (Bushman, Piotroski, & Smith, 2004), or internal, which occurs when information flows freely within the organisation (Street & Meister, 2004). Availability of information externally does not necessarily mean that communication between an organisation and all external stakeholders exists, nor that all stakeholders find the available information interesting. Organisations provide the same amount of information to all stakeholders but as Christensen (2002) argues, different individuals have different abilities to process the information given. Therefore, what one analyst understands from the information available could be different from what others understand.

While the release of information may not provide value for all stakeholders, the company can benefit from it in different ways. Francis, Huang, Khurana, and Pereira (2009) argue that corporate transparency contributes to the economic and financial development of the country as well. They suggest that a greater level of transparency improves a firm's access to lower the cost of external financing, thus improving its ability to use opportunities that will allow the company to grow. It also allows outside investors to monitor the company and facilitates competence in investments. However, this may not be the case for all corporations. Issues such as power may affect the ways that a corporation discloses information. For instance, Leuz and Oberholzer-Gee (2006) suggest that companies that are politically well connected do not need to be transparent in order to attract investors, and are less likely to disclose information since they can have access to bank credits through their connections (Sari & Anugerah, 2011).

As for internal transparency, there should be a link of trust between employees, as internal stakeholders, and their employer, for the concept to create value. According to Erik and Rob (2007), one of the benefits of internal transparency is that it motivates employees to be more engaged and improves their performance while building trust between the employers and the employees. Jahansoozi (2006) explains that the trend of fully engaging employees starts with trusting them at basic levels, then takes it slowly further before completely engaging them. Once trusted, individuals in an organisation must be able to discuss and communicate issues freely, rather than treating them like taboos, to fully benefit from internal transparency.

Kallio (2007) defines taboos as issues whose existence is known to society, but people prefer to avoid talking about them – discussing taboos can cause problems and could potentially harm one’s position in the organisation or community. He explains that taboo is “opposite to rhetoric” and uses corporate social responsibility (CSR) (which will be discussed further in the next section of this chapter), as a controversial example of taboos in organisational communication. Kallio argues that because CSR is treated as a taboo, the potential to critically analyse it is not developed well. He writes: “CSR can only be as advanced as its taboos. Because taboos are fixations of social reality, they are also potential windows for social change" (p.167).

Organisational transparency can be affected by many different factors. Technology is one such factor. A common communication tool used by public companies to enhance transparency is the annual report (Branco & Rodrigues, 2006). While annual reports were traditionally used for financial disclosure and communication of financial information with shareholders, they now address a wider range of stakeholders, contain narratives that tell the story of the company's future plans, and increasingly report on non-financial information (Tricker & Tricker, 2015). With advances in technology, many large corporations now choose to publish their corporate reports online, via their websites (Alali & Romero, 2012).

Another clear example of the effects of technology is the increasing power of widely-distributed mass media and their impact on public opinion (Christensen, 2002). For example, mass media are the largest source of non-financial information for New Zealanders (Research New Zealand, 2007). The results of a study by Aerts and Cormier (2009) suggest that a negative image in the media is a driver for companies to issue press releases regarding their social and environmental activities, but does not force them to include the same information in their corporate reports. On the other hand, more socially responsible companies receive more positive attention from the media, leading to a good reputation in the eyes of the public, and as a result, an increase in company value (Cahan, Chen, Chen, & Nguyen, 2015). Aerts and Cormier (2009) write:

> Firms use corporate communication media (such as annual report disclosures and press releases) to manage perceived environmental legitimacy by

> signalling to relevant publics that their behaviour is appropriate and desirable and, at the same time, to react to public pressures by adapting the level, content and quality of their environmental information dissemination processes. (p. 1)

A study done by Reinig and Tilt (2009) of four main national banks in Australia illustrates the use of media releases, which target mostly customers and the general public, to communicate their impacts on the economy, society, and the environment, suggesting that public expectations could impact organisational behaviour. On the other hand, the news media can do their own investigations on the companies, and publish reports, affecting companies' image (Baron, 2005), and consequently influence their behaviour greatly (Siegel & Vitaliano, 2007; Zyglidopoulos, Georgiadis, Carroll, & Siegel, 2012).

Gurun and Butler (2012) suggest that local media tend to use a more pleasant language with fewer negative comments when describing their local companies. This is due to local media's interest in maintaining a good relationship with local companies, since a considerable portion of their earnings comes from advertising by these organisations. In addition, factors such as news production requirements and the need to entertain can affect what the media covers (Van Peursem & Hauriasi, 1999).

Big corporations also try to put a positive "spin" on the news and compete with the media to influence public opinion by hiring Investor Relations (IR) companies, which help their clients produce positive press releases (Solomon, 2012). A good example of this is when a company only focuses on broadcasting its philanthropic activities and is "doing good in order to do well" (Bartkus & Morris, 2015, p. 9).

Ahern and Sosyura (2014) show that companies have a tendency to manipulate material used in their media coverage, and the timing of it, to influence their share prices and create a good image for themselves. How organisational communication can affect a company's reputation is discussed in the next section.

2.2.3. Organisational Communication

Communication and distribution of information are seen as playing important roles in reaching stakeholders and achieving transparency (Bushman et al., 2004). The history of organisational communication as a field goes back to the early 1920s when students in business courses were taught how to communicate professionally (Salwen & Stacks, 1996). An organisation's communication system is directly related to how it behaves and how it is perceived by others. In other words, the way an organisation communicates within itself and connects externally affects its reputation and image (Gray & Balmer, 1998). Gray and Balmer (1998) argue that corporate identity is created through corporate communication, which builds corporate image and corporate reputation and that can lead to competitive advantages.

The significance of communication in today's world is acknowledged by the leaders of different sectors of societies even though the understanding of the term could be different for each segment (Cheng, Green, Conradie, Konishi, & Romi, 2014). Tompkins (1984) explains that organisational communication is "the study of sending and receiving messages that create and maintain a system of consciously coordinating activities or forces of two or more persons" (pp.662-663). According to Redding (1972), it is possible for anything in an organisation to be a form of message. He also argues that the listening abilities of the receiver of the message affect an organisation. A practical management team listens to the associates and analyses the data available before making a decision. At the same time, the sender of the message is just as important. Mumby and Stohl (1996) argue that "voice" in organisations could be a central problematic. According to them, the issue of voice becomes problematic when its carrier faces different audiences in an organisation. An ideal management team should be able to hear the different voices from multiple fields and connect them together so as to run an organisation in the best way possible and achieve short and long-term objectives. Thus, the relationship between the flow of information and transparency and the way they affect decision making in organisations becomes important, as explained below.

2.2.4. Organisational Information Management

In order to operate successfully, organisations make decisions daily, whether by an individual or a group. To answer the important issue of where communication belongs in decision-making, it is essential to understand the role of the "flow of information" (Cheney, Christensen, Zorn, and Ganesh, 2004). This is addressed by drawing on a discussion about how the decision-making power and the flow of information has shifted from corporations to stakeholders due to globalisation. Organisational communication is a broad topic; organisational information management and, more specifically, the flow of information is the focus of discussion here because of its strategic effects on transparency.

2.2.4.1. Information Selection and Usage in Organisations

Managing information in today's corporate world is essential. Hinton (2012) explains that the influence of information in organisations is so powerful that managers dedicate considerable effort and time to managing information, the systems and people that deliver the information, and its users: “The combination of skilled people and advanced information technology has revolutionised the concept of management” (p.10).

Daft and Lengel (1986) suggest organisations process information to “reduce uncertainty” in doing tasks, and to “reduce equivocality” (p.554) by creating solutions rather than learning from the new data (Weick, 1979) so as to achieve an adequate performance level. To reduce uncertainty, the management team needs to only use necessary information. Organisations use information systems which include “people, data, processes, interfaces, networks and technology” (Guleria & Arora, 2012, p. 141) within organisations and the environment around them which are designed to “process, keep, and distribute information” (Laudon, Laudon, & Brabston, 2012, p. 6), to create solutions for problems and improve operations and decision making processes.

Kelley and Yantis (2009) find the selection of information is a critical factor in an organisation’s interaction with its environment. Mastenbroek (1990) also argues that the most important aspect of information management is “selection” (p.131). He argues that organisations use indicators to select which should be “acceptable, simple and visible, and capable of being influenced and motivational” (p.132). In other words, the indicators must be easy to understand and accepted by those who work with them. Having too many indicators symbolises a weakness in organisations (Mastenbroek, 1990).

Feldman and March (1981) explain that not all the information collected to make decisions is useful. The information found could be wrong or, simply because of the limitations that organisations or the individuals may have, the data could be useless. Therefore, organisations have to make sure that the majority of data gathered can be used. However, gathering only information that can be used requires a very sophisticated selection system and, as will be discussed in the next part of this literature review, an organisation cannot completely control the flow of information and other factors or sources can affect it.

2.2.4.2. Flow of Information in Organisations

Uncertainty within an organisation makes it difficult to make the correct decisions concerning a particular issue. For instance, according to March (1987), limited rationality complicates decision making. This basically means that the person or the group making a decision for an organisation cannot know absolutely everything about their options and their consequences. Drucker and Gumpert (2007) argue that an uninhibited flow of information is impossible as is absolute control over it. In other words, organisations may face some difficulties in gathering necessary information and there could always be sets of data that the company cannot make use of.

Aside from limited rationality, conflict of interest is another barrier facing decision makers as an organisation is a combination of individuals and groups who have different goals (March, 1987). Even though an organisation has long-term objectives as a whole, it may be run by different departments with own short-term goals. These conflicts of interest among individuals or groups could cause difficulty in the flow of information.

Knowing absolutely everything about the alternatives may be a problem, but there can also be too much information when there is more than enough data for one or a group of people to make a decision (Cheney et al., 2004). According to Feldman and March (1981), information is considered valuable when it impacts a decision. The more the data improves decision making in an organisation, the more valuable it is. They also argue that while many organisations gather more information than they can use, they should consider the cost they pay to get hold of the information as an important factor.

So why do organisations try to collect and store more information than they need even though it could cost a lot to keep? Christensen, Morsing, and Cheney (2008) try to answer this question by discussing the importance of image and reputation for organisations. The value of information in this matter goes further than decision making. Corporations use the information available to communicate with their stakeholders and others who expect transparency from organisations (Christensen et al., 2008). That is, the information available could be more than the data that the company needs for its operations. The extra information is kept to be exhibited when requested by stakeholders. As Werther and Chandler (2010) explain, the power regarding control over the flow of information has shifted from corporations to their stakeholders. They argue that globalisation (Baylis, Smith, & Owens, 2010; Robertson, 1992; Scholte, 2005) has influenced the corporate world by suggesting a shift in the balance of power and control over the flow of information from corporations to the stakeholders since stakeholders' access to information about companies has increased. They write: "globalisation presents powerful tools that stakeholders can use to represent their best interests – that is, if they are willing to take advantage of the opportunity and if they really care" (Werther & Chandler, 2010, p. 63). With the increase of stakeholders' involvement in controlling the flow, companies need to provide as much information as required by their stakeholders to avoid issues such as conflict of interest and limited rationality.

2.3. Environmental, Social, and Economic Reporting

The term ‘triple bottom line’ (TBL) was introduced by Elkington (1998). The idea of triple bottom line reporting is that aside from standard financial reporting, companies should include their social and environmental impacts and plans if they are after ultimate success (Norman & MacDonald, 2004). Chapman and Milne (2003) state “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” (p. 1).

Henriques and Richardson (2004) argue that the real bottom line for companies is earning profit, which is a part of the economic aspect of triple bottom line but not all of it. An important aspect of TBL requires companies to be prepared to not only benefit their shareholders but also other stakeholders, including the community that the company is operating in (Stoddard, Pollard, & Evans, 2012). The triple bottom line framework uses common indicators, which allow easier comparison of the performance of organisations and demand transparent disclosure (Stoddard et al., 2012).

Seven drivers of TBL and their characteristics that have been developed to support its usage are described by Stoddard et al. (2012), adapted from Elkington (2011). Elkington considers the market as the first driver, explaining that businesses no longer see social and environmental responsibilities as additional costs and that they are willing to use triple bottom line thinking to invest in social activities that will benefit communities and society. Second, societies’ values are changing and are leaning more towards social and environmental awareness. This change in values, together with new information technologies, will create an ideal environment for transparency. Lifecycle technology is another driver, which has introduced re-creating raw materials through recycling. Elkington sees new forms of partnerships that are more socially oriented as the fifth driver. Corporations have realised that long-term plans are more important than short-term plans; therefore, time is also an important factor. Because of pressure from stakeholders, executives will have to take a new perspective regarding issues and corporations' plan to address them. Therefore, as Elkington (2011) argues, corporate governance is the last driver.

Even though it is technically a reporting framework, TBL is sometimes regarded and referred to as synonymous with Corporate Social Responsibility (CSR). CSR is closely related to corporate transparency and is a matter of interest for many companies. There is no doubt that CSR has a direct impact on organisations' policy making and strategies, and understanding the similarities and differences between the concepts of CSR and sustainability plays an important role in this study. McMillan (2007) argues that modern corporations have already accepted the importance of CSR. Perhaps being socially responsible is not every corporation's priority by choice but, as discussed in the previous part of this literature review, pressure from different sources may force an organisation to at least maintain a socially responsible image. According to Branco and Rodrigues (2006), social responsibility transparency refers to the availability of information regarding companies' activities that concern society and may include issues related to employees, companies' involvement in the community and the environment, and ethical concerns, among others.

2.3.1. Corporate Social Responsibility

Social responsibility can be traced back to centuries ago when churches and community centres cared about societies' interest (McMillan, 2007). However, the introduction of CSR in organisations is much more recent. According to Carroll (1999), most of the literature on CSR formally began during the 1950s and referred mostly to "social responsibility" (p.271). Only a decade later critiques such as that of McGuire (1963) considered social responsibilities just as important as economic and legal obligations for corporations. In today's corporate world, CSR plays a much larger role than ever before.

There are different definitions for CSR. Hughen, Lulseged, and Upton (2014) describe the term as companies' mindfulness of the effects their operations could have on the economy, society, and the environment, and what they do to address those impacts. They also explain that CSR activities concentrate on adding value to the company in the long run by improving the company's image and decreasing the amount of resources that the company uses to run its operations.

According to Dahlsrud (2008), all the definitions for CSR could be included in five dimensions of economic, stakeholder, environmental, social, and voluntariness. Carroll's CSR model also breaks CSR activities into four types: first, the responsibility that companies have to make profit; second, their legal obligation to obey the law; third, their ethical responsibility to do the right thing; and fourth, their responsibility to do philanthropic activities (Carroll, 1979). McWilliams, Siegel, and Wright (2006) define CSR as "situations where the firm goes beyond compliance and engages in actions that appear to further some social good, beyond the interests of the firm and that which is required by law" (p.4). This definition falls under the social and voluntariness dimension. In a very broad definition that includes all dimensions, van Marrewijk (2003) describes CSR and sustainability as actions taken by companies indicating the addition of social and environmental anxieties in business operations and in dealing with stakeholders. These different dimensions of CSR have been created because of the different views that analysts, scholars, and stakeholders have on the matter, such as the economist arguments of Friedman (1970) and more stakeholder centred discussions of Freeman (1994) which were discussed earlier.

CSR activities are sometimes costly. So why would companies go through the trouble? Why is there CSR? McMillan (2007) answers this question by saying that a large number of individuals have simply stopped caring for one another or are not sincere about it and it is the organisations that have to resume the task of looking after society. She also adds that the reason why CSR is becoming even more popular is "because we have recently become painfully aware of how ill-suited the modern corporation is for the task [of being socially responsible], lacking both credibility and the voice of moral authority" (p.26). Different groups or individuals can pressure companies to behave in a socially responsible manner. These sources include internal pressure from stakeholders within the company, and pressure of expectation from competitors, customers, shareholders, government and its regulatory bodies, and non-government organisations (NGOs) (Ballou, Heitger, Landes, & Adams, 2006; Gualandris, Klassen, Vachon, & Kalchschmidt, 2015; Haigh & Jones, 2006; Weber & Marley, 2010).

Similarly, Campbell (2007) offers some explanations for firms' not engaging in CSR activities, and some for why a company might choose to act in a socially responsible manner. He explains that companies are less likely to take on CSR if they are not financially doing well, there is too much competition, or there is not much competition. He also suggests that companies tend to get more engaged in CSR activities if there are government regulations and industrial regulations involved, if there is external pressure from different stakeholders such as media and NGOs, if they are a member of an association where they are encouraged to act responsibly, and if they are engaged in institutionalised dialogue with their stakeholders.

For whatever reason, either to keep a legitimate reputation or to increase sales and use it as a marketing strategy (which will be discussed further in the next part of this section), CSR is growing among corporations. Companies take steps towards serving communities as well as their shareholders. The demand for transparency has forced companies to include CSR in their plans, which has created the challenge of applying CSR strategies and communicating their outcome with their stakeholders. The major problem for companies is how the CSR activities of the company should be communicated to please stakeholders and, as a result, create a legitimate image (Arvidsson, 2010).

2.3.1.1. Strategic Uses of CSR

Among the most important objectives of corporations is one of keeping stakeholders satisfied. As described above, company stakeholders are considered to be people who can affect or be affected by an organisation’s wellbeing, including customers, communities, the government, and employees (Freeman, Harrison, & Wicks, 2010; Jensen, 2001; Phillips, Freeman, & Wicks, 2003; Roberts, 1992). Managers need to make decisions that are in the interests of all the company’s stakeholders (Jensen, 2001). Companies are pressured by these individuals or groups to be transparent (Christensen, 2002), and since large companies are more exposed to the eyes of the public, they feel this pressure even more and, consequently, they are more likely to publish non-financial information (Branco & Rodrigues, 2006; Dhaliwal, Li, Tsang, & Yang, 2014).

This pressure could create an opportunity for organisations and lead them to be sustainable and socially responsible. Companies consider CSR and transparency as good strategies if they can contribute to their profit and sales. However, spending large amounts of money, and publishing non-financial information excessively may seem pretentious and damage a company's reputation and credibility (Arvidsson, 2010; Ashforth & Gibbs, 1990; Jones & Pittman, 1982; Morsing & Schultz, 2006). When CSR and sustainability are misleading and are used solely for marketing but have little or no substance, it is known as greenwashing (Bazillier & Vauday, 2009). The term Greenwashing was coined by the American environmentalist, Jay Westerveld, for companies that undertake activities to create an environment to mislead the public and therefore deflect attention from the real environmental issues raised because of the firms' actions (Koh, Butler, Laurance, Sodhi, Mateo-Vega & Bradshaw, 2010). Greenwashing includes misinforming customers regarding the environmental benefits that a product could have (Werther & Chandler, 2010).

The main objective of greenwashing is to make the customers feel like the organisation is taking the necessary steps in sustaining the environment while in fact it is not as responsible as it is claiming to be (Orange, 2010). These corporations spend more money pretending to be green than taking any actual actions to be environmental friendly. Creating a sustainable image through greenwashing, as

Laufer (2003) explains, is possible by corporations trying to "hide deviance, deflect attributions of fault, obscure the nature of the problem or allegation, reattribute blame, ensure an entity's reputation and, finally, seek to appear in a leadership position" (p. 255). Greenwashing may also occur because of a company's lack of understanding of the purpose of CSR activities, and its inability to link sustainability issues to strategies (Baumgartner & Ebner, 2010).

Although legal restrictions require organisations to be transparent and sustainable up to a specific standard, organisations may choose to display more information voluntarily, both to show their work plan and to gain more trust from stakeholders and keep them satisfied. How organisations select and present information is significantly important (Christensen, 2002). Their choice and the way they demonstrate the data is among other strategic choices that they must make carefully.

CSR can benefit both society and the corporation itself. There are ways to be socially responsible and at the same time use CSR to build a strong reputation for the company. Werther and Chandler (2010) argue that the best way to maximise profits for companies is to ensure that they fulfil the expectations of stakeholders as much as possible. In today's corporate world, customer satisfaction goes beyond just guaranteeing good products and services. Consumers expect corporations to give back to the communities that they are operating in various ways as well as to look after the environment.

As mentioned earlier, globalisation (Baylis et al., 2010; Robertson, 1992; Scholte, 2005) has influenced the corporate world by creating a shift in the balance of power and control over the flow of information from corporations to the stakeholders (Werther and Chandler, 2010). This shift of power creates a challenge for corporations as they cannot carry on with their plans as they used to, but it also creates an opportunity for them to use CSR strategically.

A very closely related concept to CSR which according to some scholars such as Cheung (2011), looks further than just serving the current stakeholders of companies and involves future generations, and improving the conditions that people live in, is sustainability. The next section of this literature review discusses sustainability and its relationship to CSR.

2.3.2. Corporate Sustainability

Scholars have adopted three different approaches involving economics, ecology, and social science to study the notion of sustainability (Adams, 2006). Some, such as D'Aquila (2012) and Higgins and Coffey (2016), argue that sustainability is closely related to (and sometimes referred to as) the concepts of CSR and Triple Bottom Line reporting, and involves social, economic, and environmental factors. Others such as Hediger (2010) highlight that while sustainability is related to the concept of CSR, there are fundamental differences. He writes:

> Corporate sustainability refers to an internal objective of maintaining the capital stock and corporate value, rather than fulfilling some arbitrarily determined sustainability criteria. It indirectly serves the objective of sustainable development by its objective of sustainable asset management. In contrast, CSR refers to the way companies manage their internal resources (including shareholders' expectations) and at the same time contribute to the welfare of other stakeholders (society) (p.524-525).

Cheung (2011) also argues that CSR and sustainability concentrate on different things and that while both concepts consider social, economic, and environmental factors, they have different ways of combining them. For instance, according to Cheung, in CSR economic and social components work independently, while corporate sustainability considers them interrelated. Aside from that, some sustainability scholars consider environmental issues as being concerned with the preservation of the planet, regardless of how it benefits people (Montiel, 2008), while some CSR scholars consider these issues to be based on how they can be beneficial to humans. Cheung (2011), for example, explains that CSR is related to communication of the relationship between the environment and people, while sustainability, especially in the form of 'sustainable development' is more about what role the corporation plays as "human-oriented agents" to maintain a sustainable operation. From another point of view, corporate sustainability is seen as concerned with future generations, while CSR is more concerned with balancing social, economic, and environmental dimensions (Cheung, 2011).

While Hediger (2010) argues that corporate sustainability obliges corporate value to be maximised and not dropped over time, Vucetich and Nelson (2010) describe sustainability from a social and environmental point of view as providing human needs in a manner that does not jeopardise the environment or society. Based on this definition, they draw a framework with five dimensions (Figure 3): a. Developed technologies that affect environments and societies; b. Understanding environment; c. Understanding the effects of taking advantage from the environment; d. Understanding the effects of exploitation on societies and cultures; and e. Understanding ethical attitudes about human beings and nature. In this framework, sustainability is seen as the relationship between the environment and society, which encompasses tensions between exploitation and ethical attitudes and is affected by the factors mentioned above. Figure 3 illustrates the mechanism of this relationship.

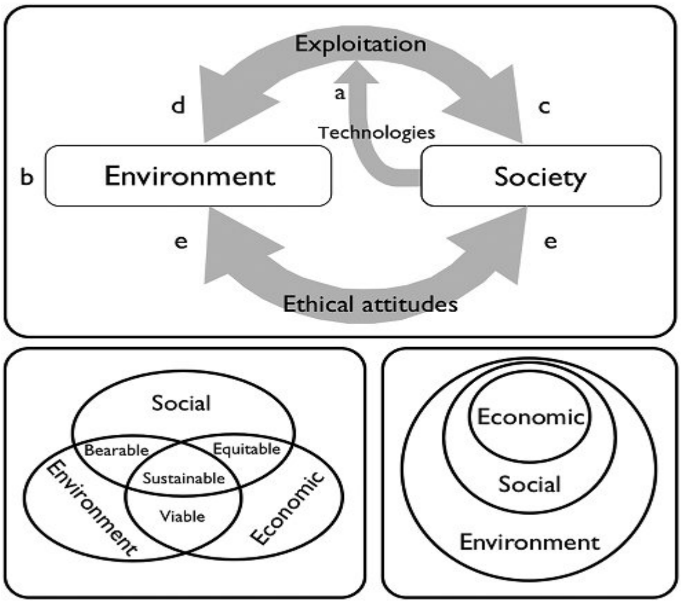

Figure 3. The dimensions that affect sustainability. Source Vucetich and Nelson (2010, p. 540)

Sustainability is a very broad topic that can be both simple and complex (Bosselmann, 2008). During the past few years, the concept of sustainability has become more important to businesses, which has led them to choose their approach towards dealing with social and environmental issues more strategically (Higgins & Coffey, 2016). The reliance of stakeholders, including shareholders, on non-financial information to make the right decisions, has dramatically increased over the years (Hughen et al., 2014). Commitment to being sustainable is seen more as a valuable advantage when competing with other companies, and as a guide which can help improve the company's performance in the future (Lourenço, Callen, Branco, & Curto, 2014).

The results of studies conducted by Eccles, Ioannou, and Serafeim (2014), Khaled and Aly (2010), Lourenço et al. (2014), among others, suggest that companies' good reputation in social and environmental performance enables investors to anticipate the companies' future earnings better. This is because investors are able to understand companies' long-term plans in greater depth, thus improving their share prices and total income in the long run. While the main goal for many companies that take sustainability seriously is to improve their reputation and build a good image, improving environmental performance and managing a company's impacts and wastes results in reducing costs of operation, saving money, and creating an opportunity for new business ventures (Nidumolu, Prahalad, & Rangaswami, 2009).

Many other scholars believe that companies can benefit from meeting the demands and expectations of stakeholders who do not own shares in the company because if a corporation fails to do so it will face financial consequences (Freeman et al., 2010; Porter & Kramer, 2011) such as consumers refusing to buy their products or services (Sen & Bhattacharya, 2001). Numerous studies illustrate that when companies demonstrate strong socially responsible action, they can get positive feedback from customers (Brown & Dacin, 1997; Creyer, 1997; Ellen, Mohr, & Webb, 2000; Sen & Bhattacharya, 2001). A study done by SBC & Fairfax Media (2013) in New Zealand found that 63% of their participants (more than 2000 New Zealanders participated) said they will stop using a company's product if they find out that the company's actions are not socially and environmentally responsible. Aside from being boycotted by their customers, companies can face other consequences for not meeting stakeholders' expectations, such as being penalised by the government (Eccles et al., 2014), or failing to recruit skilful and quality employees, who care about companies' social and environmental performance (Greening & Turban, 2000).

A study by Hayward et al. (2013) on 1000 CEOs, in 103 countries from different industries, found that 93% of the participants considered sustainability as an important factor for a company's success. However, the same study suggests that the participants had trouble understanding the business benefits of sustainability. While many companies see sustainability as a valuable concept for their business, some see it as a cost. According to Nidumolu et al. (2009), many CEOs in the United States and Europe believe that shifting to a more sustainable approach is costly and puts them at a disadvantage, since many of their competitors in other countries are not under pressure from their stakeholders to do the same. Despite their doubts about values of sustainability, many CEOs are still convinced that the notion of sustainability is changing their industries for the better, and request governments' involvement to align their regulations with sustainability (Hayward et al., 2013).

Branco and Rodrigues (2006) believe that some scholars exclude certain industries such as financial services and banks from sustainability related studies because they believe such sectors do not have much impact on the environment. This view disregards social sustainability. On the other hand, others argue that banks and other financial services can affect the environment by investing in businesses that are not environmentally friendly (Branco & Rodrigues, 2006; Thompson & Cowton, 2004). Aside from that, these institutions use a considerable amount of energy and other resources (e.g. paper) and should have sustainability policies that include managing their resources (Branco & Rodrigues, 2006), and demonstrate and communicate their impacts with their stakeholders.

There are many tools used by companies to communicate their social and environmental performance with the stakeholders, such as sustainability reports (Higgins & Coffey, 2016). The next section of this literature review, concentrates on some of the tools that are used for non-financial reporting.

2.3.2.1. Non-financial reporting

Annual and other corporate reports have played important roles in communicating public companies' performance with their stakeholders, ever since ownership separated from control (Mir, Chatterjee, & Rahaman, 2009), as discussed earlier. In recent years, there has been a growth in expectation for companies to be more transparent regarding their activities which have an impact on society, environment, and the economy (Benn, Dunphy, & Griffiths, 2014). Voluntary non-financial reporting dates back to the 1970s (Livesey & Kearins, 2002). Martínez-Ferrero, Garcia-Sanchez, and Cuadrado-Ballesteros (2015) argue that the interest for non-financial information to be added to corporate reports has increased, and their results suggest a positive relationship between companies' quality of financial data, and how they disclose sustainability information. Arvidsson (2010) argues that this increase in expectation for non-financial reporting is due to pressure from societies, caused by numerous corporate scandals. Restrictions such as disclosure regulations have been deployed to stop companies getting involved in wrong doings, in order to re-establish trust between corporations and the society (Sutantoputra, 2009).

While corporate disclosure is meant to create an informational link between external sources, especially potential investors, and the company, social disclosure is considered as an approach that impacts the way stakeholders perceive an organisation (Brammer & Pavelin, 2004). In other words, corporations practice CSR disclosure to develop legitimacy for themselves. Publishing corporate sustainability reports, and other forms of corporate social reporting, is one way to achieve that goal. While there are different ways to disclose non-financial information, sustainability reports are used by companies the most (Fernandez-Feijoo, Romero, & Ruiz, 2014a). Carroll and Shabana (2010) define corporate social reporting as "issue of stand-alone reports that provide information regarding a company's economic, environmental and social performance" (p. 99). They further explain that by releasing these reports firms can show that they are doing what is expected from them; hence they are "legitimate" (p.100). The reports are also seen to reduce the risk of being accused of lack of transparency, thereby creating competitive advantage.

Gray, Kouhy, and Lavers (1995) suggest that the survival of a company calls for the support of its stakeholders who must approve of actions that the firm takes. Therefore, these actions need to be aligned with what stakeholders appreciate. The more power stakeholders have, the more the company has to adjust. Hence non-financial disclosure acts as a kind of interaction between the stakeholders and the corporations. Font, Walmsley, Cogotti, McCombes, and Häusler (2012) also argue that regardless of what view Friedman (1970) had on the matter of the responsibilities of businesses, currently those responsibilities include more than just satisfying shareholders and investors, and the importance of corporate social responsibility activities and non-financial disclosure are commonly accepted. Epstein, Buhovac, and Yuthas (2010) explain that sustainability disclosure starts with leadership and that once employees see the benefits of communicating sustainability performance, they will follow management and will integrate the concept with their own tasks, and will do it without hesitation, because they know that management will be supportive of their actions.

Sustainability reports have become useful tools in finding the real sustainability issues that need to be addressed, which can help improve operations (Higgins & Coffey, 2016). KPMG's survey of corporate transparency, which is conducted every three years, shows substantial growth in production of sustainability reports by the 250 largest companies in the world (G250). According to the survey, only 50% of these companies produced such a report in 2005, while by 2013, this number had grown to 95% (KPMG, 2005, 2013).

The drivers for producing non-financial reports have changed over the years. Higgins and Coffey (2016) explain that these reports were initially published because of the social pressure on the companies, and the need for the companies to gain legitimacy. However, today the reports are published for other strategic benefits such as improving a company's position compared to competitors, managing stakeholder expectations, decreasing pressure from the government, and ensuring that a company is doing its part as a sustainable entity.

The level of transparency of what is reported by companies may be affected by different factors. In their study, Fernandez-Feijoo et al. (2014a) find that the ownership structure of the company influences how transparent their non-financial report is. Their findings suggest that, even though publicly listed companies disclose more sustainability and CSR related information than private organisations, their reports are not as reliable as the private ones. Other scholars have looked at non-financial reporting based on the geographic region where the companies were located (Fernandez-Feijoo, Romero, & Ruiz, 2014b; Sumiani, Haslinda, & Lehman, 2007; Tilt, 2016).

Pervious literature has also examined the relationship between the size of the company and the content included in corporate responsibility reports (Baumann-Pauly, Wickert, Spence, & Scherer, 2013; Frias-Aceituno, Rodríguez-Ariza, & Garcia-Sánchez, 2014; Gallo & Christensen, 2011; Morhardt, 2010). Several studies have found that size of the company affects the quality of their non-financial reports. Studies by Brammer and Millington (2006), Fernandez-Feijoo et al. (2014a), Simnett, Vanstraelen, and Chua (2009), indicate that larger companies disclose more information. The literature also suggests that aside from company size, the industry that the companies are active in can also be considered a factor (Alali & Romero, 2012; Kolk & Perego, 2010), though it is not as important as size (Hackston & Milne, 1996).

Prado-Lorenzo, Gallego-Alvarez, and Garcia-Sanchez (2009) also consider size as an important factor and argue that larger companies that normally have more social and economic impacts, grab government's attention more easily, and therefore are more transparent to minimise the political cost. They also explain that, aside from the government, shareholders can heavily influence the content of non-financial reports. However, since shareholders are not generally interested in the accuracy of the information included in the report, but rather in the benefits that publishing the report will have for the company (Mason & Simmons, 2014), Prado-Lorenzo et al. (2009) suggest that the government as an important stakeholder should have strict laws around sustainability reporting. In addition, Fernandez-Feijoo et al. (2014b) found that pressure from certain stakeholders such as employees and customers can positively impact the quality of sustainability reports.

Another factor, which internally affects the quality of transparency in corporations, is the board of directors. Rao and Tilt (2016) find that “multiple directorship” in different companies can affect the quality of non-financial reporting in companies. In addition, while the board usually has the final review before the reports are published, there is a possibility that the members of the board of directors could act in their own interest, rather than the interest of other stakeholders (Kasum & Etudaiye-Muthar, 2014). In their study of 23 publicly listed companies in Australia, Stubbs, Higgins, and Milne (2013) identify some factors that have been barriers to non-financial reporting, including absence of pressure from external stakeholders, companies’ negative perception of the benefits of such reports, and lack of encouragement within the organisational structure and culture.

Even though there has been consistent growth in the publication of sustainability reports, many companies are unable to link the concept of sustainability to their strategies (Baumgartner & Ebner, 2010; Galpin & Whittington, 2012;Porter & Kramer, 2006). Galpin and Whittington (2012) argue that for sustainability efforts to work and provide value for both the company and society in the long run, sustainability activities must be integrated with a company’s strategies, and must be aligned with the company’s values. In addition, Baumgartner and Ebner (2010) explain that, to have complete sustainability strategies, all three dimensions (environmental, social, and economic), their impact, and how they interrelate, must be considered.

The following describes some of the different types of sustainability strategies (Baumgartner, 2009):

Introverted strategy concentrates on making sure that the actions taken are essential and beneficial for the wellbeing of the company. Most of the activities which are based on this type of strategy are compliance driven, to protect the company against regulations and standards that involve social and environmental concerns. An example of this strategy is when companies improve the work environment to avoid the risk of gaining a bad reputation. In this context, compliance can be viewed as an opportunity. As Nidumolu et al. (2009) put it:

> It is tempting to adhere to the lowest environmental standards for as long as possible. However, it is smarter to comply with the most stringent rules, and to do so before they are enforced. This yields substantial first-mover advantages in terms of fostering innovation. (p.2)

Nidumolu et al. (2009) explain that businesses that concentrate on meeting the upcoming standards have more time to prepare themselves in regard to the changes that need to be made, and are normally the ones that find business opportunities before others. Aside from that, companies can become the leading force for change, by assisting in the creation of social and environmental regulations, and as a result create a partnership with the regulators.

Extroverted strategy concentrates on companies' external relationships, and how a company is viewed by the public. Companies may invest in many social and environmental activities to gain the public's trust and a Social License to Operate (SLO). A SLO is described as the continuous approval of a company's operation by the community in which it is active, and by other stakeholders (Boutilier &

Thomson, 2011; Moffat & Zhang, 2014; Prno & Slocombe, 2012). In other words, it is seen as an investment for company legitimacy. According to the Sustainable Business Council (SBC) and Business NZ's Major Companies Group (MCG), a SLO is a company's ability to continue to operate because society trusts that the firm will act legitimately, and be socially and environmentally responsible. They believe that, aside from compliance, the wellbeing of a much larger group of stakeholders is considered by the companies that want a social licence to operate (SBC, 2013).

Conservative strategy concentrates on efficiency in production and creating goods and services that are made using a minimum amount of energy and material. While this strategy lessens effects on the environment, it also gives the company a competitive advantage in terms of cost reduction, due to efficient production, and a good reputation in environmental performance (Baumgartner & Ebner, 2010).

Visionary strategy concentrates on all possible sustainability related matters in every aspect of the business. A visionary strategy is designed to be uniquely advantageous for both customers and stakeholders. Sustainability in this strategy is focused on innovation and diversity, based on the opportunities that arise in the market (Baumgartner, 2009; Baumgartner & Ebner, 2010).

2.3.2.2. Sustainability and Non-financial reporting in New Zealand

While the concept of non-financial reporting has been around for decades, the process of adopting it in New Zealand has been rather slow. An overwhelming majority of businesses in the country do not produce any form of social and environmental reporting (Lawrence, 2007). Accounts of the lack of trustworthy indicators to measure sustainability growth in the country date back to the late 1990s (Bicknell, Ball, Cullen, & Bigsby, 1998).

Many attribute this slow progress to New Zealand's history of the introduction of strong neoliberalism during the 1980s, with the belief that creating a free market and competition would help overcome the lack of economic progress (Connell & Dados, 2014) and result in greater productivity (Lovell, Kearns, & Prince, 2014). It began with the social democratic Labour Government, first by privatising and restructuring the activities of many government sectors and creating at least nine state owned enterprises (SOEs), and second, by creating an investment friendly environment for entrepreneurs to bring their business and capital to New Zealand (Kingfisher, 2013).

Even though in the early 1990s the government included social and environmental factors in legislation by introducing The Resource Management Act of 1991, the number of social disclosure requirements by law in New Zealand at the time were minimal (Hackston & Milne, 1996; Milne & Adler, 1999). A study by Lawrence, Collins, Pavlovich, and Arunachalam (2006) a few years later illustrates the same lack of pressure from the government.

While the Labour government of 2000-2008 stated that it would put sustainable development in the core of all its policies (Collins, Dickie, & Weber, 2009), it avoided taking a leading role and setting up any compliance standards (Bebbington, Higgins, & Frame, 2009). Their argument was that it must not take the lead and play a central role in managing such issues since what the government introduces as a standard is normally viewed as the minimum of what all corporations (regardless of their size and profitability) must do (Collins, Lawrence, Pavlovich,

& Ryan, 2007). When it comes to leading environmental initiatives, government organisations often lack robust leadership and tend to lean towards a business as usual strategy (Birchall, Ball, Mason, & Milne, 2013), a strategy that is fundamentally about carrying on with a company's current practices, without considering any drastic changes to the way the business is run in order to achieve sustainability (Collins, Kearins, & Roper, 2005).

Others also suggest that successive New Zealand Governments have adopted a neoliberal approach to sustainability development and thus have not significantly inspired sustainability practices (Collins et al. (2007); Frame & Bebbington, 2012). Bellringer, Ball, and Craig (2011), reporting a study conducted in 2009 under the National Government, say that the sustainability reporting produced by local governments in New Zealand did not seem to be inspired "by an idealistic desire to ensure a sustainable world, but more by pragmatism and economic rationalism" (p. 126).

There is a growing expectation from consumers and individuals in the country who demand action on sustainability problems from both the government and businesses (Collins, Roper, & Lawrence, 2010). In a survey done by the Moxie Design Group (2007), 40 percent of the participants stated that they were concerned with what companies are doing to gain profit. In another 2007 study, conducted by Shape NZ for the New Zealand for Business Council for Sustainable Development (NZBCSD), that included over 3000 New Zealanders, 70% indicated that a company's actions that impact the environment significantly affects their decision to purchase that company's products (Collins et al., 2010). A study done by SBC &

Fairfax Media (2013), mentioned earlier, suggests similar expectations from the public.

In order for each organisation to be successful, it is essential to build trust between managers, shareholders, employees, society, and the government (Bandsuch, Pate, & Thies, 2008). Typically, legal restrictions around the world require organisations to release information about their future plans and their annual reports (Christensen, 2002). This includes New Zealand's government which, through its three regulatory bodies of the Reserved Bank of New Zealand, the Commerce Commission, and the Financial Market Authority, ensures a "financially healthy New Zealand" (FMA, 2016). Any such legislation that is approved by the government will be passed down by the FMA to the NZX as the authority figure in charge of overseeing the market. Of note is the fact that the NZX, as for other countries operating under a neoliberal economic system, is itself featured in its own list. Thus, the NZX oversees the market of which it is also a participant, creating a conflict of interest.

All publicly listed companies in New Zealand are required to include "material information" in their annual reports (NZX, 2016).The listing rules, which are enforced by New Zealand Stock Exchange (NZX), define material information as information that "a reasonable person would expect if it were generally available to the market, to have a material effect on the price of quoted securities of the issuer" (NZX, 2016, p. 13). The FMA does not require corporations to release any sustainability information and the recording system for such information remains underdeveloped. With the absence of legislation and government policies regarding non-financial disclosure, the encouragement to release such information has been coming from non-governmental organisations, and the initiative remains voluntary.

The argument presented by the supporters of voluntary disclosure is that, in the long term, relying on pressure from the industry to implement sustainability practices is a lot more effective than making it mandatory through regulations (Brown & Stone, 2007; Flint & Golicic, 2009).

It was in 1999 and in the early 2000s that organisations such as the New Zealand Business Council for Sustainable Development (NZBCSD, 2018) a branch of the World Business Council for Sustainable Development (WBCSD), and the Sustainable Business Network (SBN, 2016) were established in New Zealand. The NZBCSD is now known as the Sustainable Business Council (SBC) (SBC, 2016). Aside from helping their members operate a successful business by becoming more sustainable, one of the most important aspects of the appearance of organisations such as the SBC has been their stance against the “Friedmanite economic ideology” associated with neoliberalism (Milne et al., 2005, p. 6).

Members join organisations such as the SBC voluntarily and producing a sustainability report is a membership requirement. The SBC encourages its members to present an annual sustainable development report, which contains the company’s plans in applying sustainable development (SBC, 2016). This report is not required by law but is a requirement of SBCNZ membership and has to be done within two years after joining the council (SBC, 2016). Companies that do not comply, and do not commit to activity and attend SBC meetings, may be invited to resign. Results of a study by Lawrence, Collins, and Roper (2013) suggest that members of sustainability organisations such as the SBC and the SBN tend to be more engaged in social and environmental practices.

Some scholars, however, have criticised how organisations such as the NZBCSD (now SBC) have shaped the sustainability reporting activities of their members. Milne et al. (2005) studied the language used by NZBCSD and its members for their annual reports and concluded that, while the organisation talks about sustainability, it is using the wrong rhetoric to promote the concept. Milne et al. were concerned that the NZBCSD was introducing sustainability as just eco-proficiency and engagement with the stakeholders, concentrating mostly on the business aspects of its mission, and warned that this way of promoting sustainability would provide an environment for industrial capitalism to persist and fully use up all resources quietly. Milne, Walton, and Tregidga (2009) argue that the threat and the power of the discourse used by NZBCSD lies in how it silently and continuously emphasises economic rationales and the dominance of the business.

Tregidga and Milne (2006) write:

> Through the triple bottom line…sustainable development is constructed in a way that fits with what the organization already largely does – stakeholder consultation and engagement, managing environmental impacts, making profits and being efficient…not only does the organization convey images that it *can* manage these issues, it now signals that it *wants* to, and indeed that it *must* do so. This necessity, however, is no longer an externally imposed requirement concerned with environmental degradation; it is an internally imposed one concerned with economic ends. The environment is now less a problem, it is the source of value, and to serve economic interests it must be managed carefully. (p. 237).

Similarly, Milne, Kearins, and Walton (2006) argue that for companies that speak of sustainability as a journey, reporting and other forms of communication create a platform where organisations select to exhibit certain aspects of their company and how they engage with sustainability. They explain that such companies view themselves and their actions as ground-breaking and courageous and want to be perceived as honest, seem interested to gain stakeholders' trust, and believe that reporting will make them appear as reliable and honest compared to companies which do not produce a report.

Milne et al. (2006) criticise this type of rhetoric in sustainability, saying that the journey metaphor used by some of large corporations in New Zealand interprets sustainability into a boundless process, which allows companies to put off tackling crucial ethical issues such as "limited resource availability; finite substitution possibilities; a lack of connectedness and our collective peril; and no special place for the environment at all" (p. 825). They argue that composing sustainability as a journey is a strategy for the corporations to escape stating some of their upcoming desired affairs. This allows them to use a rhetoric to be perceived as sincerely engaging in sustainability discourses and taking advantage of New Zealand's "clean, green" image which is worth billions of dollars annually (Collins et al., 2010), while at the same time creating a discourse that understates any discussions of fundamental change.

In their study of the annual reports released by 50 of the largest companies in New Zealand, Hackston and Milne (1996) look into the factors that impact social and environmental reporting and suggest that while the profitability of the company in their study was unrelated to the amount of social and environmental information they disclosed, the industry and the size of the corporation mattered. They argue that the larger companies released more information compared to the smaller ones, and suggest that this size-industry relationship with disclosure may have been triggered by the investors' interest to know more about companies' risky activities. Their study also shows that New Zealand based companies tend to release more on human resources, while community and environmental themes also receive noteworthy attention. The majority of the information released appears to be good news. Hackston and Milne (1996) also make a comparison with the reporting habits of other countries such as Canada, the US, and the UK, and believe that non-financial disclosure could be higher in these countries either because particular regulations demand such transparency or for cultural reasons.

However, in their study of some of the members of the NZBCSD, Bebbington et al. (2009) feel that "mimetic pressure" (p. 615) and sensitivity to what other companies are doing may play a more significant role than regulations for inspiring sustainability reporting. Al-Maskati, Bate, and Bhabra (2015) discuss another issue, multiple directorship, and illustrate that in New Zealand many directors are facing "director busyness" because they serve in multiple companies at the same time. Fox, Walker, and Pekmezovic (2012) argue that the limited number of talented and skilled directors and their "busyness" negatively affects their ability to monitor companies' actions and decisions.

In an attempt to look into why social and environmental reporting has not grown in New Zealand, Wright, Milne, and Tregidga (2016) conducted a study, which included the SBC, the SBN, and 11 of their members. Six of the 11 participants were reporting companies and only three of the 11 were publicly listed. Once again, they criticise the failed role of organisations such as the SBC and the fact that the council does not produce a report itself (as discussed earlier, Milne et al. (2005); Milne et al. (2006) offer similar criticism). Their findings suggest that the reporting foundations endorsed by the SBC and SBN encourage and trigger resistance to social and environmental reporting. They argue that due to the lack of "coercive pressure" (p. 29) from these organisations and other external powers, reporting practice is bound to stay minimal and "a fizzer" in New Zealand, unless members see a form of financial gain from reporting. As Wright et al. (2016) point out, "In the absence of any strident stakeholder demand, compelling win-win logics for reporting remain far from clear" (p. 29).

Collins et al. (2010) similarly find that the companies that are most engaged with sustainability practices show good financial returns or eco efficiency. The study is an analysis of two sets of surveys done in 2003 and 2006 that included SBN members and non-SBN member establishments with different sizes. It is not clear how many of these companies were publicly listed. They also found cost, management time, and the lack of knowledge and skills as the main obstacles for embracing sustainability practices, and brand and reputation as the main drivers (10% increase in 2006 compared to 2003 in this category). Collins et al. (2010) conclude that the personal values of management are extremely important when it comes to engaging sustainability practices.

New Zealand's approach to sustainability reporting has remained less inspired by empathy for social and environmental issues and more encouraged by strategic needs of corporations, matching the country's neoliberal economy. And as is the norm for a neoliberal system,

> the business sector has predominantly embraced ideologies of economic growth, individual rather than collective responsibilities, minimal government intervention in business matters and voluntary action for issues such as environmental damage mitigation" (Lawrence et al., 2013, p. 51).

Regardless of the drivers behind reporting, those companies which choose to embrace non-financial reporting have many different framework options to choose and adopt from. Below I discuss two of the most well-known (and in the case of Integrated Reporting <IR>, arguably the most controversial) frameworks available.

2.3.2.3. Global Reporting Initiative (GRI)

There are several ways to produce non-financial reports. One of the issues that companies face while creating such reports is measuring all three components of sustainability: social, economic, and environmental. D'Aquila (2012) explains that while economic factors are relatively easy to measure by accountants, the other two components can be more difficult to measure due to the lack of a clear unit of measurement, compared to the economic dimension (e.g. dollars can be used as a unit of measurement).

A common way of making corporate social reports is by following the Global Reporting Initiative (GRI) that offers a well-known set of guidelines that has assisted corporations in creating voluntary sustainability reports since 1997 (Hale, Hale, & Held, 2011). The GRI guidelines are the most used sustainability reporting guidelines in the world (Levy, Szejnwald Brown, & de Jong, 2010) and are regarded as providing the most suitable standards by which companies can measure their impacts on the environment, society, and the economy (GRI, 2016b; Manetti, 2011). The GRI's vision is "to improve corporate accountability by ensuring that all stakeholders – communities, environmentalists, labour, religious groups, shareholders, investment managers – have access to standardised, comparable, and consistent environmental information akin to corporate financial reporting" (Brown, De Jong, & Lessidrenska, 2009, p. 189). It is important to clarify that according to G4 (the last guideline released by the GRI), the economic measurement of sustainability is concerned with the companies' effects on the economic environments of its stakeholders and is not concerned with the financial situation of the firm (GRI, 2013b).

Hahn and Lülfs (2014) argue, however, that while the GRI guidelines direct companies on what to report, they do not necessarily tell them how to report it. They explain that the GRI guidelines are designed for companies to report on both positive and negative impacts, and the negative impacts may affect a company's reputation. For that reason, many companies tend to concentrate more on narrative and positive news (Hackston & Milne, 1996). To minimise the risk of jeopardising reputation, Hahn and Lülfs (2014) suggest a different version of how to report the negative impacts (Figure 4).

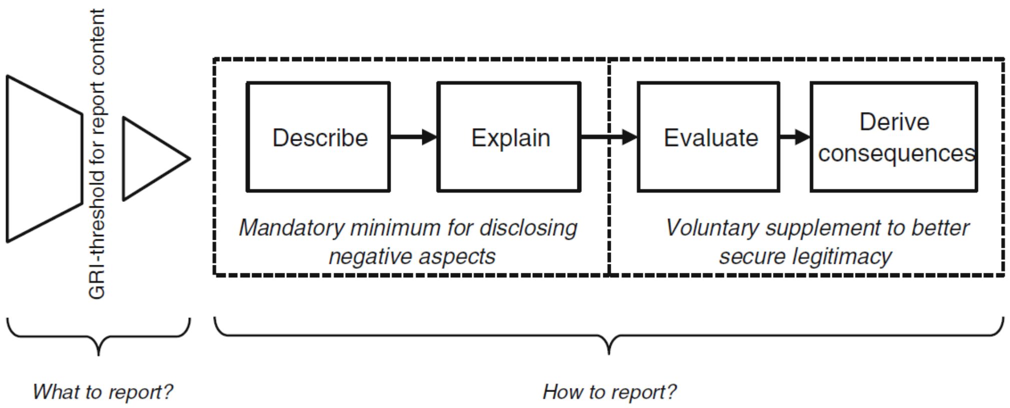

Figure 4. Scheme for disclosing negative incidents. Source: Hahn and Lülfs (2014, p. 415)

Hahn and Lülfs (2014) suggest that the process of reporting on negative impacts can be broken down into the steps shown in the scheme above and explain that, first, the negative issue has to be accurately described. Next, the circumstances of what happened need to be explained. After the second step, Hahn and Lülfs (2014) clarify that, for the sake of protecting the legitimacy of the company, and to avoid risking its reputation, the company may need to add the two voluntary steps, which are designed to first evaluate the situation and identify the solutions to address the issue and, finally, describe the actions that they took to resolve the problem.

The GRI has taken action to improve how it assesses sustainability by transitioning from guidelines (G4 was the last guideline) to GRI Standards. While the GRI Standards are based on the content of G4, some major improvements have been made (GRI, 2018) including:

- **A New Structure:** The G4 guidelines previously had a separate G4 Implementation Manual which has been brought together in the GRI Standards. Some parts have also been integrated with others to avoid repetition, and a simpler language is used throughout the report for better understanding.
- **A New format with clearer requirements:** For a company to be able to use the GRI Standards they must now comply with its *requirements*, indicated by the term "shall" in the standards. An example of one these requirements is conducting a thorough stakeholder engagement process. The Standards also have *recommendations* which are indicated using the term "should".

According to the GRI (2018), while this transition is taking place, the G4 remains valid.

Not all companies use GRI as a standard. In fact, there are more than 400 sustainability reporting instruments around the world, 65% of which are mandatory for publicly listed companies (UNEP et al., 2016). Lydenberg, Rogers, and Wood (2010) note that while voluntary reporting on sustainability issues is becoming gradually accepted as a system that creates value, it also has problems. They explain that companies in a voluntary system can choose the time of the year, and how often they want to report. They can also choose indicators and formats that suit their image, which helps them create a false reputation of responsibility (Hahn & Lülfs, 2014). They believe a mandatory system, in contrast, creates a fair platform, which has the same conditions for all companies to release information regarding their sustainability performance, allowing stakeholders to discuss companies' operations and their impacts, and enabling investors to compare companies' performance in the same industry.

On the other hand, companies' activities might have costs for society known as "externalities" (Mosteanu and Iacob, 2009). Externalities arise from activities that harm the environment, society, and the economy in direct and indirect ways, damaging public goods and imposing costs on people living in affected communities. Mandatory reporting helps regulators identify the offenders. Mosteanu and Iacob believe that these offending companies should be penalised and made to pay for the damage they have caused. Punishing offenders, however, is not possible in a voluntary system (Nadesan, 2011).

While scholars such as Alesina, Ardagna, Nicoletti, and Schiantarelli (2005) suggest that having fewer regulations attracts more investment, and adding regulations may prevent new businesses from entering the market (Koźluk, 2014), others such Testa, Iraldo, and Frey (2011) argue that laws that involve sustainability majorly impact companies' competitiveness and challenges them to be more innovative in their operations, resulting in improvement in their environmental performance.

2.3.2.4. Integrated Reporting

A tool designed to improve traditional financial reports, and to integrate sustainability issues with companies' core values and strategies, is Integrated Reporting (IR) (Higgins & Coffey, 2016; Higgins, Stubbs, & Love, 2014; Rowbottom & Locke, 2013). The International Integrated Reporting Committee (IIRC), defines IR as a tool that "brings together material information about an organisation's strategy, governance, performance and prospects in a way that reflects the commercial, social and environmental context within which it operates" (IIRC, 2011, p. 2).

IIRC is a global partnership of regulatory bodies, shareholders, corporations, accounting professionals, and non-profit organisations, which encourages communication regarding creating better value in corporate reports. The IIRC has been developing and testing a framework since 2014 (IIRC, 2016). They believe that Integrated Reporting must be the main reporting tool that companies use, since it draws a clearer picture of what the company does to create value for itself, and other stakeholders, by combining all financial and non-financial corporate reports, and other statements together (Figure 5). Adams (2015), however, argues that using an integrated report does not make sustainability reporting redundant: "you cannot tell a comprehensive value creation story unless you have been identifying material sustainability risk and thinking about the benefits of your social, community and environmental investments" (p. 23).

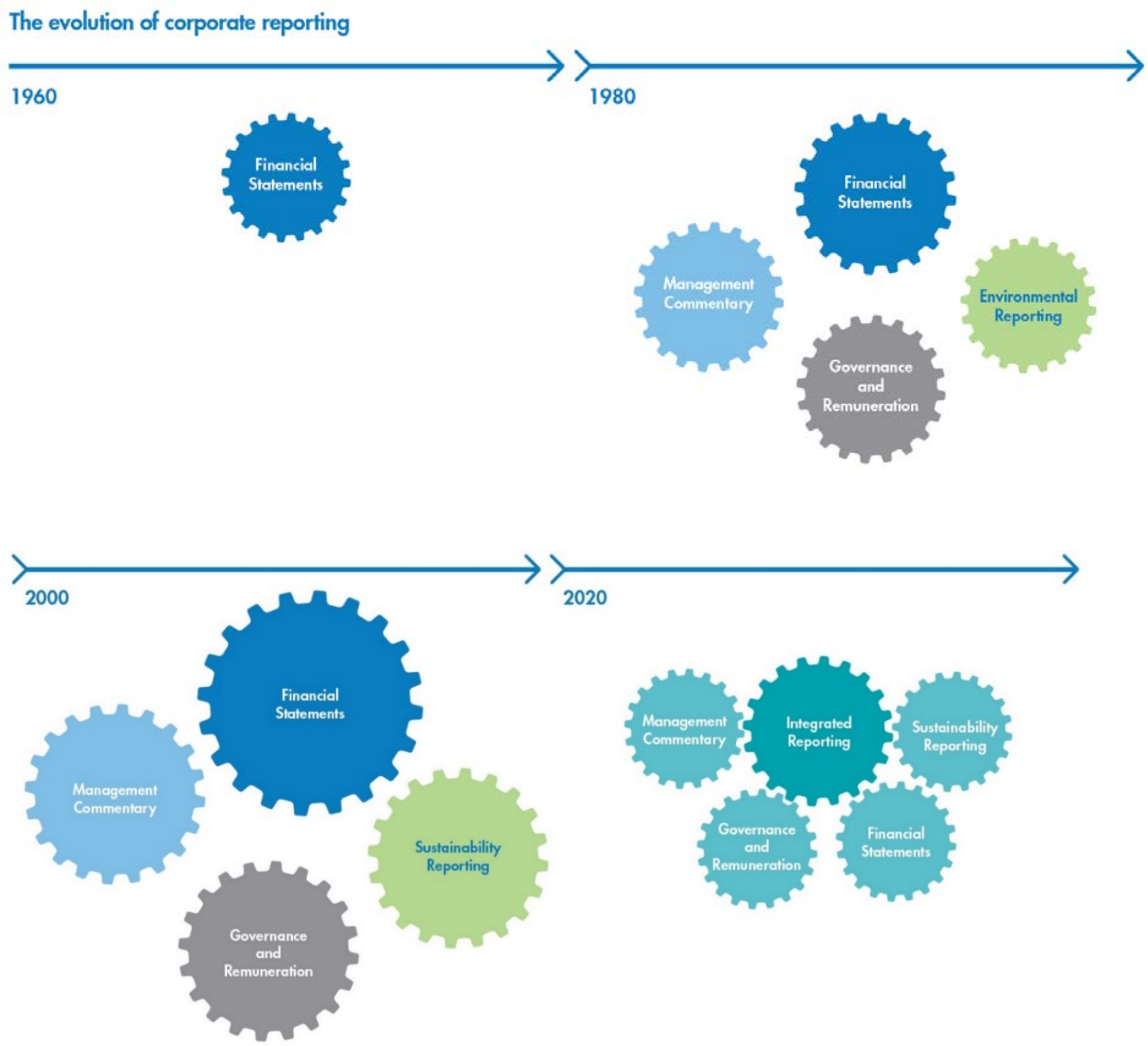

Figure 5. The evolution and prediction of Integrated Reporting from 1960-2020. Source: IIRC (2011, p. 7)

Adams and Simnett (2011) explain that Integrated Reporting presents a framework that communicates the relationship between all forms of assets, or capital (not just financial), which are important to the company and essential for creation of long lasting values. These forms of capital are shown in Table 1 in the next page.

Form of Capital	Description
Financial capital	The pool of funds that is available to the organisation for use in the production of goods or the provision of services.
Manufactured capital	Manufactured physical objects (as distinct from natural physical objects) that are available to the organisation for use in the production of goods or the provision of services.
Human capital	People's skills and experience, and their motivations to innovate.
Social capital	The institutions and relationships established within and between each community, group of stakeholders, and other networks to enhance individual and collective well-being, which together support the business model.
Intellectual capital	Intangibles that provide competitive advantage.
Natural capital	Natural capital and the natural processes that generate them, including air, water, land, biodiversity, eco-system health, and natural sources of energy.

Table 1. Important forms of capital for companies to create long lasting value. Source: Adams and Simnett (2011, p. 296)

The IIRC (2013) explains the value creation process using Figure 6 below. The external environment, which includes economic settings, technological change, and societal and environmental issues, sets the framework in which the company operates. The mission and vision incorporate the whole company, identifying its purpose and objective in clear terms. The people who are in charge of governance are accountable for forming a proper structure to oversee and support the ability of the company to create value.

The business model, which is at the centre of the business, attracts different capitals as inputs and, through activities, transforms them to outputs including products, services and waste, which lead to outcomes (positive and negative results of company's activities and business). The ability of the business model to familiarise itself with the environment and to adapt to changes in the obtainability, quality and cost effectiveness of inputs can affect the company's long-term sustainability. Risks and opportunities related to the way the company operates are recognised through observing and analysing the external environment. The company's strategies are then designed to control and risks and magnify opportunities (IIRC, 2013).

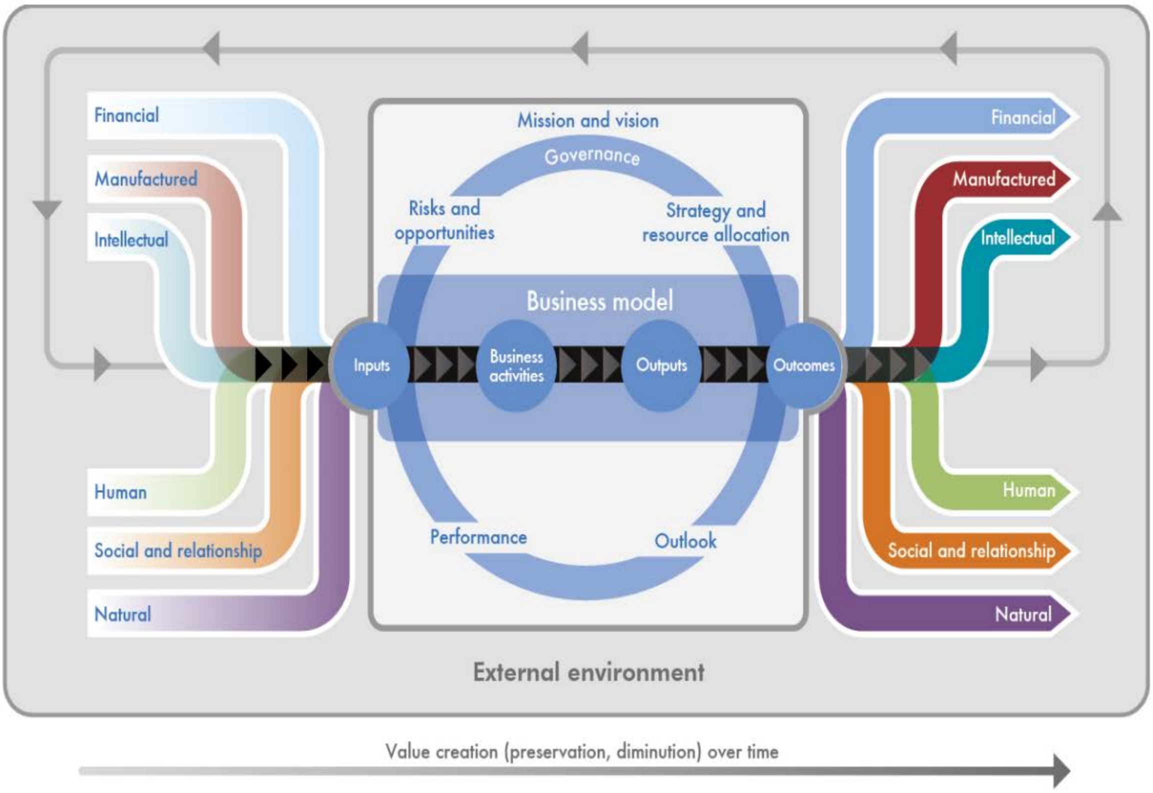

Figure 6. Value creation process. Source: (IIRC, 2013, p. 13)

While non-financial reports are creating value for organisations all around the world, because of the amount of information involved they could be hundreds of pages long (Cheng et al., 2014). On the other hand, separation of financial and non-financial information does not enhance stakeholder understanding. These issues can be resolved by using integrated reports that combine the financial and non-financial information and are designed to showcase companies' short term and long term plans to create value (Cheng et al., 2014). An integrated report, therefore, is expected to have a number of benefits. First, it provides a clear and well-adjusted picture of company's performance. Second, it can cause positive organisational changes in the company by promoting "integrated thinking". And above all, it can help in understanding what creates value for the company and, as a result, improve decision making processes (Adams & Simnett, 2011, p. 293).

The concept of integrated reporting is rather new and is still facing challenges. Many companies have chosen to wait and observe other organisations' experience with IR before committing themselves (Rensburg & Botha, 2014; Watson, 2012). Views over the usefulness of IR are divided and scholars such as Dumay (2016) believe that IR has a long way to go to accomplish its objective of becoming the standard for corporate reporting and, as a result, regulated annual reports and other voluntary forms of social and environmental reporting are still favoured (Dumay, Bernardi, Guthrie, & Demartini, 2016). The findings of a study by Perego, Kennedy, and Whiteman (2016) suggest that, from a managerial point of view, many experts believe that IR is a disjointed and confusing field, and presently the majority of companies do not have a strong understanding of its business value. Dumay, Bernardi, Guthrie, and La Torre (2017) also believe that terms such as "integrated thinking" and "value creation" have been unclearly defined in IR's framework which serves as a barrier to effectively applying it. Adams (2015) and Robertson and Samy (2015) raised the same concerns.

Flower (2015) takes it a step further by claiming that the IIRC has failed to fully achieve its original goals. In his analysis of IIRC's Framework (IIRC, 2013) and Discussion Paper (IIRC, 2011), Flower argues that the organisation has deserted sustainability accounting, by favouring value for shareholders over society, and by not requiring the companies to disclose destruction brought to external stakeholders and the environment where the company is not affected. He also concludes that due to its lack of power, the IIRC will have marginal influence on how corporations report. As a result of these concerns raised, the IIRC clarified later that integrated reporting produced using the IR framework is beneficial to all stakeholders (Cheng et al., 2014), but despite the improvements made, many still believe that the framework still heavily favours providers of capital (Dumay et al., 2017).

IR's framework is often compared to the GRI guidelines. Beck, Dumay, and Frost (2017) argue that while the GRI guidelines offer an initial structure, IR illustrates noteworthy distinctions. They explain that the GRI requests material information disclosure and proof of engagement with multiple stakeholder groups, whereas IR pays attention mostly to investors and shareholders. Further, IR information needs to be released in order to clearly connect social and environmental practices to strategic goals identified by the company. It is important to note here that evidence from multiple studies suggests that the usage of the GRI guidelines in a voluntary reporting system is not very different and has often offered partial (and strategic) disclosure of non-financial performance of the companies involved (Joseph, 2012).

For instance, Boiral (2013) shows that 90 percent of incidents with potential major negative impacts had been left out of the reports prepared using the GRI guidelines. This suggests that how non-financial reporting is inspired in a country (whether by regulations or a voluntary system), and the ethical qualities that are implanted into companies' values (Abeysekera, 2013), impact the content of the report more than the type of the framework used. Beck et al. (2017) write:

> The institutional environment in which organisations operate provides not only the framework within which to act, but also a considerable breath of narratives by which to observe, evaluate and understand non-financial performance. Institutional legitimacy may thus be achieved by managers passively adopting and complying with the rules of the society in which they operate. (p. 194)

Beck et al. (2017) see a number of challenges for the IIRC. First, companies are at different levels of adopting non-financial reporting and expect different results from reporting. Second, the fact that the companies use the IR framework as suits them means that the vision for standardising the way shareholders and other stakeholders are informed may never be achieved. Lastly, pursuing reporters to believe that using IR will have positive impact on the business, may be a lengthy process. As long as shareholders and managers are fixated on improving short -term financial performance, a company's capability to apply necessary changes to their business model to make IR work may be hampered (Cheng et al., 2014).

2.4. Summary of literature review

In the previous three sections of this chapter, I considered the current literature on transparency, paying special attention to non-financial disclosure in New Zealand. In the first section I reviewed the concept of surveillance and Panopticism, which led to a discussion of what transparency could mean to organisations in a neoliberal system. In this section I explained how the power of the state has been transferred to individuals, and that in a neoliberal system individuals who choose wealth are prioritised. Hence, business comes before society and the environment.

I then looked at the concept of transparency, and the importance of the flow of information within and outside of companies. As critical factors in an organisation's interaction with its environment, I also discussed how information is selected and used by companies.

The third section of this chapter paid special attention to non-financial transparency, particularly in New Zealand. As discussed earlier, there is a significant amount of work done on non-financial disclosure literature, much of it concentrated on cases outside New Zealand. Scholars have studied factors that could affect non-financial transparency such as **ownership structure and geographic location of companies** (Fernandez-Feijoo et al., 2014a, 2014b; Sumiani et al., 2007; Tilt, 2016), **size of the company** (Baumann-Pauly et al., 2013; Brammer & Millington, 2006; Frias-Aceituno et al., 2014; Gallo & Christensen, 2011; Morhardt, 2010; Prado-Lorenzo et al., 2009; Simnett et al., 2009), **the industry the company is active in** (Alali & Romero, 2012; Kolk & Perego, 2010), **and the board of directors' level of participation** (Kasum & Etudaiye-Muthar, 2014; Rao & Tilt, 2016).

Substantial research has also been completed in New Zealand on different aspects of non-financial transparency. The table 2 gives an overview of some of the key literature on sustainability reporting in New Zealand.

Authors/year	Focus	Theory	Methodology/ Sample size	Key findings/analysis
Hackston and Milne (1996)	Social and environmental disclosure	Content analysis, comparative analysis	The annual report of 47 largest companies listed on the NZX.	Similar to companies from the USA, UK and Australia, the majority of the social disclosure done by NZ companies is on human resources, while environment and community matters are also getting attention. Most of the disclosures made by NZ companies tend to be narrative and good news. Both size and industry are notably connected with amount of information released, while profitability is not. The findings also suggest that "the size-disclosure relationship is much stronger for the high-profile industry companies than for the low-profile industry companies" (p. 102).
Milne, Tregidga, and Walton (2005)	NZBCSD	Critical analysis	Qualitative textual analysis. Written and presentational texts produced by NZBCSD and eight members' reports	While the reports produced by the members of NZBCSD clearly address "sustainability" and "sustainable development", The authors only find a small amount of reporting done beyond what is traditionally accepted for CSR.
Tregidga and Milne (2006)	Social and environmental reporting	interpretive textual analysis	Texts from annual environmental and sustainable development report published by Watercare Services Ltd. from 1993-2003	The paper investigates the progress of one organisation's reports by analysing language and images that have been used to create meanings, and the circumstances in which the reports were developed. The paper demonstrates how the organization has remodelled itself by shifting from one that manages resources sustainably and produces environmental reports to one that creates sustainable development reports and practises sustainable development.
Bebbington, Higgins, and Frame (2009)	Sustainable development (SD) reporting motivations	Institutional theory	Semi-structured in-depth interviews. Six NZBCSD member companies that participated in an NZBCSD workshop series designed to assist them to initiate SDR. Observation at the workshop.	For the companies involved in the study, deciding to participate in reporting seems not to be a logical choice. Rather they began reporting because it has come to be a recognised aspect of chasing a differentiation strategy. It helps with some of the challenges that the companies are facing and the organisations value that.

Milne, Walton, and Tregidga (2009)	Corporate sustainable development reporting	A mix of synthesis, interpretive and discourse analysis	Trace, interpret and critically analyse a corpus of written and presentational texts produced by New Zealand Business Association and eight of its founding members' early triple bottom line reports.	The reports created by the association and its members present a business-like discourse on business and the environment. "Through the use of rhetorical claims to pragmatism and action, this discourse suggests that businesses are "doing" sustainability. But critical analysis and interpretation within a wider framework reveal a narrow, largely economic and instrumental approach to the natural environment" (p. 1211).
Collins, Dickie, and Weber (2009)	Ethics and sustainability in SMEs	Not explicitly defined	Review paper of one study in Australia and one in New Zealand.	Both studies done in New Zealand and Australia found that while owner-managers do several TBL activities, they do not explicitly identify them as sustainable practice. Both studies also illustrate that heavy emphasis on the financial aspect which may be an important obstacle to SMEs implementing more sustainability practices.
Collins, Roper, and Lawrence (2010)	Sustainability practices of New Zealand businesses	Not explicitly defined	Quantitative and qualitative. Comparative study between a 2003 and a 2006 study. 134 SBN members, 677 non-SBN members, 811 total responses. The results for 2003 were to be used as a benchmark for comparison with later years.	The study suggests a strong link with the business case for sustainability for NZ business. For politicians interested in attaining sustainability objectives, the study suggests a 'soft' approach to business practices in NZ.

Bellringer, Ball, and Craig (2011)	Sustainability reporting by local governments.	Public relations crisis theory	Semi-structured exploratory interviews. Five local government councils in New Zealand	Local governments in NZ were encouraged to participate in sustainability reporting for leadership, accountability, and financial incentive reasons; and by a need to maintain key internal stakeholders. The reporting by local governments in NZ does not seem to be encouraged by an uncompromising wish for a sustainable world, but more by business-like and economic rationalism.
Frame and Bebbington (2012)	Sustainable development policy of Scotland and New Zealand.	Critical Analysis	Comparative study. Conceptual/ Qualitative Analysis of documents	Implementation of sustainability values in both Scotland and New Zealand seems directed by the current governance practices, with rare examples of sustainability-led governance. Each country's strategic approach to governing is different.
Tregidga, Milne, and Kearins (2014)	Sustainable development reporting	Laclau and Mouffe's discourse theory	Texts from 365 NZBCSD member reports over a 19-year period, 1992–2010 analysed.	The study reveals a progressive shifting organisational identity. Three identities highlighted include: "environmentally responsible and compliant organizations; leaders in sustainability; and strategically 'good' organizations." By analysing these developing identities, the study reveals "how organizations have maintained a 'right to speak' within the sustainable development debate, despite the fundamental challenges and hegemonic threat that a broader reading of sustainable development might imply" (p. 477).
Wright, Milne, and Tregidga (2016)	Sustainability Reporting/ Role of Sustainable Business Intermediaries (SBIs)	neo-institutional theory (NIT)	Semi structured interviews. Two long standing NZ SBIs and 11 organisational members.	Reporting grounds acknowledged in the literature and endorsed by organisations such as the SBC and the SBN both encourage and cause defiance to reporting. Reporting does not appear to be a predictable result for organisations participating with sustainability practices in NZ, and since the SBIs seem to put insufficient "isomorphic pressure, the lack of any coercive pressure from either them or other external forces such as the Government suggests social and environmental reporting seems set to remain a practice undertaken by few" (p.2).

Table 2. Overview of literature on sustainability reporting in New Zealand

2.5. The Gaps and Research Questions

Two relevant research gaps emerged from the literature examined, each of which has informed my specific research questions. One of these gaps is in relation to the non-financial disclosure practices undertaken by public companies in New Zealand, and the other relates to transparency.

2.5.1. Research gap in New Zealand's non-financial disclosure practices undertaken by public companies

While there is substantial research on why companies should disclose their social and environmental activities and why reporting companies do disclose such information, current literature has paid less attention to ***why*** New Zealand's publicly listed companies do not report. These fields have been studied far better in other countries such as Australia (e.g. Higgins, Milne, and van Gramberg, 2015; Stubbs et al.,2013). Wright et al. (2016) do pay close attention to sustainable business intermediaries (SBIs) in New Zealand such as the SBC and the SBN to address the issue of social and environmental reporting. However, only three of the participating companies of this unpublished study are publicly listed, and the article concentrates on what the authors see as the failed role of SBIs in endorsing sustainable business practices. As argued in the literature discussed in this chapter, contemporary organisations need to be transparent about their activities, be it financial, social, or environmental, to build trust. Yet, public companies in New Zealand have not adequately addressed social and environmental disclosure as key elements of transparency. I investigate the reasons for this by exploring companies' views regarding transparency and the impact of those views on decisions to report or not. To this end, my first two research questions are:

RQ 1: What does 'transparency' mean to some of New Zealand's largest companies?

RQ 2: What are the motivations and barriers for participating companies to undertake sustainability reporting in New Zealand?

2.5.2. Research gap in understanding transparency in the neoliberal era

In New Zealand (as in some other countries), regulatory monitoring of the market is done by the state. This monitoring, however, only applies to financial disclosure, as a neoliberal system favours making profit over any form of social responsibility practices (Giroux, 2015). This suggests that the government is not necessarily powerless but that it chooses to use its power for certain purposes - in this case, only requiring financial transparency and, thereby, creating the perfect environment for corporations to disengage from any form of social responsibility practices.

Because in a neoliberal system non-financial efforts to gain transparency through social and environmental reporting are voluntary, stakeholders who are interested in social and environmental goals and impacts get only a report that has been designed with strategic goals in mind (Tregidga et al., 2014). For some reason, these stakeholders do not or cannot exert sufficient pressure on the business sector to voluntarily report on, or engage in social responsibility practices. Limited reporting leads to partial transparency (only financial and not social nor environmental), which once concluded allows corporations to resume with business as usual (Birchall et al., 2013; Collins et al., 2005).

Although there are models to recognise different levels of stakeholder and stakeholder influence, there is very little in the literature about stakeholder influence from the perspective of companies. We do not know, for example, why a range of stakeholder groups can make demands over issues regarding corporate transparency, but few appear to exert real influence in New Zealand. We do not know if or what the links are between relative stakeholder influence and the neoliberal economic system in which such demands take place. Free market theory suggests that companies do respond to stakeholder demands, especially those of consumers, so is the failure of the market to influence beyond consumer choices the result of a failure on the part of the business sector to recognise and respond to a wider range of stakeholder preferences and demands? In order to address such questions, I pose the following research question:

RQ 3: How do some of the largest public companies in New Zealand perceive and respond to the influence of different stakeholder groups?

The particular theoretical lenses through which I seek to find answers to these three interrelated research questions is developed and explained in the following chapter.

CHAPTER 3: Theoretical Framework

My research questions posed particular challenges, and called for a combination of theoretical lenses through which to analyse and make sense of my research data.

First, in order to examine issues of transparency and stakeholder influence *from the companies' perspective*, I needed a theoretical lens that would allow a managerialist conception of stakeholder theory. While I acknowledge that a normative approach as an ethical branch of stakeholder theory would be appropriate to study sustainability from the stakeholders' perspective, a descriptive approach is deemed more suitable for this study (the different approaches to stakeholder theory were discussed in section 2.2.1 of the previous chapter). For this, I chose Mitchell, Agle, and Wood's (1997) Salience Model in order to be able to categorise and characterise different stakeholder groups from the company/management point of view, based on their [perceived] level of power to influence such companies.

Second, because I wanted to examine issues of relative power within a neoliberal economic context, I also needed a critical lens. For this, I chose Zygmaut Bauman's (2000) concept of liquid modernity. Bauman (2000) sees neoliberalism as an era of transfer of powers from the state to individuals through the process of individualisation. It is this transference of power that he refers to as liquid modernity.

Separately, neither of these perspectives can adequately address the issues raised by the literature review in the context of non-financial reporting in New Zealand. The positivist approach of Mitchell, Agle and Wood (1997) cannot explain why apparently salient stakeholders do not exert more influence than they actually do.

Bauman's perspective of liquid modernity goes some way towards addressing this gap. However, in a neoliberal system Bauman regards consumers as the principal stakeholder group whose power is exerted through consumption choices. This still does not explain why consumer choice (for example sustainability-oriented investors) does not result in a greater percentage of sustainability reporting and transparency. In addition, the relationship between the state and the market is missing from Bauman's discussion of Liquid Modernity.

However, when combined, these two theoretical lenses – the managerial view of stakeholder salience and importance, plus the adaptability (fluidity) of corporate responses to issues that liquid modernity describes – offer unique insights into understanding the particular pattern of corporate responses to demands for transparency, particularly through issuing non-financial reports, that we see in New Zealand. While utilising the Salience model allows me to categorise and group stakeholders and their perceived level of power to influence the companies, Bauman's liquid modernity facilitates explaining how these variations in power levels have shaped corporate transparency in the country.

3.1. The Salience Model

While stakeholder theory provides an answer to the question of which societal groups companies should pay attention to (Donaldson & Preston, 1995; Freeman, 2010; Matten & Crane, 2005), the Salience Model (Mitchell et al., 1997) identifies and categorises stakeholder groups according to their level of importance for companies and answers the question "to whom (or what) do managers pay attention?". This question, according to Mitchell et al. (1997, p. 853) "calls for a *descriptive* theory of stakeholder salience" Some scholars, for example, Emerson Wagner, Helena, and Mário (2012), identify the model as an instrumental application of stakeholder theory.

The Salience Model categorises stakeholders according to the three attributes of *legitimacy, power, and urgency* (Figure 7) to assess how the claims of each stakeholder group are prioritised by company managers (Dong, Burritt, & Qian, 2014; Mitchell, Agle, Chrisman, & Spence, 2011; Mitchell et al., 1997; Tantalo & Priem, 2016). Because the prioritisation happens in the managers' mind, they have a central role in the theory (Mitchell, Agle, Chrisman, & Spence, 2015). Businesses tend to focus on "profits, productivity, and customer service", and this logic influences how companies prioritise attending to their different stakeholders (Mitchell et al., 2011, p. 236). While some scholars concentrate on the requests made by the individuals and groups that influence the companies, or are affected by them (Freeman, 2010), others discuss the process by which management of the companies understand stakeholders' claims, and then prioritise and respond to them (Bundy, Shropshire, & Buchholtz, 2013).

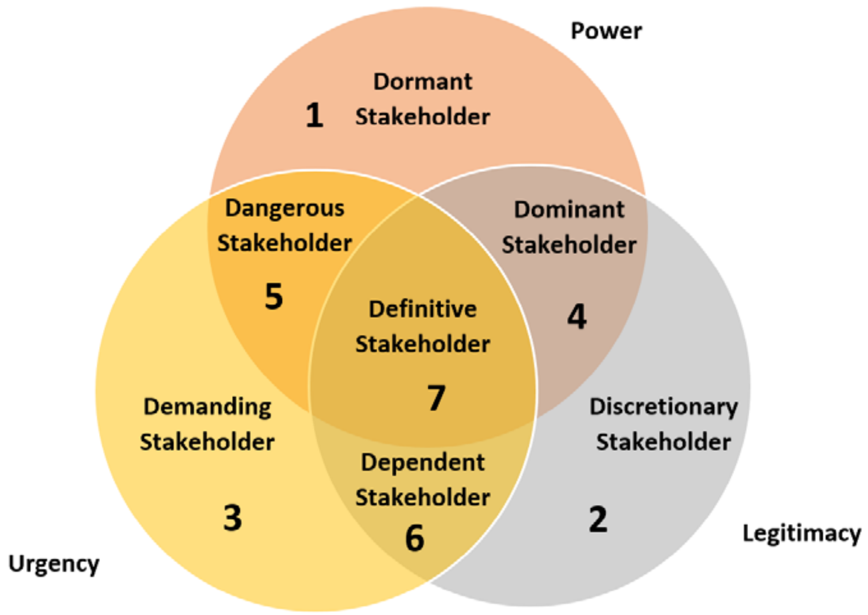

Figure 7. Stakeholder attributes. Source: (Mitchell et al., 1997, p. 872)

The Salience Model, designed by Mitchell et al. (1997), is one of the tools commonly used to classify stakeholders based on how companies rank and respond to their stakeholders and their claims (Cornelissen, 2014). According to Mainardes, Alves, and Raposo (2011), the model presents a number advantages: “1. it is political (considering the organization as the result of conflicting and unequal interests). 2. it is operational (qualifying the stakeholders); and it is dynamic (contemplating changes of interests in social space-time)” (p. 236).

As stated earlier, stakeholder salience is classified according to power to influence the organisation, the legitimacy and the urgency of their claim. Each of these is described below.

Power in this context can be described as the ability of a group or individual to make another group or individual act in a way the second group would not otherwise have done (Dahl, 1957; Mitchell et al., 2011; Mitchell et al., 1997; Pfeffer 1981). According to Etzioni (1964, 1975), power can be categorised according to the resources used to implement it. He argues that power can be coercive when physical resources are involved to gain control, utilitarian or remunerative when financial or material resources are used, and normative when social symbols are allocated as rewards to stay in control (Etzioni, 1964, 1975; Krott et al., 2014).

Legitimacy is often mixed with power to explain relationships in society. Mitchell et al. (1997) argue that while many scholars assume that legitimate stakeholders are also the ones who hold power, this may not be the case. They use minor shareholders in companies as an example of legitimate stakeholders who may not necessarily hold much power.

Urgency in this context is defined as "the degree to which stakeholder claims call for immediate attention" (Mitchell et al., 1997, p. 867). For a matter to be considered urgent by an organisation, two characteristics are considered. First is "time sensitivity", meaning the degree to which management's delay in taking actions to address claims would be considered intolerable by stakeholders. Second is "criticality" and the importance of the claim for the stakeholders.

According to Mitchell et al. (1997), when only one of the three attributes discussed above (power, legitimacy, and urgency) is present, these stakeholders are classified as "latent" (areas 1, 2, and 3 in the figure above). The salience or priority level of latent stakeholders for organisations is so low that their demands may even be ignored by the companies. This is due to a lack of resources to follow all stakeholders' behaviour and to manage the company's relationship with such stakeholders or, as Tashman and Raelin (2013) put it, because of frictions such as conflict of interest between different stakeholders, which may cause management to be biased when it comes to prioritising their stakeholders. When two of the three attributes are present, the priority level is moderate and stakeholders receive a fair amount of attention from the organisation. Mitchell et al. (1997) call this group (areas 4, 5, and 6) “expectant” stakeholders. Companies have a lot more interest in managing their relationship with expectant stakeholders compared to latent ones. When all three attributes are present (area 7), stakeholders’ salience levels are considered high. These stakeholders have the power, the legitimacy and urgency to demand immediate action. They are labelled as “definitive” stakeholders.

Based on these attributes, the Salience Model categorises stakeholders as follows:

a) ***Dormant stakeholders*** hold the **power** attribute. They are powerful, but because of lack of legitimacy and urgency, their power is not used. They can demand more attention by gaining one of the other attributes. Examples are those with spending power and those who can get the attention of mass media.

b) ***Discretionary stakeholders*** have the **legitimacy** attribute. They are particularly interested in companies’ CSR activities. They have no power or urgency of claims to influence companies, therefore there is no pressure on companies to engage with these stakeholders.

c) ***Demanding stakeholders*** have the **urgency** attribute. These stakeholders may irritate the management team but are not considered dangerous. Mitchell et al. (1997) discuss the characteristics of this group of stakeholders and write: “where stakeholders are unable or unwilling to acquire either the power or the legitimacy necessary to move their claims into a more salient status, the noise of urgency is insufficient to project a stakeholder claim beyond latency” (p. 875). They suggest activists who gather outside the company to protest against its products as an example of this group of stakeholders.

d) ***Dominant stakeholders*** hold both **power** and **legitimacy** attributes. Their claims are legitimate and possess power to influence the firm, but for some reason may choose not to use their power. They receive a fair amount of attention from the management and their expectations "matter" to the company. For example, boards of directors, certain investors, and employees. Eccles, Ioannou, and Serafeim (2014) explain that the board of directors' role in the company is advising and observing the management, to make sure that decisions aligned with companies' objectives are made. However, it is commonly believed by many that the companies' objectives must be designed to serve the shareholders, before any other stakeholders.

e) ***Dangerous stakeholders*** have both **power** and **urgency** attributes. The combination of urgency and power, and lack of legitimacy can lead to coercion and violence. These stakeholders can use violence (e.g. kidnapping) to influence an organisation.

f) ***Dependent stakeholders*** have **urgency** and **legitimacy** attributes. These stakeholders have legitimate and urgent claims but since they have no power themselves, they are dependent on other guardian stakeholders. For example, when an oil spill puts the people and environment in danger, the government as a guardian stakeholder steps in to protect the public's interest.

g) ***Definitive stakeholders*** are the only group with all three attributes of **power**, **urgency** and **legitimacy**. These stakeholders can influence organisational decisions, and management gives them the highest level of priority when addressing stakeholder concerns.

Organisations make strategic choices in dealing with stakeholders' claims and concerns and prioritise addressing their demands according to the attributes that they may hold (Bundy et al., 2013; Tashman & Raelin, 2013). Definitive stakeholders receive immediate attention from management, compared with other groups, since they have all three attributes. Mitchell et al., (2011) and Mitchell et al., (1997), argue that stakeholder groups which possess two of the attributes, such as dependent stakeholders (who lack the power attribute), can become definitive by gaining the third missing attribute. Other stakeholders who have the power attribute, such as dormant and dominant stakeholders, can also influence the companies' behaviour.

Several studies use the salience model as their framework. Weber and Marley (2010) use the model on the Fortune Global 100 companies and find indications that not all stakeholders are treated equally and that employees, the community, and customers are perceived by management to have high stakeholder salience. The findings of another study by Magness (2008) support Mitchell et al. (1997) and suggest that a stakeholder position is temporary and is decided by the management. James and Gifford (2010) also find shareholders to have the most salience, and the values held by the managers of the companies to be the most important factor that contributes to how shareholders are perceived.

In another context, Baskerville-Morley (2004), looking at how professional organisations react to crisis conditions, finds that applying the Salience model not only enables organisations to identify the salience of stakeholders, but also offers an understanding of the need for public interest supporters to raise their demand firmly and with urgency, particularly when the organisation is encouraging actions that conflict with the public good. However, Jones, Felps, and Bigley (2007) conclude that urgency is in fact only a subordinate attribute that delivers the "extra push needed to make already salient issues more so" (p. 153) and unlike legitimacy and power, which have their own supporters ("corporate egoist and moralist firms"), urgency does not.

3.2. Liquid Modernity

Liquid modernity as a concept was first introduced by Bauman (Abrahamson, 2004; Bauman, 2000, 2003, 2005, 2013a, 2013b; Gane, 2001; Jacobsen & Poder, 2016) to portray a world where the heavy industrial institutions (the solids) of modern times collapse and uncertainty is increasingly felt in societies. Bauman (2000) explains that the post-modern times consider the solids of the modern era to be unreliable and, therefore, they need to be broken down or 'melted' into a more flexible type of structure that would last forever and would create a predictable, trustworthy, and manageable world. In his view, the melting of the institutional solids had to be done not to clear them for good and create a fearless new world free of the solids, but to prepare the site for new, better, and stronger solids. The melting was meant to replace the traditional set of defective and faulty solids with a new set, "which was much improved and preferably perfect, and for that reason no longer alterable" (Bauman 2000, p. 3). Thus, 'solid' became 'liquid'.

According to Bauman, people in the world of solid institutions focused on production but in the liquid era, there is no place for long term production planning.

In such times, individualism holds sway and power shifts from the state to society (Bauman, 2000), marking the beginning of what Bauman calls a liquid modern era where structures and any social forms that could possibly threaten individual freedom melted with no time given to solidify again, and faster than new solids could be built (Bauman, 2005). Bauman explains that because of the rise of individuals' freedom to choose, planned work towards perfection is replaced by work geared to individuals gaining satisfaction (although individuals will never fully attain it) through consuming products (Vogel & Oschmann, 2013).

Bauman (2013a) says that "a consumption-oriented economy actively promotes disaffection, saps confidence and deepens the sentiment of insecurity, becoming itself a source of the ambient fear it promises to cure or disperse – the fear that saturates liquid modern life and the principal cause of the liquid modern variety of unhappiness" (p. 46). Davis (2011), in turn, argues that nowadays individuals only know how to solve their issues as consumers. He believes that in a society where citizens are hoping to answer their individual yet common issues by consuming, the capacity to manage uncertainty is measured by the freedom they have to choose as consumers. They seek more options to choose from to increase their ability to negotiate for solutions to solve their daily problems. "Consumer choice has become the meta-value of the 'liquid modern' world" (Davis, 2011, p. 186).

Bauman (2013b) explains that in a liquid modern world individualisation processes demand the active participation of individuals in their own destiny. They have to set goals, work on achieving the targets they have set and, in case they fail, they have to find new ways to start over. He refers to this era of late modernity as:

> an individualised, privatised version of modernity, with the burden of pattern-weaving and the responsibility for failure falling primarily on the individual's shoulders. It is the patterns of dependency and interaction whose turn to be liquefied has now come…like all liquids they do not keep their shape for long. Shaping them is easier than keeping them in shape. Keeping fluids in shape requires a lot of attention, constant vigilance and perpetual effort – and even then the success of the effort is anything but a foregone conclusion. (Bauman, 2000, pp. 7-8)

For Bauman, it is individualisation that jeopardises the very concept of freedom in a liquid modern world by allowing private lives to overrun the public sphere. As Gane (2012) explains, this incursion of the public by the private sphere not only reduces the value of public life but could cause the separation of individual freedom from collective freedom.

This is where Bauman believes that the relationship between time and space is reformed. What separates liquid modernity from early modernity is the lack of solid and stable institutions. Unlike early modern times when physical space was the dominating dimension and was inseparable from time (Abrahamson, 2004), Bauman argues that in the liquid modern era it is time that mostly matters and explains that modernity is born out of the separation of space and time from one another, and from "living practice" (Bauman, 2000, p. 8). After all, it is time, known for flexibility and lightness, that is important in a liquid world (Pribán, 2016).

To explain the importance of the relationship between space and time, and how it restructured the concept of surveillance in societies, Bauman draws on Foucault's (1997) discussion about Panopticism, outlined in Chapter Two. In this context, Bauman (2000), who sees the Panopticon as a symbol of modern power and a model of joint engagement between both sides of the power relationship, argues that the fixedness of the supervised to the place and the watchers' control over time and free movement was their warrant for domination. The supervisors exercised power by merging the two strategies of managing their own unpredictability in movement while routinising their subordinates' flow of time. Bauman, however, believes that this form of disciplinary power is restricted and sees this combination of two strategies as a constraint in itself on the supervisors' freedom to move and talks of a tension between the two tasks. He writes: "The second task put constraints on the first. It tied the 'routinisers' to the place within which the objects of time routinisation had been confined. The routinisers were not truly and fully free to move: the option of absentee landlords was, practically, out of the question" (p.10).

In addition, he argues that the Panopticon concept of exercising power is an expensive one, where the watchers or managers would have to accept responsibility for the wellbeing of the place and the subordinates. Bauman (2000) views the advancement in technology as a final blow to the reliance on space, making power "truly exterritorial". Unlike the watchers in the Panopticon who had to be present in the tower to exercise their power, one can now give a command from anywhere due to modern ways of communication. To Bauman (2000), this signals the end of the panoptical modern power era, the end of "mutual engagement between the supervisors and the supervised, capital, and labour, leaders and their followers" (p. 11). The moulds of power melt and the responsibilities of the watchers in the tower (the state) are passed down to individuals who now are responsible for their own wellbeing.

Becoming exterritorial and no longer being bound to space, enables power to move freely around the globe and separate from politics, while in contrast, politics and political agencies remain local due to their purpose of connecting individuals to the public interest. Bauman (2000) describes this situation by comparing the people in society to airline passengers who suddenly find that there is no pilot in the cabin while they are up in the air.

Bauman believes that the flow of power globally and the growing move towards deregulated markets is the root of modern inequality. He argues that the challenges of solid modernity have increasingly melted through deregulation, the flexibility of the workforce, and the removal of constraints of financial markets (Jacobsen & Poder, 2016). “Techniques which allow the system and free agents to remain radically disengaged, to by-pass each other instead of meeting” (Bauman, 2000, p. 5), make it less clear what any agency with power should do to make the world a better place.

Such conditions allow global corporations to move their operations that are considered unacceptable and inappropriate in one location, to another where norms and values are different from the first place, to avoid being questioned over their activities (Dicken, 2003; Zyglidopoulos & Fleming, 2011) and still appear legitimate. After all legitimacy is “a generalised perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions” (Suchman, 1995, p. 574).

Bauman (2000) argues that the lack of political control turns power into a source of uncontrollable uncertainty. The absence of power makes administrative organisations, and their actions, misaligned with citizens' problems and, hence, less likely to attract citizens' attention. He explains that with the state losing its power, many of the tasks done by state related organisations are increasingly handed over to private organisations. He says that abandoning regulations creates a playground for notoriously impulsive and fundamentally unpredictable market forces, allowing the powerful to now separate themselves from responsibilities (Pribán, 2016).

This retraction of power from the public to stand against the wrongdoing of individuals or free agents diminishes the bonds between people and society, and promotes separations rather than unity. According to Bauman (2005), this encourages a competitive attitude in society where teamwork is only used as a tactic and once it has served its purpose to gain profit, it is abandoned. Thus, "society is increasingly viewed and treated as a 'network' rather than 'structure' (let alone a solid 'totality'): it is perceived and treated as a matrix of random connections and disconnections, and of essentially infinite volume of possible permutations" (Bauman, 2005, p. 304; Bauman, 2013b, p. 3).

The advancement of technology, which freed power from the bounds of space, however, is like a double-edged sword. Mathiesen (1997) argues that available technology, particularly the mass media, has created an environment which is the opposite of Panopticism (he calls it Synopticism) where "**the many see and contemplate the few**" (p. 219), the 'few' being mainly those with power (Hansen, Christensen, & Flyverbom, 2015; Thompson, 2005). Therefore as Bauman (2000) explains, while technology and the changes in the post-panoptical era help the wielder of power to escape responsibilities, at the same time their actions could be exposed for everyone to see, as "we live in a viewer society" (Mathiesen, 1997, p.

219).

Consequently, in this era of modernity "the surveillance of one individual or organisation has, so to speak, become the transparency of another individual or organisation. The reciprocal nature of surveillance and transparency means that the target of observation is not only the 'deviant imprisoned', as implied in the original panoptic metaphor, but nearly everyone by default, as suggested by the synoptic principle" (Hansen et al., 2015, p. 122).

Neoliberal political regimes serve to enable and uphold an individualised free market, a condition that is normalised across society. As Bauman (1999) explains:

> Instead of joining ranks in the war against uncertainty, virtually all effective institutionalised agencies of collective action join the neo-liberal chorus singing the praise of the unbound "market forces" and free trade, the prime sources of existential uncertainty, as the "natural state" of mankind. (p. 28)

From a surveillance point of view, the conditions of a liquid modern world also provide individuals with a considerable amount of information. The media put the actions of corporations transparently on display more than ever before, leading to an assumption that such visibility puts some constraint on the actions of the corporations active in the market, in order to avoid public criticism. That is, the visibility arguably gives them no other choice but to modify their actions and align them with the expectations of society (Zyglidopoulos & Fleming, 2011).

Bauman, however, sees this form of transparency, facilitated by the availability of information through channels such as the mass media, as one of the ways for the masses to participate in the market. He argues that the publicly-available information is mostly used by consumers to make choices either for business or for pleasure (Cotter & Perrin, 2017; Gane, 2012). Thus, in a neoliberal setting transparency is partial (Hansen & Flyverbom, 2015), serving only the market as the centre of the society.

3.3. Summary of the Chapter

In this chapter, I discussed the two theoretical lenses I use to analyse the research data. In the first section of the chapter, I explain why Mitchell, Agle, and Wood's (1997) Salience Model, a descriptive approach providing a managerialist conception of stakeholder theory, was selected to categorise the stakeholder groups based on three attributes of legitimacy, power, and urgency. Next, I draw on Bauman’s (2000) concept of liquid modernity that elucidates how power takes a liquid form in a neoliberal era because of a focus on individualisation, allowing, as a result, private lives to take over the public sphere.

While the Salience Model allows me to distinguish which stakeholder groups have the power to influence companies in New Zealand, I use liquid modernity to explore how possession of power by some stakeholders and lack of it by others, has framed corporate transparency in the country. In the next chapter, I explain the methods used to gather the data necessary to address the questions posed in my research.

CHAPTER 4: Methodology and Method

Overview

Numerous studies have monitored the growth of non-financial reports in both developed and developing countries. They suggest a slow development of non-financial reporting in New Zealand (see KPMG's International Surveys of Corporate Responsibility Reporting available on KPMG.com). This study also focuses on non-financial reporting in New Zealand.

As discussed in Chapter 2, while many other studies have focused on the factors that affect non-financial disclosure, the interest of this research is to investigate, specifically from the companies' point of view, the degree to which different stakeholder groups influence companies' decisions to produce such corporate reports. In addition, this research assesses a voluntary system's ability to encourage non-financial transparency in a neo-liberal economic context.

The study was guided by the following research questions:

RQ 1: What does 'transparency' mean to some of New Zealand's largest companies?

RQ 2: What are the motivations and barriers for participating companies to undertake sustainability reporting in New Zealand?

RQ 3: How do some of the largest public companies in New Zealand perceive and respond to the influence of different stakeholder groups?

As this study is concerned with issues of power and justice, I took a critical interpretive approach (Kincheloe & Mclaren, 2005). An interpretive way of doing research, which is based on the idea that how people behave, and how that is interpreted, is socially constructed instead of being an independent entity, places key importance on subjective interpretation in the study (Brotherton, 2015) rather than making claims of objectivity. As Kincheloe and Mclaren (2005) state, interpretation involves

> in its most elemental articulation, making sense of what has been observed in a way that communicates understanding…the quest for understanding is a fundamental feature of human existence, as encounter with the unfamiliar always demands to attempt to make meaning, to make sense. (p.311)

Table 3 illustrates the key features of an interpretive approach.

Aspect of interpretive approach	Characteristics
Basic beliefs	• World is socially constructed and subjective • Researcher is part of what is observed • Science is driven by human interest and motives
Research method	• Focus on meanings • Try to understand what is happening • Look at the totality of each situation • Develop ideas through induction from data
Research design	• Evolving & flexible
Researcher involvement	• The Researcher gets involved with what is being researched • Long term contact; emphasis on trust and empathy
Preferred methods	• Using multi-methods to establish different views
Sampling	• Small samples investigated in depth or over time
Data collection methods	• Observations, documentation, open-ended and semi-structured interviews
Strengths	• Ability to look at change processes over time • Greater understanding of people's meanings • Adjustment to new issues and ideas as they emerge • Contributes to the evolution of new theories • Provides a way of gathering data which is natural rather than artificial
Weaknesses	• Data collection takes a lot of time and resources • Difficulty of analysis of data • Harder for the researcher to control the research process • Reliability problem with findings

Table 3. Key features of interpretive approach. Adapted from Altinay, Paraskevas, and Jang (2015, p. 89).

Critical theories, largely originating from what is commonly referred to as the Frankfurt School, point at "emancipation and enlightenment, at making agents aware of hidden coercion, thereby freeing them from that coercion and putting them in a position to determine where their true interests lie" (Geuss, 1981, p. 55). In the context of critical enlightenment, Kincheloe and Mclaren (2005) argue that critical theory can identify the winners and losers in specific situations by analysing competing power interests among specific groups. Aside from paying attention to power in a specific situation, Cheney (2000, p. 36) suggests that a critical perspective has "an explicit concern for making value-based assessments", and involves "penetrating and ongoing questioning of basic assumptions".

For the purpose of this study, I adopted a qualitative content analysis approach to interpret the overt and hidden content found in the data gathered (Graneheim & Lundman, 2004). In the next section, I describe why I find a qualitative content analysis approach to be most appropriate for this research.

4.1. Qualitative research

There are different ways of doing qualitative research (Bradley, Curry, & Devers, 2007). Data can be collected from different sources such as interview transcripts, notes, reports, and formal reports (Lewis-Beck, Bryman, & Liao, 2003). Tracy (2010) introduces some criteria for good quality qualitative research, including a good topic, noteworthy contribution, credibility, and data that can be transferred. Some scholars, such as LeCompte (2000) believe that as long as data collected for qualitative research is as impartial as possible it is good data for a meaningful analysis.

Qualitative research signifies a comprehensive view on social affairs, and is necessary for deep research that involves "subjective qualities that govern behaviour" (Holliday, 2007, p. 7). The *flexible* nature of a qualitative approach allowed me to gather *subjective* views (Baumard & Ibert, 2001) around the theoretical frameworks (The Salience Model and Liquid Modernity) that guide this study.

In a qualitative research setting data are converted into concise statements that define, clarify, or forecast something about what is being studied (Schensul, Schensul, & LeCompte, 1999), a process that first requires the researcher to organise data, to be able to make sense of the data gathered, and then interpret them. In line with this, qualitative content analysis, one of the many ways to analyse textual data, "focuses on the characteristics of language as communication with attention to the content or contextual meaning of the text" (Hsieh & Shannon, 2005, p. 1278).

This data could be in forms of text, images, and illustrations, which could be gathered from interview transcripts, surveys, and official documents, articles, and observations, among other sources. The analysis then involves coding and classifying the data in meaningful categories and identifying themes (Kondracki & Wellman, 2002; Hsieh & Shannon, 2005).

4.1.1. Interviews

Semi-structured interviews were considered suitable for this research as a primary source of data because of their flexibility. While semi-structured interviews are not necessarily "an open conversation nor a highly structured questionnaire" (Steinar, 1996, p. 27), an interview guide with some suggested questions is very useful. Fylan (2005) explains that because of their adaptability, semi-structured interviews can be used "to develop a much deeper understanding of the research question by exploring contradictions" within what the interviewee says (p.67). According to Bryman (2012) another advantage of a semi-structured interview is that as the interview goes on, questions may come up that were not in the interview guide in the first place but can still help the researcher. In this method, usually all the questions that the interviewer has prepared will be asked, while there is still room for questions that may be added during the interview.

There are several disadvantages to conducting semi-structured interviews, such as additional costs, personal biases from both the interviewee and the interviewer (Neuman, 2012), and interviewers' tendency to affect the answers given by the interviewee (interviewee saying what they think the interviewer would want to hear). Despite all such limitations, semi-structured interviews are found by qualitative researchers to be the most appropriate way of collecting data from busy professionals in relation to their perceptions over the subject that is being studied (Bryman & Bell, 2011).

4.1.2. Thematic analysis

Thematic analysis is a method used to find and analyse themes in sets of data and to interpret them (Braun & Clarke, 2006). Themes are specific patterns that the researcher finds interesting in the data (Marks & Yardley, 2003). Boyatzis (1998) argues that patterns found in a specific set of information should at least be identified as a potential observation, or at best become an interpretation of data needed to answer a question. He explains thematic analysis as a way of seeing, as what different people understand from a set of data could vary. Furthermore, he explains that to use thematic analysis one must go through four stages of sensing the themes and recognising the important codes, consistently encoding them, developing the codes, and finally interpreting the themes and information into a framework that can contribute towards completing a study.

I identified themes in reports, formal documents, and interviews by a process of thematic analysis (Owen, 1984). I found thematic analysis most appropriate for this research as clustering the data into certain themes enabled me to understand where non-financial reporting belongs in the context of corporate transparency.

In this context, I looked for the different ways that the concept of "transparency" was used to address financial and non-financial disclosure, in formal organisational documents and reporting frameworks of the selected companies, as well as the ways in which the key corporate actors position themselves and their companies towards sustainability reporting.

In this study, I followed Owen (1984) and identified themes according to the three criteria of recurrence, repetition, and forcefulness. Recurrence was recognised when I identified "the same thread of meaning" in more than one part of a report or interview. I considered repetition as "explicit use of the same wording" and forcefulness of "vocal inflection, volume, or dramatic pauses" (Owen, 1984, p.275) when they were used to stress certain points in the reports or during the interviews.

I followed Braun and Clarke's (2006) step guide for doing thematic analysis:

1. **Familiarising myself with the data:** I began the process by repeatedly reading through the interview transcripts, notes which I had made during the interviews, and the selected corporate reports, searching for patterns and meanings. During this stage I highlighted potential codes which I thought

could be of significance. This allowed me to create an initial list of interesting patterns in the data.

2. **Generating initial codes:** Once I familiarised myself with the data, I generated codes which I believed were important to this study such as sustainability, transparency, disclosure, reporting, GRI, Integrated Reporting, reputation, quality, materiality, cost, size, industry, media, government, New Zealand Central Securities Depository Limited (NZCSD), stakeholders, shareholders, governance, change, challenges, benefit, charity, community, lack of knowledge, and some others.

3. **Searching for themes:** At this stage I started analysing codes to find out which codes could be combined to create an overarching theme. To do so, I printed all the codes which were found in the previous phase of the process, cut them out, and placed them on the floor. This allowed me to organise the codes, create a relationship between them, and make a list of potential themes and sub-themes.

4. **Reviewing themes:** After creating a list of themes, I checked them against the data set and the codes to refine the themes. As a result, some themes were combined.

5. **Defining and naming themes:** Once I finished mapping and refining the themes, I finalised them as follows: Corporate reporting, materiality and report content, drivers and benefits, barriers and challenges, distribution of power, role of government and regulations, and conflict of interest.

6. **Producing the report:** With the final themes in place, I started the final analysis and write up process. I also extracted the most appropriate parts of the data set to be used as evidence in the study.

4.2. Data collection

In this section I first introduce the participants (with certain limits due to confidentiality concerns), and then describe the data collection methods. In line with the aims of this study, the data collected does not represent the views of stakeholders but, rather, includes those of representatives from some of New Zealand's public companies, from the two major Sustainable Business Intermediaries (SBIs) in New Zealand (Wright et al., 2016), and some of the most active sustainability reporting professionals in the country. I conducted a total of 28 interviews (772 minutes) which includes interviews with representatives of 21 publicly NZX listed companies (503 minutes) and seven other participants (269 minutes). The average length of interviews was 27.5 minutes.

4.2.1. Corporate Participants

To make sure that the data gathered for this study were both comprehensive and impartial, almost all companies publicly listed in New Zealand (reporting and non-reporting) were invited to participate. Primary and secondary sources of data were identified and gathered as described in the next section.

Of more than 120 publicly listed companies invited to participate, 21 agreed to take part. Many of the interview requests were rejected by organisations that did have sustainability reporting processes in place as well as those that did not. Many early rejections were triggered by the term "sustainability reporting". For example, the Communication manager of BBB who had initially agreed to do the interview, withdrew her participation offer once she read the questions provided in the information sheet. She said in her rejection email:

> *I've had a look at the questions and unfortunately I don't think our company is going to be a good example for you to use. BBB is a listed investment company that invests in growing Australian companies. We don't have a need for sustainability reporting like other larger operating companies.*

Although another interview request was sent to discuss the company's annual report, regardless of whether or not they had a sustainability report, she replied:

> *I'm really not going to be able to provide any valuable input as the majority of your questions are not applicable to us. Apologies, but it will not be beneficial if we go ahead with the interview.*

BBB's communication manager was not the only potential participant to refuse involvement in the research. Others who did not take part had reasons such as not having anything to say because they had just gone public and had started doing annual reports. Some of the reporting organisations rejected interview invitations by saying they "have been inundated with requests" and believed they had done their part. Some simply ignored all requests even though they were approached via different channels (email, phone calls, and through other people).

The unwillingness to participate seemed to be caused by the usage of the words "transparency" and "sustainability" in the initial request. To broaden the scope of the research and, at the same time, to test whether the organisations' willingness was affected by these terms, part of the wording of the interview request was changed from “my research focus is on the motivations and barriers to sustainability reporting as experienced by leading companies in New Zealand” to “my research focus is on the challenges in reporting as experienced by leading companies in New Zealand”. The result was an immediate increase in the number of participants. This did not raise any ethical issues as ‘reporting’ can cover a range of reporting types, and participants always had the option, before, during or after the interview, to refuse to answer questions or to withdraw, as stated below.

During the interviews, when the term “transparency” was raised in a follow up question, the answers were affected by whether or not the organisation believed in corporate disclosure greater than legal requirements (financial reporting). They all did at the end answer the question by drawing on either financial or non-financial reporting.

However, when the terms “sustainability”, “sustainability reporting” or “corporate responsibility (CR) reporting” were raised in a follow up question (in a semi structured interview format), the reactions were a bit different from when “transparency” was in question. Some participants, especially from the non-reporting companies, either refused to answer and simply had “no comment”, or just replied with a sharp “no” followed by a long pause and waited for the next question to be asked, or found the questions irrelevant to their industry. Organisations that had experience of non-financial disclosure (not all from CR reporting), treated the sustainability related questions in a more cooperative way. Their responses mostly included, “we are looking into it (sustainability disclosure)", or "we tried it (sustainability reporting) and it just wasn't creating any value".

Each key representative of the publicly listed companies in New Zealand who agreed to participate in this study held one of the following positions in their company: chief executive officer, chief financial officer, group accountant, financial controller, general manager-finance, social responsibility and sustainability manager, marketing and communications manager, corporate communications manager, or investor relations communications manager. The corporate participants are cited as CP in the findings and discussion chapters. Table 4 below shows more information about these participants.

Corporate Participants Code	Interviewee's position	Interview length	Sector/Industry	Company's non-financial reporting status
CP1	CFO	13 minutes	Health care and social assistance	Not reporting
CP2	Sustainability Manager	33 minutes	Transport	reporting
CP3	Corporate responsibility manager	41 minutes	Agriculture	Not reporting
CP4	CFO	25 minutes	Transport	Not reporting
CP5	CFO	25 minutes		Not reporting
CP6	Corporate responsibility manager	31 minutes	Transport	Reporting
CP7	Sustainability specialist	34 minutes	Energy and minerals	Reporting
CP8	CFO	16 minutes	Health care and social assistance	Not reporting
CP9	Head of investor relations	24 minutes	Energy and minerals	Used to-Stopped
CP10	Commercial executive/investor relations	28 minutes	Energy and minerals	Not reporting
CP11	Head of communications	14 minutes	Financial	Not reporting

CP12	General manager of finance	19 minutes	Real estate services	Not reporting
CP13	Corporate Affairs Manager	17 minutes	Health care and social assistance	Not reporting
CP14	Environmental and sustainability manager	50 minutes	Fishing	Reporting
CP15	CFO	10 minutes	Horticulture	Not reporting
CP16	CFO	23 minutes	Fishing	Not reporting
CP17	Group Accountant	15 minutes	Manufacturing	Not reporting
CP18	marketing and communications analyst	19 minutes	Shipping	Not reporting
CP19	Communication manager	26 minutes	Manufacturing (food)	Not reporting
CP20	CEO	25 minutes	forestry	Not reporting
CP21	Financial controller	15 minutes	Financial	Not reporting

Table 4. Corporate participants' position in their company, the industry they are active in, length of the interview and reporting status.

I am unable to share each participant's company size individually as the company's name can too easily be guessed, given that the industry sector has been named. This would violate my confidentiality agreement with the participants. However, I ranked all the participating NZX public companies based on market capitalisation and divided them into 5 equal groups, from very large to very small. As shown in Table 5, the 21 corporations that participated in this study represent different size brackets.

Size	**Number of participants**
very large	**5**
large	**8**
medium	**3**
small	**3**
very small	**2**
Total	**21**

Table 5. Distribution of participating public companies across size brackets.

4.2.2. Other participants

I conducted seven other interviews to help understand the current non-financial reporting system in New Zealand. These interviewees are cited as OP in the findings and discussion chapters and can be described as follows:

1. Representative of a large international company which does publish a sustainability report in New Zealand and globally, but is not directly listed on the NZX. This participant shared how non-financial reports are created on a global scale.

2. An adviser with Markets Oversight of the Financial Market Authority (FMA). The FMA is one of the three main supervisory bodies in the country (FMA, 2016) (the other two are the Reserve Bank of New Zealand and the Commerce Commission). Even though the interviewee refused to be recorded, she later sent a comprehensive email that summarised our conversation on the phone. She mapped out exactly where the listing rules and regulations come from, and how they are enforced.

3. A senior manager in the sustainability team of one of the biggest assurance companies in the country. Her inputs provided insights on what content is normally included in non-financial reports.

4. A representative from the Sustainable Business Council

5. A representative from the Sustainable Business Network

The representatives from both the SBC and the SBN helped in understanding the current non-financial disclosure practices in New Zealand and provided insights on reporting tools such as the GRI and the Integrated Reporting (IR) guidelines. They also shared their opinions about the role that government should play in advocating sustainability practices in the country.

6. The Executive Director of a business advisory company, which specialises in GRI training. This participant was particularly helpful in understanding sustainability tools and the indicators that are used in them.

7. The Managing Director of one of the most prestigious communication firms which has assisted some of New Zealand's largest companies in creating their sustainability reports. This participant shed light on the process of creating non-financial reports and their content, as well as public corporations' motivations and the challenges they face in incorporating sustainability practices.

Table 6 below provides some additional information about these participants.

Other Participants Code	Interviewee's position	Interview length	Sector/Industry	Company's non-financial reporting status
OP1	Head of sustainability	26 minutes	information media & telecommunications	Reporting
OP2	Adviser with markets oversight	15 minutes	FMA	N/A
OP3	Senior manager climate change and sustainability	50 Minutes	3rd party assurance Company	Not reporting
OP4	Confidential	45 minutes	SBC	N/A
OP5	Confidential	40 minutes	SBN	N/A
OP6	Executive director	48 minutes	GRI training/business advisory	N/A
OP7	Managing director	45 minutes	Communications	N/A

Table 6. Other participants' position in their company, the industry they are active in, length of the interview and reporting status.

4.2.3. Primary data: Conducting the Interviews

As mentioned earlier, there can be challenges in conducting semi-structured interviews. To minimise potential problems, certain precautions were taken. All interviews were transcribed immediately after the interview and additional notes were made about each interview in a journal (Lincoln & Guba, 1985). I also avoided expressing my own opinion regarding different matters that came up during conversations.

All participants who were invited to take part in this study did so voluntarily and were encouraged to speak freely. I also made an effort to ensure that the participants represented companies with different sizes and were from major industry sectors in New Zealand. All issues which were relevant to the research questions were covered in the interviews with easy to understand questions.

Respondent validation (Bryman, 2012; Lincoln & Guba, 1985; Maxwell, 2012), which is thoroughly asking for feedback about the study's data and conclusions from the participants, is the best way to prevent possible misinterpretation of what participants say and do, and helps the researcher identify their biases and misunderstandings of what they have observed (Maxwell, 2012).

At the end of each interview, I asked for the interviewee's feedback in regard to the questions and the study. I also adapted a snowball sampling technique (Goodman, 1961) where I asked each participant whom they believed should be involved in the study. For instance, CP14 was referred to me by OP2. This participant also suggested asking other participants' opinion in regard to a reward system such as tax incentives, as a follow up question at the end of each interview. The follow up questions were thus continuously refined. The transcripts of the interviews were made available to the participants upon request for a final check, and additional comments and information were provided by some participants. While no concerns were raised in regard to the transcripts, seven participants believed the study will be useful for them and asked to have an executive version of the study. Their request will be granted once the study is concluded.

Almost all interviews for this study were conducted on the phone rather than face to face, for two reasons. First, the head offices of the public companies are located in different regions in the country, and getting to them would have been very costly and time consuming. Second, the key representatives, who had the knowledge needed to qualify as a participant in this study, were mostly high ranking individuals in the companies, and arranging a face to face interview appointment that would fit in their busy schedules was extremely difficult. Many of the respondents agreed to do the interview in-between other tasks. Nonetheless, the semi-structured format gave me the flexibility to guide the conversation when it was necessary, and the interviewees felt comfortable to express their opinion regarding matters not initially considered as important for this research. For instance, the impact of the media on the content of sustainability reports published in the country turned out to be much higher than initially expected.

Potential candidates from more than 120 public companies listed on the New Zealand Stock Exchange (NZX) were contacted via direct email and phone calls, or through their colleagues. Several requests for interviews were followed up as many as five times each. The list of companies was taken from NZX's official website. Of the 21 companies that agreed to participate, only four currently publish non-financial reports. Six others are considering providing non-financial reports or used to provide one in the past, and 12 companies do not publish such reports nor was there any indication that there could be one in the future. The questions asked from the reporting companies or those which used to publish a non-financial report, revolved around their corporate responsibility reports. Questions for the non-reporting companies had a broader scope and included corporate reports in general but still included sustainability aspects.

Two different sets of primary questions (Appendix A and Appendix B) were prepared for sustainability reporting and non-reporting public companies. Several follow up questions were asked. Appendix C includes examples of the additional questions that were asked during the interviews, as appropriate. I had to be flexible with the questions and reword or rearrange them when necessary. The "other participants" (OPs) received a different set of questions (Appendix D), since the questions I asked them were not necessarily in regard to their own company's transparency and sustainability practices. This is with exception of OP1 who was from a large international corporation, which, in spite of being very active and profitable in New Zealand, is not publicly listed on the NZX. Nonetheless, they produce sustainability reports and were given the same questions as listed in Appendix A. Not all the additional participants answered all the questions listed in Appendix D. Since they represented different organisations with different backgrounds, some of the questions were left out where necessary. Most of the questions were open ended and were designed to control the flow of the conversation, at the same time leaving the interviewee free to answer and elaborate on the topic in question as they saw fit.

The interviews were designed to take up to 30 minutes. They did, however, range from 10 to 55 minutes. At the beginning of each interview, I once again confirmed with the interviewee that the conversation was being recorded. All conversations with the "corporate participants" and five of the seven "other participants" were recorded and transcribed. For the two "other participants" who preferred not to be recorded, I carefully took notes of what was discussed during the interviews. If a point was not clear, I asked the interviewees to repeat themselves. The two interviewees also provided additional information after the interview via email.

Almost all interviewees made additional comments once the recording had stopped. Notes were carefully made regarding these comments. At the end of the conversation, I confirmed with each interviewee which of the additional comments could still be used in the study. The data gathered and the notes taken were cleaned up (Romagnano, 1991) and irrelevant and off-topic conversations were removed.

4.2.4. Ethical Considerations

This research was conducted in a manner that complies with the ethical standards set by the University of Waikato. The research process followed the 'Guidelines for Professional Practice and Community Contact in the Conduct of University Research or Related Activities, which have been developed by the University of Waikato's Human Research Ethics Committee to articulate good practice for engaging with members of the community in the course of planning and carrying out research involving human participants (University of Waikato, 2009). Ethical approval was granted by the university before any requests were made for interviews. A research outline, information sheet, and consent form were sent to all participants of this study via email. All the representatives from the public companies who participated in this study agreed to be recorded but were assured anonymity.

4.2.5. Secondary data

Many documents were reviewed and secondary data was collected from several documents for different purposes, as follows.

4.2.5.1. Corporate reports of participating companies (2015 and 2017)

I reviewed the corporate reports (annual and sustainability) of all the participating companies to see how they define stakeholders in their reporting and how the company has engaged with them. I initially only reviewed the 2015 reports (the year interviews were conducted). Later on, the 2017 reports (companies' latest reports) of the same companies were analysed and added to the data set. This choice was made for two main reasons. Firstly, a few of the non-reporting participants claimed during the interviews that the company will be producing a sustainability report in the near future. Reviewing the 2017 reports allowed me to assess the validity of these claims. Secondly, as there was talks of new sustainability recommendations being introduced by the NZX in 2016, it was important to see whether the news of such changes in the market's code of governance would impact the companies reporting practices. Reviewing both 2015 and 2017 reports of the participating companies also allowed me to see how these reports evolved in terms of transparency and stakeholder engagement, over a period of 3 years.

A total of 43 reports were studied and analysed. I searched each document looking for terms such as stakeholder, communication, engage, engagement, customer, employee, community, Iwi, local, people, shareholder, government, environment, investor, NGO, board of directors, media, society, social responsibility. I then put a summary of the analysis for each participating company for 2015 and 2017 side by side in a table (Appendix E). This allowed me to compare how each company had changed their reporting practices over the years.

4.2.5.2. Corporate reports (40 largest companies)

Formal organisational documents such as annual reports, sustainability reports, shareholders' reviews, and policies and regulations, were studied to understand how corporate reporting is done in the country. Annual reports of 40 of the largest companies in New Zealand (all reports are available on NZX's website: www.nzx.com) were also reviewed, as relevant literature suggests that larger corporations around the world tend to release more non-financial information (Brammer & Pavelin, 2006; Fernandez-Feijoo et al., 2014a; Simnett et al., 2009). The validity of this claim was assessed for New Zealand companies. Special attention was also paid to the "shareholder information" section of these reports to find out who owns majority of shares in these companies, in order to help assess if the ownership structure was affecting their non-financial disclosure (Fernandez-Feijoo et al., 2014b).

4.2.5.3. GRI frameworks and KPMG reports

Reporting frameworks of the Global Reporting Initiative (GRI)(GRI, 2013a, 2013d, 2016a, 2016b) and their latest reporting guidelines (G4)(GRI, 2013b, 2013c, 2015), were reviewed to assist in better understanding of how the most used tool in the world for sustainability reporting works, and what benefits it has. The GRI guidelines also drew a clear picture of what indicators are used to measure companies' impacts on the environment, society, and the economy.

Many reports from other organisations such as KPMG (KPMG, 2005, 2011, 2013, 2015; UNEP et al., 2016), which has been actively monitoring the behaviour of top companies towards non-financial reporting in the past years were also studied. These corporate surveys and reports, which are done every two years by KPMG (available on their website: kpmg.com), helped this research by illustrating the changes that have been made in the past decade, in governments and in the largest companies around the world, to fit sustainability in everyday organisational operations. They also gave a clear impression of how New Zealand is doing in terms of non-financial disclosure.

4.2.5.4. Government and market regulations

Government regulations and listing rules in New Zealand (FMA, 2016; NZX, 2016; NZX, 2017b) were reviewed to understand exactly what is required by law to be in corporate reports. I also looked at Australia's laws (ASX Corporate Governance Council, 2014) as they were mentioned by a number of participants and comparisons were made.

4.3. Limitations of this study

1. The subjects of this study are 21 key representatives of the companies who agreed to take part in this research. As reported above, many potential participants, from both sustainability reporting and non-reporting companies, chose to refuse or ignore the interview requests for different reasons. This study would have been richer if more key representatives from all or most of the listed companies on the New Zealand Stock Exchange had

accepted the invitation to participate in this research, or at least had identified their exact reason for not wanting to take part in the study.

2. More than half of the corporate participants were high ranking officers with extremely limited time, who took part in this study in-between other tasks. Time pressure may have affected their responses. In addition, only one person was interviewed from each company and, depending on their take on sustainability transparency, personal values, and their rank in the organisation, some follow up questions were either left unanswered or the participant gave a short yes or no answer which limits the data gathered. In such cases when I asked for more clarification on the topic in question, none was provided. This was particularly strong with non-reporting companies, when the conversation was about sustainability practices of the company.

4.4. Summary of the Chapter

In this chapter I outlined the research approach, the research design, and the methods that I adopted to analyse the data. I explained the critical interpretive approach taken to explore companies' view on corporate transparency and the expectations, the motivations, and the barriers for non-financial reporting. I also explained the semi structured interview method used to gather the primary data, and thematic analysis used to identify the most important themes to emerge from interviews with representatives of the participating companies and their documents, and from documents that are publicly available from organisations which did not participate in this research. In addition, I described the responses typically received from potential participants who refused to be interviewed, as this in itself was informative in this research context.

In the next two chapters, I present the findings of the primary and secondary data analysis. Those who agreed to participate in this research had different views about corporate transparency; more specifically, about corporate reporting. In Chapter 5, Compliance, I present companies' views on corporate reporting, with special attention paid to sustainability reporting. I then focus on the legal requirements and the government's role, companies' perception of stakeholders' expectations, and the need for a common standard. In Chapter 6, I look at motivations, challenges, and barriers to sustainability reporting in New Zealand. The focus of each chapter aligns with the key themes found.

CHAPTER 5: Findings I. Varying Interpretations of Transparency

Introduction

The current legal requirements in New Zealand, which demand transparency from public companies, are all related to financial information with none on the firms' effects on the environment, society and the economy. As a result, corporate responsibility (CR) and sustainability reporting are not mandatory in New Zealand.

In this chapter, I examine what transparency means to the representatives of the participating companies, and how the organisations' perception of stakeholder expectations shape their corporate reports.

Organisation of chapter

This chapter is divided into four sections:

1. In the first section of this chapter, I concentrate on how top public companies write and organise their corporate reports and what corporate transparency means to them. Aside from the interview data, I use corporate reports published by these companies as supporting documents. In this section, companies are divided into two groups: those that provided sustainability reports at the time the interviews were conducted, and those that did not.
2. The second section in this chapter explores factors other than legal requirements that affect what is chosen as material information, and

provides some insight on how different organisations interpret "material information".

3. The third section examines companies' views on pressure from stakeholders for sustainability reporting in New Zealand, to which the companies feel a need to comply. In addition, I explore the factors that could cause a lack of expectation for non-financial disclosure, such as the power and influence of certain stakeholders on corporate reports, lack of knowledge regarding sustainability indicators, stakeholders' representation problems, and the fact that many large companies are state owned enterprises.
4. The fourth and final section of this chapter draws from different opinions that companies have about mandatory sustainability reporting. I also look at reports by KPMG and the Global Reporting Initiative (GRI) on the growth of sustainability reporting globally, and New Zealand's position in this regard.

5.1. Corporate Reporting

Interviewees used the term "compliance" numerous times, mostly to explain the way their company's corporate reports are written. Many explained that their annual reports are "compliance based" or are only designed to "comply with the listing rules". In a few cases, compliance was referred to outside the legal context to explain the basis for non-financial disclosure. Whether it was out of complying with the law or other stakeholders' expectations, what an organisation reported on seems to be directly connected to how they understand and define corporate transparency. Some considered complying with "legal obligations" as being transparent; some described transparency as "being honest about what you actually do" in all aspects of business. There was even one interpretation which described transparency as "taking the risk in informing the public" about a company's activities.

Participating organisations, which comply with the regulations and the New Zealand Stock Exchange's (NZX) listing rules, believed that they are only obliged to disclose certain types of information that is required by law. For them, complying with the rules meant transparency.

What organisations are legally required to disclose is called "material information". According to the latest version of the NZX listing rules, material information is information that "a reasonable person would expect if it were generally available to the market, to have a material effect on the price of quoted securities of the issuer" (NZX, 2017b, p. 13). This description of "material information" is an unclear and open-ended legal statement. It does not require companies to provide information on their activities that may affect the environment, society, and the economy. However, it identifies material information as information that, when provided, would affect the price of the issued securities.

After years of lagging behind other global stock exchanges, at the end of 2017 (after this study was at its final stages) the NZX finally took a step towards creating more value in the long term and included non-financial reporting in their "recommendations". The NZX Corporate Governance Code (NZX, 2017a) describes recommendations as "comply or explain" which do not force the company to include non-financial material in their reports.

> "The Listing Rules act to encourage issuers to adopt the NZX Code but do not force them to do so. This allows an issuer flexibility to adopt other corporate governance practices considered by the Board to be more suitable.

Under the NZX Code, if the Board of an issuer considers that a recommendation is not appropriate because it does not fit the issuer's circumstances, it is entitled not to adopt it. If it does not adopt it, it must explain why it has not. This is the basis of the 'comply or explain' ('if not, why not') approach"(NZX, 2017a, p. 4) (Figure 8).

Although a huge improvement compared to what was in place previously (no mention of environmental or social material), the legal definition of Material Information according to the listing rules remains the same and, as discussed later, companies which firmly believe they have no impact on either the environment or the society (e.g. investment companies) will hardly be affected by such recommendations. OP6, a GRI trainer, said:

There are still lots of outs. You don't have to absolutely to do it but it's slow steady build-up of best practice and eventually the laggards effectively will have to join in. I think it's an inclusive model that says hey look this is our expectations this is good corporate governance. Legislation can be compassing because people can start ticking the boxes just to make the legislation (OP6).

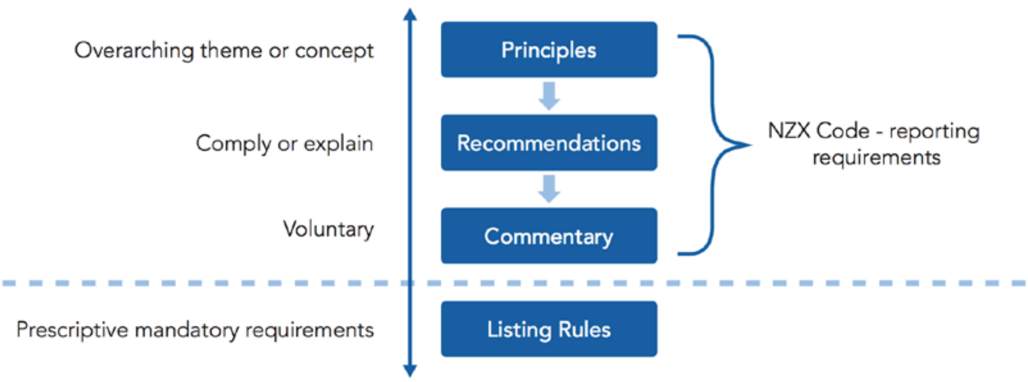

Figure 1. Hierarch of the "comply or explain" regime. Source:(NZX, 2017a, p. 4)

To understand what is legally required and to get the perspective of organisations that oversee the compliance process, I interviewed an adviser with Markets Oversight of the Financial Market Authority (FMA). The FMA, which is an independent crown entity, is a financial conduct regulator and one of the main three supervisory bodies (together with the Reserve Bank of New Zealand and the Commerce Commission), which are in charge of regulating the economy of the country. All "support a financially healthy New Zealand" (FMA, 2016). About what type of information is required to be disclosed, the interviewee said:

> *There is currently no specific requirement for NZX listed companies to disclose any sustainability/environmental matters (for example, an oil spill)…in Section 10 of the NZX Listing Rules, it states that companies must disclose any information that is material information. (OP2)*

According to this official, the FMA is responsible for enforcing legislation. The Financial Markets Conduct Act 2013 deals with the legal requirement for financial product markets to be licensed, alongside the initial and ongoing obligations of licensed market operators. The FMA representative then explained that for financial product markets, it is a requirement to have "contractual market rules" which, in New Zealand's case, are the NZX Listing Rules. Before these rules can take effect, both initially and for any subsequent proposed changes, they need to be approved by the FMA.

The representative explained that the FMA is the government agency responsible for regulating the capital markets and financial services in New Zealand and the laws are passed by the government of the day. Clarifying the role of NZX as a "frontline regulator" the representative said:

They [NZX] is responsible for regulating the financial product markets it operates and the market participants that use those markets. NZX is responsible for ensuring its market participants comply with the NZX Listing Rules, and will take enforcement action against participants who breach the rules. (OP2)

In summary, this means that even if the interpretation of corporate reporting was ever going to change to include non-financial information, this change would need to be enacted by the government, approved by the FMA, and enforced by the NZX. This indicates that without direct pressure from the government, non-financial disclosure is to be controlled by either the companies themselves in a form of volunteer transparency, or by the market (NZX) in the form of recommendations. These companies and the market as discussed later, may have priorities (e.g. gaining profit) different to those of their stakeholders.

A participant clarified that the current requirement for companies to "comply or explain" is still driven by the market rather than the government. He said:

The government hasn't stepped in, the share market stepped in, because there were already 30 listed companies reporting and I think there is a reason that they are doing it and we have seen about 35 jurisdictions around the world with market and legislative requirements to report. So the body of evidence just builds up. That's why the NZX decided there was already time for them to update their code anyway. (OP6)

The second group of organisations, which believed that transparency should be a "total integration right across the whole business", mostly included companies which either provide non-financial reporting in different forms (separate sustainability reports, online documents, or as a part of their annual reports) or support the idea of disclosing non-financial information in the near future.

A few of the companies that took part in the research voluntarily produce sustainability reports but most of them do not make any form of sustainability disclosure. Some of these non-reporting companies are even members of the Sustainable Business Council or have a fully functional sustainability department within the firm. The sustainability department normally deals with Public Relations issues. Their idea of what should be disclosed to the public was affected by factors such as size of the organisation, compliance and legal requirements, shareholders' expectations, whether or not they considered sustainability disclosure relevant to their organisational activities, and what purpose their corporate reports served.

5.1.1. Transparency

The concept of transparency means different things to different companies. As indicated earlier, certain organisations consider providing an annual report as being transparent. These organisations measure transparency very precisely, using indicators to make sure that there isn't "too much transparency". They normally provide what they believe is enough information, leaving a third party assurance company to check the information against indicators and, if needed, tell them to provide more information to meet the requirements. A senior manager in the sustainability team of one of the biggest assurance companies in the country said:

> *If a client decides that they don't want to report on their director's remuneration, and think that's too much transparency, and they decide to take that out of the report and not report that; If that relates to an indicator or a claim that we are looking at as an assurance provider, it's at that point that we would have to say, well look in order to get to this accordance level, you will have to provide that information. (OP3)*

The goal for disclosing information for these companies is, first, to keep the shareholders informed and happy; second, attract "potential investors"; and third to maintain a certain image and "reputation". Other factors that affected their level of transparency included, but was not limited to, "financial disclosure" (CP18) (complying with legal requirements in New Zealand), "competitive advantage" (CP19), and "operational risk management" (CP3).

A Corporate Responsibility Manager in the food industry described transparency as a "spectrum" where one side needs a "certain reason" to be transparent and the concept of transparency is treated on a need to know basis with a "we don't say anything about anything unless you really have to" attitude, and the other side is the "high transparent end" (which he claimed his company tends to lean towards even though they do not produce any non-financial reports), where no reason is required to be transparent (CP3). He believed all organisations are sitting somewhere along that spectrum with all their issues (whether financial or non-financial). Many others confirmed the "don't say anything about anything unless you have to" mind-set by reporting only on what is required and just complying with the listing rules.

Another participant, a Chief Financial Officer (CFO) of a company active in the healthcare industry, sees the notion of transparency as a tool to convey information and company strategies to the shareholders and a true and fair view of the financial statements and nothing else. He said:

> *I don't really think transparency is something you do or don't. Consider it's sort of an output of the document. I don't go through the document and go: you know gosh are we being too transparent there. Not a question that comes into my head. I go: are we conveying the information that we need to comply with all the reporting*

standards, and are we helping shareholders and the recipients of the documents to better understand our business and our strategic objectives, and if we can broadly answer those questions as yes and be comfortable that we are conveying it in an informative and concise manner, then I think we have achieved the outcome that we need to (CP8).

A representative of one of the largest companies in the country, a market leader in its field, admits that while it has "always had quite good and strong areas of performance, we haven't had the oversight for the framework or the governance to look across the business like other places" do (CP3). He later explained that their company has "a culture of doing the right thing" and used a cautionary product recall as an example, which he described as "going out of our way and taking the risk in informing the public which is quite an act of transparency for a potential risk" (CP3). The participant appeared to contradict himself by looking at the recall of the possibly contaminated product as doing the right thing and, at the same time, considered informing the public as sort of a favour done which required the company to go out of its way to do. This participant described the company's level of transparency over the past five years as something that "has improved but certainly hasn't got worse".

He later added that there could be an element of "reputation risk" involved when deciding on what information should be published and that reputation risk would be "balanced against the need to be transparent", when drawing the line of transparency. He argued that factors such as a company's "competitive advantage", "commercial risk", and "operational risk" need to be considered and managed when one commits to transparency. He also acknowledged that there is a call for their organisation "to increase its transparency and its accountability" and, therefore, the time and agenda is set for a commitment to "sustainability and social responsibility reporting" and more open communication (CP3).

5.1.1.1. Reporting Companies

Only four of the 21 participating organisations publish sustainability reports. In fact, by the end of 2013, only 17% of the public companies in New Zealand published sustainability reports (KPMG, 2013). This rate has not grown much since then. By 2015, New Zealand ranked 37th amongst 45 countries in which companies either voluntarily or mandatorily provide sustainability reports (among the bottom 30%, below the average reporting rate) (KPMG, 2015).

Organisations, which did produce sustainability reports (whether a separate report or as a section of the annual report), felt that sustainability reporting was in the "core" of their business and an "ongoing story" for them. To them, transparency is more than just a financial report. For these firms, transparency meant being "authentic". Since they valued sustainability reporting so much and thought it was essential for their business, they believed that a sustainability report integrated with the annual report creates more value than having it as a separate document. One participant even tried a separate report but decided to change back to a combined annual and sustainability report because they "noticed it wasn't best practice and would like to keep our reports combined" (CP7).

The reporting companies also considered a wider range of people as the audience for their corporate reports. One said:

> *It's all our shareholders and our stakeholders. We have a lot of stakeholders… anyone from the local tribal people who are either impacted, or employed, or contracted by the company … there is a*

> *huge range of people who are interested in different aspects of what we do and how we work with people. (CP7)*

Another reporting company emphasised the importance of a certain group of stakeholders, its own people, and said:

> *What we've also been really focused on with our new strategy is people. Last year massive changes have been around sustainability for the social side of our business and we are now in that mentality that without the people, we can't even operate. So, at the moment now there is a bit of a shift to focus more to sustaining our people in order to do that. (CP14)*

Reporting companies believed that annual and sustainability reports are just tools, which should be used to "enhance" transparency, and transparency and sustainability should be consistent in all aspects of the business. It went over and beyond the acts of philanthropy for the reporting companies and truly included the companies' positive and negative impacts. A participant whose company and their business has everything to do with the marine world said:

> *We report on the number of spills that we have, the total of volume of those spills. We have to. And I think it's actually pro us; it works in our favour. So we report all these things and then explain how we are responding to these issues as well. So if you got an NGO coming in and they've seen the spill, they can see that we are trying to deal with it. You have to be transparent in your operation. Otherwise, if you don't report it and someone notices it then your integrity is gone in your organisation. (CP14)*

All reporting companies have been guided by Global Initiative Reporting (GRI) guidelines when creating their sustainability reports. As an independent organisation, GRI helps organisations communicate their sustainability issues. The

GRI guidelines are the most used sustainability guidelines in the world, providing standards that allow the companies to measure their impacts on the environment, society, and the economy (GRI, 2016b).

One thing that stood out in the interviews was the emphasis of the companies on environmental issues. All the companies that understood the concept of sustainability reporting immediately thought of effects on the environment (carbon footprint), rarely on society, and never on the economy. This is despite the fact that in G4's latest sustainability reporting guidelines, economic indicators are the first category listed in the G4 Specific Standard Disclosures Overview. Such indicators include economic performance, market presence, indirect economic impacts, and procurement practices (Initiative, 2013). According to G4, the economic measurement of sustainability is concerned with the companies' effects on the economic environments of its stakeholders and is not concerned with the financial situation of the firm.

5.1.1.2. Non-Reporting Companies

Twelve of the 21 public companies that took part in this research do not publish a sustainability report. Six others, which are not currently reporting, have plans to do so in the future. This includes organisations that used to produce sustainability reports, but have stopped publishing them because they believed it did not create "value". The majority of those who claimed that they are looking into producing sustainability reports gave no possible timeframe as to when the reports could be expected. They explained that they wanted to make sure that they could prepare "a quality report with quality information". However, one of the same interviewees, who made this claim later said: "well if it (sustainability reporting) was important [to us] I would have thought we would have one" (CP15).

Some of these non-reporting companies admitted that "communication has been pretty quiet" with the stakeholders in terms of sustainability disclosure and that they should report on their activities that affect the environment, society, and the economy. One of the participants compared his company to global competitors and said:

> *No we don't [publish a sustainability report] but that's something that we are looking at doing. We are aware that's a gap. So if you are benchmarking it against New Zealand companies we do reasonably well but if you benchmark it against global peers in our industry like NNN then we are behind. (CP3)*

As mentioned earlier, New Zealand is perhaps not the best benchmark for sustainability reporting as it sits amongst the bottom 30% of reporting countries.

A company, which has not been publishing sustainability reports, claimed that it had the material for such reports and could even report to other global programs because they are active in other countries that may require sustainability disclosure but they choose not to report it in New Zealand because there is no requirement for it. A representative of this company said:

> *We don't report them [carbon footprint] at the moment. We have been doing it for our own purposes for us to know where we are at to think about where we want be and we see more large customers these days when they tend to their business asking where our environmental policy is at, our sustainability policy statements, what we do internally. We participate in a carbon disclosure program which is a global program; we report on that every year and provide*

> *the outcomes of our internal work. At this stage we are not required to disclose it to anybody else. (CP4)*

This statement indicates a lack of understanding of what sustainability reporting is and what purpose it serves. While disclosure regarding carbon footprints is considered by many as a topic for inclusion in a non-financial report, there are many others which need to be addressed. A GRI trainer, who has helped many of the large companies in the country in understanding GRI guidelines, warns about how topics such as carbon emissions can overshadow other topics such as climate change, which are very important for some stakeholders. He explains that companies "have to be careful not to group them all together" and believes direct communication with different stakeholder groups will help understand what is required to be included in non-financial reports (OP6).

Some firms justified the way they disclose information by comparing the size of their organisation with others, regardless of their position and profitability. A participant whose company is among the top publicly listed firms in the NZX explains the correlation between size and level of transparency:

> *We are actually a very small corporate holding company while we are sitting at number X on the NZX, so we are just outside of NZX 50. The corporate office of HHH is only about 10 people. You need to understand that because it makes us different to other companies who might have a corporate team of 100 or 200. (CP5)*

Sustainability professionals who participated in this study (OP4, OP5, OP6, and OP7) all disagree that size of the company should matter as a factor. According to OP7, full transparency (including financial and non-financial) is beneficial to companies regardless of their type and size. She explains that companies need to understand what impact they have as an organization on their surroundings and what their stakeholders' opinion are of them to succeed.

OP6 argues that companies that are listed on the NZX are getting funds from the public so size of the company is irrelevant when it comes to being transparent towards the public. The representative of SBN also believed that size is definitely not a factor. He used their own members' commitment as an example:

> *We have 500 odd members and only 60 of them would be corporate big enough to list (not all are listed). You are talking about the biggest companies in the country basically and they think they are too small to do any reporting. If you are going to play with the big boys and join the stock exchange then you are basically making a claim to be big enough and you have to get your house in order and I think that's what this reporting and disclosure is about. It's taking responsibility for the impacts that your business is having. (OP5)*

In the next section, I look into factors other than the legal requirements that affect the way material information is put together by public companies. I then explore how material information is perceived by organisations and what it means to them.

5.2. Material Information

As stated in the introduction of this chapter, all public companies listed on the NZX are legally required to present "material information" in their reports. However, the legal definition of this term does not mention financial information in particular, nor does it exclude certain types of information such as non-financial data. It defines material information as information that when provided would affect the share prices as interpreted by a "reasonable person"; it is somehow implied that to comply with the legal requirements, only financial information matters.

The definition for "material information" is very broad since there are more than 15 industry classifications in New Zealand. According to the New Zealand economic and financial overview published by The New Zealand Treasury (2016), the primary industries in the country that play an essential role in the wellbeing of the country's economy are agriculture, forestry, horticulture, mining, and fishing. At least one company related to each of these primary industries took part in this research. During the interviews, direct effects on the environment and society, as well as the economy were observed for all the "primary industries". Many companies admitted to having impacts, but believed that their effects were not significant enough to be reported.

Previous research also indicates that the level of transparency and the type of the information provided in reports is directly related to the type of industry (Alali & Romero, 2012; Kolk & Perego, 2010). For instance, an international study done by KPMG (2015), one of the biggest 250 companies in the world (G250), shows that the transport sector has the highest quality of carbon reporting while the oil & gas sector has the lowest report quality (Figure 9). The study also explains that sectors such as Financial Services, which have really low quality reports, look at their own operations' direct carbon release, although they need to consider the impact of the companies they invest in as well.

The findings of this study are aligned with KPMG's work. The sustainability professionals who participated in this study had strong opinions on the impacts a type of the industry can have on sustainability reporting. One participant (OP6) argued that some industries, such as investment and financial services, may have a little more work to do but they still have to explain the impacts that their investment strategies may have. Another participant (OP7) used the New Zealand Super Fund as a local example, and Blackrock as a global example, from the Financial Services sector that are well advanced in disclosing non-financial information. She also believes that *"there are some really big issues that are affecting that sector and I think more than ever we need that industry to be transparent"*. In OP5's opinion, this perception of a company not needing a sustainability report because it is active in the financial services sector, is "laughable" and "outrageous", and is an indication of a lack of understanding of the purpose of non-financial disclosure.

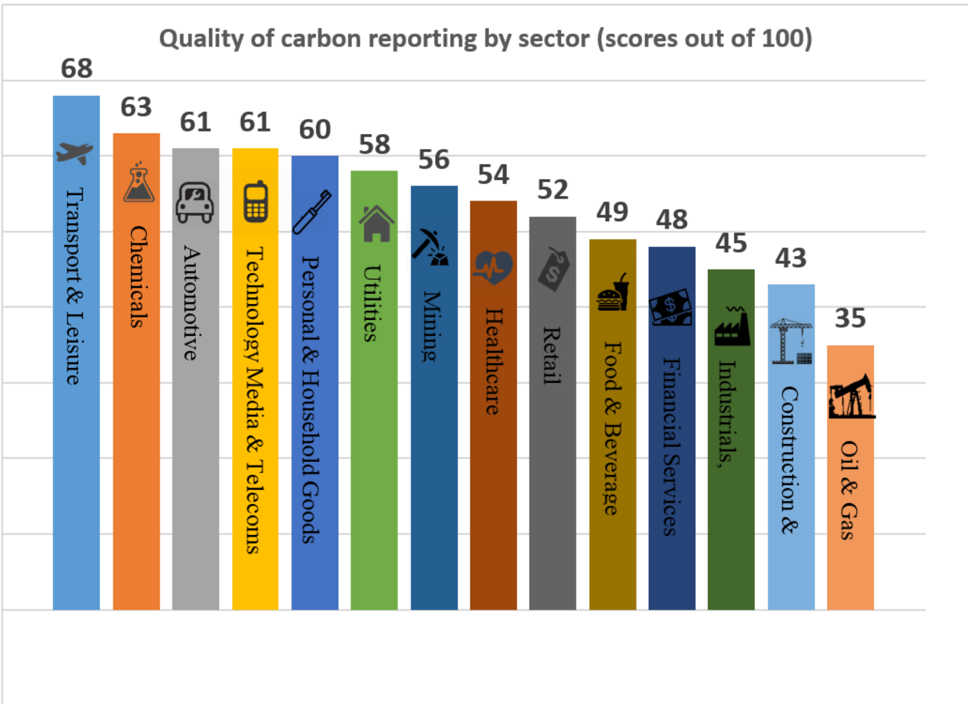

Figure 9. G250 companies, adapted from KPMG Survey of Corporate Responsibility Reporting KPMG (2015).

Other than complying with the regulations, companies provide material information for other reasons such as an organisation's reputation and image, what shareholders or potential investors of the company would want to see in a report, and the changes made in the company in the previous year that shareholders should be aware of.

Not all investors make investment decisions based only on financial information. There are particular investors who are interested in non-financial information, as pointed out by one participant:

> *There are quite a few institutional investors and big financial companies that do corporate social responsibility investing and those people expect disclosure around sustainability and environment, and they obviously invest based on that. (CP9)*

Many of these public companies' customers are other smaller firms that are after keeping a good image and reputation themselves. Therefore, they choose their main suppliers (public companies) based on their image and how they are perceived by the end customer. A participant, from a very large company in the food industry and a supplier of many other large firms, says:

> *Our customers are managing risks in their supply chains and they want to understand who they are purchasing products from, and what their performance is, and what their standards are, and how they can work with their supply chains to improve their own indirect performance. So they are interested in [our] performance, they are interested in ratios, they are interested in risk management processes. (CP3)*

These smaller companies, which are clients of public companies, look into the material information published by the bigger companies to see whether their suppliers have disclosed certain information which may affect their reputation. The client firms are also interested to see what actions have been taken to resolve the issues that may have arisen in the past year, which might have negative effects on the suppliers and their own image.

The companies' perception of material information comes in different forms, as described below.

The first group of companies are those that believe that material information is only what the shareholders expect and that shareholders are the only reason reports are provided in the first place. These companies made up at least half of the interviewees. A few companies did mention other stakeholders such as customers but the primary focus was their shareholders. A participant said:

> *So obviously yeah the shareholders is our number one but closely in number two, we use it as a marketing tool ourselves. So myself and my boss the commercial manager, any other people who actually go and see customers directly will use the annual report as a selling point on the (company) as well and just explain what we can offer…We don't actually do anything internally in the company that is of the fine quality, which we take out to customers. So we also use the annual report as a tool to promote the company not just to the shareholders, but the people who may use the (company) as a customer. (CP7)*

In fact, the power of shareholders was considered so great by one of the companies in this group that it believed that mandatory reporting would need shareholders' approval. These companies only identified "shareholders and potential investors" as their stakeholders. Many of the companies in this group confused the concept of philanthropy with sustainability, reporting on their charitable activities rather than their negative effects such as their carbon footprint. Most of these companies questioned the importance of a sustainability report and its benefits by saying that the “majority of stakeholders are shareholders” and they “are just happy” with what is being produced. One asked:

> *My first question would be why? What is the evidence? What is the purpose of doing something like that? If there is a good enough reason then you could sort of take the next step but we need to understand exactly why first. (CP19)*

The second group considered materiality preparation to create a report as “part of the compliance process”. This group of companies did not question the concept of sustainability reporting but emphasised that they only provide what is legally required and nothing more, unless the additional information is there to add value or to clarify points in the required section. One participant said:

> *We ensure that the reports contain everything that we are required to disclose under the financial reporting act, and the NZX listing rules and beyond that, we really include the additional information that helps explain those disclosures fundamentally…We make sure it meets all the disclosure requirements that's first and foremost…It’s nothing beyond what’s required to be in there. (CP4)*

A few of the companies in this group used to provide sustainability reporting at one time but have now stopped doing so. They considered creating sustainability reports as a “costly”, “tiresome”, and “time consuming” process that not enough people cared enough to read. On top of that, they argued that while such reports are very difficult to measure, they do not create any justifiable value. A participant whose company has direct effects on the environment and used to be fully owned by the government, argued that they stopped producing sustainably reports to avoid giving “meaningless numbers” and explained that their company is looking at a different way of reporting that does not follow the “cookie cutter approach” and is looking into creating real value (CP9). She explained that the board and the management of their company spent a lot of time to review and decide whether or not they should continue publishing a sustainability report. A decision was made to stop the report because the material information included in the report was not creating any value for their stakeholders while a number of employees were spending a lot of time to gather, calculate, and analyse the information. She said:

> *99.999% of our greenhouse gases come from our PPP and they are quite easy to monitor and we actually disclose that quarterly. Now the other 0.001% greenhouse gases come from me catching a taxi to the other side of town, or the lights in our office and things like that. That's very difficult to measure and it takes a lot of time to measure, and it takes a lot of time to calculate, and actually doesn't provide the stakeholders with any information that's useful for them…so having someone spend all day calculating how much greenhouse gases it actually takes for me to actually catch a cab from one side of the town to the other isn't actually giving the information they need. (CP9)*

The third group were organisations which do provide sustainability reports despite the lack of legislation. This group of companies choose to include any impact they may have had (positive or negative) in their reports. More importantly, they explain what has been done to respond to issues caused by their organisation. These firms provide reports that include both financial and non-financial information completely voluntarily. In New Zealand sustainability reports are prepared voluntarily, sometimes through organisations such as the Sustainable Business Council or Sustainable Business Network, which encourage their members to prepare such reports (SBC, 2016b).

According to the SBC, all members have joined voluntarily and are required by the SBC to submit a sustainability report within two years of their membership. This requirement, however, had not been taken very seriously previously. According to a participant, "in 2012 only 20% of the members [of SBC] were actually reporting" (OP6). The representative of the SBC who participated in this study acknowledged that out of their 90 members only a "handful" are publicly listed (OP4). She also stated that in 2017 they finally enforced the requirement and for the first time, asked a member not to renew their membership as they had not taken the necessary steps to produce a sustainability report in the past years that they were a member of the SBC.

The Chief Financial Officer of one of the biggest and most profitable firms in the country, which owns 19 other well-known companies in New Zealand, argued that sustainability reporting is one of those things that companies have to move voluntarily towards to see what acceptance there is of it and whether or not it could produce valuable information. He asked:

> *Is there going to be useful information to it or is it going to be at least measured on the same basis? Otherwise it's not going to be comparable between companies. (CP4)*

He then made a comment which appeared to contradict his earlier remarks about voluntary sustainability reporting to some extent as he maintained that there should be a clear standard to stop companies which use this kind of reporting to create a good image. He said:

> *There is a lot of companies that put a spin on things so I think there needs to be a pretty clear framework [to report on] whatever that they do. It's similar to what we are seeing with diversity, I guess*

> *gender diversity in particular. It's not mandatory but certain elements of it are starting to be disclosed in annual reports; it's only a matter of time before the listed companies are required mandatorily to report a whole lot of information around that. (CP4)*

In a voluntary system, since the government does not require companies to submit a sustainability report, shareholders are the only group of stakeholders who have the power to influence the publication of sustainability reports. According to Nadesan (2011), the problem with voluntary organisations is that they do not have the power or the authority to impose the rules and punish those (even their own members) who do not provide the right information, creating an ideal environment for companies that like to pose as socially responsible but in fact are not (Hahn & Lülfs, 2014). There are many SBC members at the moment who do not create sustainability reports: "The inevitable end to making something voluntary is that it does not happen with anywhere near the consistency or thoroughness that really the industry is beginning to demand elsewhere" (OP5).

The SBC and SBN, however, do provide value by helping their members with matters such as supply chain efficiency, social license to operate, freight efficiency, and transition to a lower carbon economy. Many participants who are current members of the organisation confirmed that it does help with the complex process of reporting on sustainability activities (e.g. choosing the right material information). Indeed, members include "companies that have been asked to start talking about sustainability [by stakeholders] and don't necessarily know where to start. Or they are already doing some stuff but they don't know whether that's good enough" (OP5).

A participant who believes that companies, which do not disclose non-financial information in a voluntary system, are in fact punishing themselves, said:

> *I think the punishment probably comes through the market, through being judged not to be good enough to be a supplier, through missing out on contracts. Through making sure you are dealing with the risks that your industry and your business has. Getting called out on any of those risks is not just a reputational thing it's a non-financial disclosure sort of thing. (OP5)*

The participant strongly believed that by not providing non-financial information, the company is damaging its reputation and missing out on opportunities that may cost the company heavily in the long run.

5.3. Companies' perceptions of stakeholders and stakeholder expectations

Some participants suggest that certain stakeholders in NZ do not have any expectations for disclosure of non-financial information. In this section, I first examine the participating companies' corporate reports (including annual reports and sustainability reports, if any) to get a better understanding of how they define, understand, and communicate with their stakeholders. In addition, I identify and discuss six major factors that play an important role in shaping company perceptions regarding shareholders' and other stakeholders' expectations, that cause many to believe that there is little to no expectation in New Zealand for sustainability reports.

As mentioned in the Chapter 4, I reviewed and analysed the participating companies' corporate reports in 2015 (the year the interviews were conducted) and in 2017 (their latest reports). The following section is an overview of the analysis and the major findings, which were drawn from the reports.

5.3.1. Stakeholders in the reports

The reports referred to stakeholders in diverse ways. All non-financial reporters acknowledged other stakeholders as well as shareholders. Two participating organisations clearly identified their stakeholders and explained how each group has been engaged. In its 2015 report, one organisation identifies industry partners, Iwi, customers, shareholders, the government, general community, NGOs and, investors (CP7). The company claims to have engaged with stakeholders to identify what is important to these stakeholders. Four to eight methods of engagement with each group are explained in detail. At least one of the engagement methods is a two-way communication channel. The report also explains how key areas of concerns raised by stakeholders have been addressed. The company acknowledges that at times they may have different interests from the stakeholders but constantly work towards aligning themselves with their stakeholders. While the stakeholders are engaged with, and their areas of concerns are identified, the company clarifies that "no specific external engagement was undertaken to prepare this report".

In its 2017 report, this company has been clearer about the stakeholders' expectations. Transparent communication in regards to all the activities of the companies is seen as important. The demands of each group have been mapped out separately. The report reads: "We know that strong stakeholder relationships are key to [company name] success, and affect our ability to create value. We are committed to understanding their interests and concerns, responding accordingly, and providing honest and transparent communication". The government (a 51%

shareholder) and investors appear to be the main advocates of incorporating sustainability and stakeholders' view into the business.

Similarly, another company's 2015 report identifies people (employees), shareholders, customers and suppliers, community, government, and industry (CP14). This company engaged with stakeholders through surveys and interviews, which asked them to rank 19 issues based on their level of importance for them. These issues were selected based on ongoing engagement with stakeholders. The top issues that stakeholders were concerned about were: [product] safety and quality, sustainable [raw material] stock, leadership and values, developing and wellbeing of people (employees), customer relationships, community engagement, and financial performance.

In 2017, this company added Iwi, civil society, NGOs, and investors to the list of its stakeholders. This time, the stakeholders were asked to rank 30 issues, which the company flagged as areas of concern. Due to the high number of issues identified, the company grouped them under the following outcomes: sustainable business, healthy [source of raw material], employees, community and partnership, healthy [product], and protecting the environment. Most issues belong to the sustainable business and healthy [source of raw material] categories. The most important issues for the stakeholders include product safety and quality, health and wellbeing of employees, profitability, and social license to operate. The company selected thirty-seven stakeholders (22 external and 15 internal) and engaged with them through semi-structured interviews. The selection was based on factors such as "dependency, responsibility, tension, influence and diversity". Each issue is discussed in the report together with the company's plans to address them.

However, not all groups were identified nor engaged with in some of the sustainability reports. For instance, CP2’s 2015 sustainability report, which was their first separate non-financial report, mentions communities, employees, and customers as their stakeholders. According to the report, however, most of the engagement done to prepare this sustainability report appears to be internal and with the company's employees but no other stakeholder group.

CP15, which has recently taken a step towards sustainability reporting, seems to be struggling to identify the stakeholders and engage with them. In its 2017 annual report, the company claims to have engaged with internal and external stakeholders to find out what issues are important to them. However, there is no indication of who those stakeholder groups are, or what the method of communication used with them was. While in the first part of the sustainability section the report claims that the material topics are the result of stakeholder engagement, a later section reads as though the topics were based on GRI indicators and not on what is important to stakeholder groups. It reads: “We have identified 16 sustainability topics which we believe reflect key sustainability concerns for [the company]” (CP15, Annual Report). Rather than basing the identified topics on issues raised by the stakeholders, the issues seem to reflect on GRI indicators.

CP12 is another company that has just recently taken initiatives towards non-financial disclosure. Its 2017 annual report mentions the term “stakeholder” 12 times. However, in parts, it appears to highlight financial stakeholders more than others. For example, the report states, “the company has a wide range of stakeholders including small and large shareholders, bondholders and other debt holders”. This lack of engagement with stakeholders is also evident in how the GRI indicators have been presented. Nearly half of the indicators are not currently provided in the report as the “decisions of stakeholders are still being reviewed”. It is also unclear which stakeholders have been engaged with and what method was used to communicate with them. Only two of the indicators (out of 16) were externally assured, although the company promises to improve the sustainability aspect of the report in the future years.

Most financial reports were even more vague about who their stakeholders are. Some did not even mention the term stakeholder, had not identified any of them aside from shareholders and employees, or had just made general statements about how the company works towards providing adequate information for stakeholders and investors. Reports of CP21, CP20, CP16, CP13, CP11, CP4, in both 2015 and 2017, are primarily financial, with no indication of references to stakeholders other than shareholders.

In many of the financial reports there is a standard statement which identifies the board of directors as responsible for providing transparency and protecting the interest of shareholders and stakeholders. Again, there is no indication of who these “other stakeholders” are or how exactly the board of directors protects them. Some financial reports go as far as identifying the stakeholder groups, but they do not suggest that they have been engaged with.

For instance, CP1’s 2015 report claims to have open communication with stakeholders including “shareholders, brokers, the investing community and the New Zealand Shareholders’ Association, as well as staff, suppliers and customers”. Details of two-way communication with stakeholders (primarily by phone) have only been provided for shareholders and does not include other stakeholders. Aside from shareholders, employees are the only other group of stakeholders mentioned in the report. However, the discussions are mostly in terms of employment benefits rather than engagement. CP19 also identifies investors, employees, customers, suppliers, creditors, and members of the local community as stakeholders in their reports. There are claims of engagement with shareholders and employees but it is not clear how the engagement was done and what the outcomes were.

CP5 seems to define stakeholders as those who gain profit from it. The term "stakeholder" has been used only twice in its report and on both occasions in financial terms. The report reads: "With a back-to-basics approach and strong focus on accountability, the group's performance improved substantially over the following four years. This improvement resulted in higher profits, a recovered share price and winning back the confidence of many [company's name] stakeholders". CP11 appears to have the same view about stakeholders. In its 2015 report, the term "stakeholder" comes up five times and mostly refers to "market stakeholders". No other stakeholder groups are identified in the report. The company's 2017 report has not changed much except it identifies stakeholder groups as "regulators or government, the Electricity Commission, listed issuers, brokers or institutional and retail investors".

CP18 singles out one customer and provides details of how this particular stakeholder is engaged with. According to the report, the company engages with one major customer which contributes 10% of the total revenue, the regulators, and permanent employees. The outcome of the engagement is not described in the report. CP8 similarly indicates engagement with customers and employees. The report also suggests that the company works towards managing the indirect economic impacts on different stakeholder groups. There is no indication that the same is being done on social and environmental impacts (except a mention of encouraging recycling in the business).

5.3.2. Changes in stakeholder engagement and non-financial reporting

While several organisations covered in this study (e.g., CP1, CP6, CP8, CP13, CP17, and CP21) only added their charity works and gender diversity topics to their reports as non-financial disclosure, some others made major changes to the way they report since 2015. Out of the 21 companies, which participated in this study, six made substantial improvements to their non-financial reporting in 2017 (Table 7). This sudden increase in the number of active reporters could be due to the new code of governance introduced by the NZX (NZX, 2017a). According to a representative of SBC who participated in this study, many of the earlier reports had a low quality and were only “about the good parts” of companies’ actions. This has been improved and replaced by companies looking into “what their role in New Zealand is” and taking actions to address the impacts that they have.

Company Code	2015 Report(s)	2017 Report(s)
CP 1		
CP 2		
CP 3		
CP 4		
CP 5		
CP 6		
CP 7		
CP 8		
CP 9		
CP 10		
CP 11		
CP 12		
CP 13		
CP 14		
CP 15		
CP 16		
CP 17		
CP 18		
CP 19		
CP 20		
CP 21		

Table 7. Organisations changing their approach towards non-financial reporting.

The report includes a range of non-financial information including company's, economic, social, and environmental impacts and the actions taken to address them. It also illustrates details of how stakeholders are engaged.

The report includes some non-financial information but there is room for improvement. There is little to no information about stakeholder engagement.

No Non-financial information is presented in report. There is no sign of stakeholder engagement.

Company has been delisted from the NZX.

For example, CP2's 2017 sustainability report is significantly better than its 2015 report. The 2015 report, which included economic, social and environmental aspects, followed a narrative storyline. The company had set clear goals, priorities and targets for each element. The company also identified where they stood regarding diversity, carbon footprint, safety, electricity and water use, and recycling rates, and defined the goals they planned to achieve for 2016 and 2020. However, as mentioned earlier, only employees were engaged to determine the key issues. Also, while some of the negative impacts of the company were described (mostly in a smaller font and at the bottom of the page), the report did not include all indicators identified by guidelines such as the GRI.

The company clearly learned a lot from their reporting process as its 2017 report is much more detailed and addresses issues more directly. The company identifies the problems with statistics and explains exactly what is being done to resolve them. The report has grown significantly in size (105 pages compared to 22 pages in 2015). This is because the company has chosen to use the Integrated Reporting framework. The report has been written using both IR and GRI principles, and includes a complete GRI content index, which was not used in the 2015 sustainability report. Most importantly, the company has specifically mentioned the stakeholders they have engaged with to identify the material issues in the reports, the way they engaged them and what is important to each group. The term stakeholders was used 37 times in this report compared to only twice in the 2015 sustainability report. Suppliers, communities, employees, and NGOs are among the stakeholder groups identified as having non-financial transparency expectations.

CP3, CP6, and CP9 too have completely turned their reporting behaviour around. Despite CP3's significant environmental, social and economic impacts, there was no indication of non-financial transparency nor stakeholder engagement in the 2015 annual report. The company even has a sustainability department and there is a section for sustainability on the company's website. It appears to be for marketing purposes rather than for communicating the company's impacts. In the 2017 report, however, the organisation has identified "creating sustainable value for all stakeholders" as its long-term strategy. The company has also introduced its very first sustainability report. The report, which is in accordance with GRI standards, identifies all New Zealanders as stakeholders who "value their natural environment highly and they expect [the company] to continue to strive towards the highest standards of sustainability". The company claims to have shaped the topics and structure of the report using a materiality process, which considered the stakeholders' view on how important the topics are. The stakeholder groups are clearly identified and the method of engagement with each group has been described in detail.

CP6 introduced its second Annual Integrated Report in 2017 (the first one was in 2016). The report, based on IIRC's framework, claims to cover the issues that are important to the company and its stakeholders, including "customer relationships, financial performance, work health and safety, operational efficiency, energy and carbon emissions, transport resilience, commercial focus, employee relations, and public safety". This report includes a complete and detailed section on who the stakeholders are and how the company engages with each group. There is an indication of the expectations of customers and some investors for non-financial transparency in the report.

Despite CP9's major social and environmental impacts on the country, the company disclosed little to no non-financial information in 2015. In fact, instead of identifying the issues caused by them and offering solutions, the company saw itself as a solution for other organisations' environmental impacts. The company's corporate report for 2017 is completely the opposite of what was produced previously. The company claims to have "ultra-long sustainability in mind" when they take any actions. Half of this report features non-financial information. While it incorporates aspects of the Integrated Reporting framework, it has been prepared in accordance with the GRI standards. Different stakeholders have been acknowledged, including customers, employees, partners, shareholders and investors, Iwi, the government, community, suppliers, and industry participants. Topics covered in the report include economic performance, natural resources availability, fairness, climate change, environmental compliance and mitigation, safety, and customer experience. The company also explained what action they are taking to resolve issues related to these topics. Stakeholders played a key role in what is included in this report.

CP15 has made considerable changes to the way it reports. The company operates in the horticulture industry with nine subsidiaries. While there is a “people, community and environment” section in the 2015 report, there is no actual non-financial disclosure present. This section only claims that the company cares about the community, its employees and the environment. There is no explanation of what the impact of the organisation’s activities are and how they are being managed. Nor is there any sign of any stakeholder groups (aside from shareholders) being engaged or communicated with. The term “stakeholder” has only been used once in financial terms. However, in their 2017 annual report, the company has taken a big step towards sustainability reporting by using GRI indicators and engaging stakeholders. The top issues include employment, health and safety, supplier requirements, water use, and carbon. There is of course room for improvement as the topics mentioned are listed but not discussed in the report.

While many of these companies have moved towards integrated reporting, CP10 has only used the GRI framework to disclose their non-financial information. The first half reports on financial outcomes and in the second part, a GRI index is introduced. The GRI index by itself is hard to read and understand for an average reader compared to other reports where the index is used within an IR framework. Stakeholder groups, identified through different methods, include the general community, Maori, environmental groups and other non-government organisations, shareholders, investors, employees, local government, central government, and industry partners and bodies. The most important issues to these stakeholders (both internal and external) have been around company's investment plans for the future (making smart decisions that bring good value), and environmental responsiveness (climate change and environmental footprint).

While the report acknowledges the stakeholders' expectation and the important topics for them, it has not addressed them in an easy to understand and clear manner. Instead, it uses the GRI index to refer the reader to either a different link or an email address to find answers. For example, for one of the indicators which asks for direct and indirect greenhouse gas emissions by weight, the response is that "the report can be requested by email".

In 2016, CP10 changed its direction towards their first separate and comprehensive sustainability report. GRI is used to guide the core of the report and the company appears to address issues raised by stakeholders directly. The material issues have been identified through conversations with the stakeholders and by what the media have covered about the company in the past year. While the report is an immensely improved version of the earlier report, it is still difficult to understand what specific negative impacts the company's activities have had on the society and the environment and how they are addressing them. For example, for major environmental issues such as waste and carbon emissions, the report just states that "data is not available at the time of publishing". So once again, despite engagement with the stakeholders and acknowledging their expectations, this SOE has not transparently discussed its negative impacts and what they are doing to resolve these issues.

5.3.3. Factors which shape the Companies' perception of stakeholders and their expectations

Firstly, companies that claim that there is a lack of pressure to disclose non-financial information only see shareholders as their stakeholders and do not consider other stakeholders' opinion as relevant. When talking about pressure or expectation from all stakeholders, this group draws on what shareholders would want to see in the reports, ignoring other company stakeholders. The statement "There is no pressure from institutional or retail shareholders" (CP12) was used in different forms by others to explain that there is no pressure from stakeholders as a whole. As mentioned in the previous section, this was also evident in some of the corporate reports produced by the organisations.

To explain why some companies still produce sustainability reports when there is no expectation, a general manager in finance of one of the biggest companies active in the real estate services sector said:

> *I think it is just an expectation of best practice. Most or a lot of companies have a sustainability section in their reports now and it's just a bit of a process. I think 10 years ago people got excited about sustainability and it has calmed down a bit and mostly they are after financials. (CP12)*

This group of companies commonly considered a certain group of people as the audience for their reports. This included shareholders, potential investors, share brokers, people who advise investors, and banks. This view was not industry specific and was not affected by the type of ownership. For instance, CP10 from a state-owned enterprise with a substantial impact on the environment, economy, and the society, emphasised that what "stakeholders" are interested to see in the reports "depends on the type of investor that they are". He then even categorised stakeholders as analysts, institutional shareholders, and mom and dad investors. He then explained what each of the categories expect to see in a report and said:

> *Analysts are quite data focused. They are more interested in the financial statements, the bottom line material, but also the fine print, the less interesting financials. So they are definitely focused on that aspect of the annual report, whereas you have the institutional shareholders which are typically run by the fund managers who are also interested in that. When you put your mom and dad type investors, they are more interested in the overview sections. So that's basically the snapshot of the financial year and trending progress looking ahead; and generally prospective investors are in that boat as well, but that depends on their investment strategy. (CP10)*

The participants were very clear about why shareholders are not interested in sustainability reports. According to a participant, aside from the shareholders who do "CSR investing", only certain customers who are "managing risks in their supply chains" and want to understand who they are purchasing products from, what their supplier's performance is like, and what their standards are in terms of corporate responsibility ask for non-financial information regarding the impacts of the supplying company on the environment, the economy, and the society (CP3). These customers want to know how they can work with their supply chains "to improve their own indirect performance" (CP3). This type of clients are the ones who directly ask for sustainability indicators. According to another participant, some of the companies that do CSR investing are very powerful and if a company does not report their negative impacts, the investment company will find out and withdraw their investment (OP6). He said:

> *There are still ways of finding out [the negative impacts] they have got billions in investment so they have got a bit of resource to chase people up so they go through these third party company who do the research for them…at the end it might be easier for the companies to publish that stuff annually anyway. (OP6.*

The second factor for the lack of interest from shareholders for sustainability reporting, according to some of the participants, is that some of the shareholders do not know of the existence of sustainability indicators. They are generally happy with what is written in the report because what is being reported is what is legally required by the government and assured by third party trusted assurance companies. A sustainability specialist, who works at one of the few firms in New Zealand which produces a separate sustainability report, agrees that there is no pressure from the shareholders. She said:

> *That's the frustrating thing in the New Zealand environment, there is not that pressure. Your customers don't ask for it. Our shareholders of the government they don't ask for it. (CP7)*

She argued that the reason for this lack of expectation is because such a standard has not been introduced to the public properly and they basically do not know that they can even expect sustainability indicators:

> *I think part of that is because people don't know what they don't know. If we actually produce something, until they can see it and when they have seen it and go: oh actually I quite like that; [I] quite like the reporting on that. Can you keep doing it?...I mean all of the research that I have read suggests that there is more and more of an expectation that people want to know more than just the financials of the company they are going to invest in. Because the health and ongoing welfare of that company, and their ability to make returns is depending on a lot more. All those things that underlay, all those non-financial things. (CP7)*

The third factor, which could explain the lack of pressure from shareholders is how they are represented. Many of these companies have hundreds of thousands of shareholders. Many of these shareholders are "retail" or "mom and dad" investors who do not necessarily have the necessary knowledge to demand sustainability reporting. In many situations, they also have no decision-making power, which is why they choose a board of directors to make important decisions on their behalf (Eccles et al., 2014), or they invest through "fund managers". How retail shareholders choose to invest, affects their level of expectation for non-financial transparency:

> *Depends if they are active shareholders or they are going through a broker who is going through a portfolio and just wants some clients. Some people might look at CCC's annual report and go I don't like gambling. I'm a mum and dad investor now reading that you have got problem gamblers leaving their small children in cars in carparks while they have gambling episodes. They go I've got small kids myself I don't like that. So it depends how transparent they are. Is that one of their most material issues, you bet it is. (OP6)*

The challenge here for the so-called mom and dad and other minor shareholders is monitoring their "agent's" performance. There is a possibility that the chosen board would act in its own interest instead of their interest (Kasum & Etudaiye-Muthar, 2014). It is the board who has the final say in what is put in the report. So, who gets to sit on the board becomes an issue since a handful of people get to decide what thousands of others see. In most cases even the CEO does not have the final say. One participant said:

> *[CEO] probably has the final say before it goes to the board but the board has that final sign up with the content that goes out there. (CP14)*

The fact that in some cases in New Zealand the same director maybe a member of different boards in different companies is also a potential problem:

> *There has to be better engagement at a director level. You know we have got the same people all sitting on a number of companies and at a governance level. If we have one director who is looking after 5 different listed entities and if that person is not a fan of and advocate of ESG (Environmental, Social, and Governance) reporting, then none of those five companies are going to do it. So there is quite a bit of influence at that board level. (OP7)*

The **Fourth** reason that shareholders have not been demanding information on activities that affect the environment, society, and the economy is the fact that the majority of the shares in many of the biggest corporations in New Zealand are owned by the government itself. Through state owned enterprises (SOEs), which behave like privately owned organisations but are at least partially owned by the government (Roper & Schoenberger-Orgad, 2011), the state maintains a proxy operation in the economic sector. Although SOEs are designed to create profit and also be responsible towards the public (Cunningham, 2011), the relationship between the state and the economy is unclear (Roper & Schoenberger-Orgad, 2011).

The fact that the government of New Zealand is a major shareholder of some of the most profitable public firms in the country ostensibly creates a conflict of interest. For example, 51% of very large companies such as Air New Zealand (AirNZ, 2015), Meridian Energy (Meridian, 2015), and Mighty River Energy (Mightyriver, 2015) are all owned by the state. As an airline and two of the biggest energy producers in the country, all these companies have direct impacts on the environment, society, and the economy. In the case of government owned companies, "very rarely there are questions about transparency" (CP18) in general. A participant who is a marketing analyst says, when one "large shareholder owns two-thirds of a company" and this big shareholder is the local government or a government enterprise, "it has a lot of influence" over the company's reporting protocols. In other words, if this large shareholder does not ask for sustainability reporting, the company does not feel the need to provide it. The influence of this large shareholder "with a 66.7 % stake" in some ways tramples upon the interests of small shareholders "that own one or two shares" (CP18).

One of the sustainability professionals who participated in this study stated that she is aware of and found it "appalling" that some government owned organisations do not currently (some used to) release any non-financial information in regards with their activities. She said:

> *It is in the public interest and we all should demand a level of transparency on their non-financial impacts and I think it should be mandatory for all government owned entities and at local government level as well. (OP7)*

The challenge the government is facing is the number of regulations that it places in front of national and international investors. A participant who is a Chief Financial Officer argues that the government of New Zealand must reduce the number of regulations in the stock market instead of increasing them in order to create an environment which seems more appealing to investors. He claims adding "another set of regulations to follow" scares away potential investors from outside the country who have plans to invest in companies in New Zealand and does not add any value. He said:

> *Investors, especially foreign are scared of regulations. I don't know if anyone is really ready for it [sustainability reporting] because ultimately in an environment where the government is trying to minimise the amount of compliance work, this just adds another layer to it. (CP8)*

In terms of creating such a safe and investment friendly environment, the New Zealand government has done a lot. In fact, it is so friendly that many of the listed companies in New Zealand are owned by foreign companies. Many of these companies own such a big portion of the listed companies that they have the power to dictate what should be reported. The communication manager of one of the listed companies which is active in the food industry explains that they need to be very careful in dealing with some foreign investors:

> *The one thing that we need to be more mindful of is we have investors who are generally customers of ours but are large organisations globally. For example, YYY owns 39% of this company. They are listed on the FFF Stock Exchange…There are things that we need to be mindful of with the likes of YYY. (CP19)*

The fifth factor for the lack of expectation is that the majority of the holdings in most top NZ companies belong to a dozen international firms with very little non-financial stake in the country. Companies such as JP Morgan Chase Bank, Citibank Nominees, and HSBC are major shareholders in all top 15 companies listed on the NZX. These firms are able to invest through "New Zealand Central Securities Depository Limited (NZCSD), a custodian, fully owned by the Reserve Bank of New Zealand" (RBNZ, 2016). In some cases, up to more than 90% of a company is owned by a few of these investment firms, giving them a pool of power while "mom and dad" or "retail" shareholders hold a drop. For example, the top 10 largest shareholders of Spark New Zealand, one of the major telecommunication companies in the country, hold 76% of the company's shares (Spark, 2015). Interestingly, when the Reserve Bank was asked what portion of the holdings in a company is held by which member of NZCSD, the response was "unfortunately we are not allowed to divulge this information as it is confidential". This means one cannot know exactly which mega foreign corporation owns what portion of a public company listed in New Zealand unless the company itself chooses to share that information.

The sixth reason as to why stakeholders may not expect a sustainability report, according to some participants, is because the company is too small and their stock prices are not high enough for them to be noticed. One participant even explains how their small size has helped them get away with providing the least amount of information. He said:

> *The expectation hasn't changed partly because I think our share price is around that sort of 1 or 2 cent mark. So we are classified as a penny stock. I think once we start lifting out of that, over the next*

year or two then the expectations from analysts and the market will change and we will need to front with more information. That's my gut feel that at the moment we are sliding under the radar. We are there but not big enough from a shareholder point of view. (CP16)

There are other companies that claim the expectation is to do more sustainability activities rather than reporting on the company’s effects. There is also clear indication that philanthropic activities are what they believe their shareholders expect to see in a sustainability report, rather than how the organisation is affecting the economy, environment, and society. Evidently, what companies believe is expected from them, is to be more active in the community and charitable organisations.

It is not entirely true that there is no pressure from any of the other stakeholders. The pressure may not be direct but in some cases companies have sustainability disclosure just to be able to sell their product. The chief financial officer of one of the companies in the fishing industry said that they will publish sustainability reports in the near future because of the fact that they are operating here in New Zealand and they do not want customers to question the source of their product and whether they have “pillaged” in environmentally unfriendly ways. They are aiming to get all their products from sustainable sources so their customers know that they are providing the best product available.

For the sustainability professionals who participated in this study, there is certainly expectation from some groups of the stakeholders. One said:

Certainly there is expectation and pressure from certain sectors. I would say that now we have that corporate governance code. To even *get that to come to life meant there were interested parties. So I would say there is a growing interest and expectation. (OP7)*

5.4. A common Standard, Role of Government, and GRI Reporting

According to a joint report done by KPMG International, the Global Reporting Initiative, the United Nations Environment Programme (UNEP), and the Centre for Corporate Governance in Africa (at the University of Stellenbosch Business School), which included 71 countries with sustainability reporting instruments in place, there has been a massive growth in the number of reporting instruments, and the countries that use them in the past few years. This report shows that in 2013, 180 instruments were used in 44 countries, while in 2016, this number had increased to 400 sustainability reporting instruments in 64 countries. More importantly, this report identifies the government of these countries as the source of more than 80% of these instruments (UNEP et al., 2016). Other sources included financial regulators, stock exchanges, and industry regulators. Sixty-five percent of the 400 instruments are mandatory.

In other countries like Australia, where general sustainability reporting is not mandatory (although there is legislation surrounding specific aspects of non-financial reporting such as carbon and water), it is recommended that a listed company "should" release any material information that involves risk to the sustainability of the environment, the economy, and the society, and explain what actions they have taken or intend to take to deal with the risk. This is a part of the recommendations included in the listing rules of the Australian Securities Exchange (ASX) (ASX Corporate Governance Council, 2014). As mentioned earlier, New

Zealand has recently taken the same approach in recommending that companies comply or explain why they have chosen not to report on a certain matter. This recommendation is expected to be implemented in 2018.

Since sustainability reporting is not a requirement in New Zealand nor is it recommended by any of the regulators, I looked into how companies felt about mandated sustainability reports. There were mixed opinions on this issue. There were many companies that questioned "why" we would need such a report and saw no value in adding it, and it was a common belief that it "will be hard for companies to measure". Some even expected "the government to help the people fund it" and there were many who believed it does not apply to their industry and it would be impossible to define. They also argued that New Zealand is too small and is not ready for corporate responsibility reporting.

There were others who argued that there are just too many different types of businesses and, therefore, sustainability reporting cannot be made mandatory:

> *No [not a good idea] and the reason for that is in principle it sounds like a good thing but how do you define it?... I just don't know how you would do it I mean there are so many businesses...that would be another set of regulations to follow, (CP20*

On the other hand, there were a few who believed mandatory sustainability reporting would be good for the country and thought it was heading that way. One participant even questioned the authenticity of some of the sustainability reports being produced in the current voluntary system and thought that the value of most of the reports created nowadays is "negligible". This participant (CP2) argued that many of the companies which create sustainability reports end up harming the environment but because the reports are not authentic, the harm done does not get reported.

Whether they agreed with mandatory sustainability reporting or not, almost all participants had a main general concern: would all companies from different industries have to follow the same standard? Again, companies had two different opinions regarding a common standard. One supported the idea of having a common standard and argued it provides indicators and makes measuring the effects possible. One of the participants who had this view said:

> *It would be useful if there was a common standard. I don't know what that should be, but the beauty of an accounting standard from my perspective is that it becomes easier to decipher what you do and don't need to report on. And the complexity at the moment is in relation to sustainability and climate change and all of that good stuff is you know what are you required to do and what should you do?…I just am not sure that we have got a common viewpoint on what is appropriate in relation to your impact on the environment. (CP8)*

The other side argued the applicability of a common standard throughout all industries and thought it would be impossible to use it for all sectors. In fact, some companies refused to participate in this research by saying "We don't have a need for sustainability reporting like other larger operating companies" and thought sustainability does not apply to them just because they were in the financial service sector. Another participant from a company active in the forestry industry, which uses natural resources to create their product, believed their company did not need to provide a sustainability report because what they need as raw material "isn't native" and despite my direct question whether or not the material comes from outside New Zealand, he said: “the business turns over about half a billion and of which I think only about 20% is derived from New Zealand” (CP20). He then explained that most (not all) of the raw material that they use is environmentally certified and sustainably managed. Further investigation on their company’s website and reports showed that in fact they do have sources of raw material (more than the 20% claimed by the participant) in New Zealand.

Some were concerned that adopting sustainability reporting requires a big change in the way they operate and their business model. One argued against having a mandatory system for sustainability reporting by saying:

> *All the different companies have very different business models and therefore, when you make something mandatory you are making everyone report on the same basis and that might not sit within their business models…And I think people should refer to sustainability in a way that it fits in their business model...It would differ for different companies. (CP9)*

Sustainability and Corporate Responsibility reporting has been made mandatory in many countries around the globe using the Global Initiative Reporting (GRI) standard in different industries and sectors such as automative, transport and leisure, retail, industrial and manufacturing metals, healthcare, mining, food and beverages, oil and gas, technology and telecommunication, and even financial service (KPMG, 2015). Figure 10 shows the massive growth in Corporate Responsibility reporting because countries like India have made CR reporting mandatory.

One of the sustainability professionals who participated in this study warns that care needs to be taken while considering mandatory reporting for New Zealand, and believed that it would be disappointing if non-financial reporting was mandatory and most companies just did the “bare minimum” and the results were not “dynamic and interesting”. She said:

> *I think all listed companies should do some ESG (Environmental, Social, and Governance) reporting, I would support more towards mandatory but I would say that you wouldn’t want dictate to what level that needed to be… I think they should make it mandatory. But I think they should encourage either the use of GRI or the integrated reporting framework (OP7)*

Almost all the companies that are voluntarily providing sustainability reports in New Zealand (about 17% of all listed companies) use GRI standards as a guide. This standard is also used by third party assurance companies such as KPMG as a reliable guide to assess quality of the reports prepared by companies. According to a participant whose company currently does provide a sustainability report, GRI is a prefered guideline because:

> *It’s a consistent approach. It’s a global approach and the indicators are from backed reporting guidelines of founders out there globally. So we know that what we are reporting on is consistent with other reports, and it’s more tangible for the reader and it gives them more confidence as well. (CP14)*

As the most used standard globally (Levy et al., 2010), the GRI standard gives the most suitable indicators considering environmental, economical, and social dimensions (Manetti, 2011).

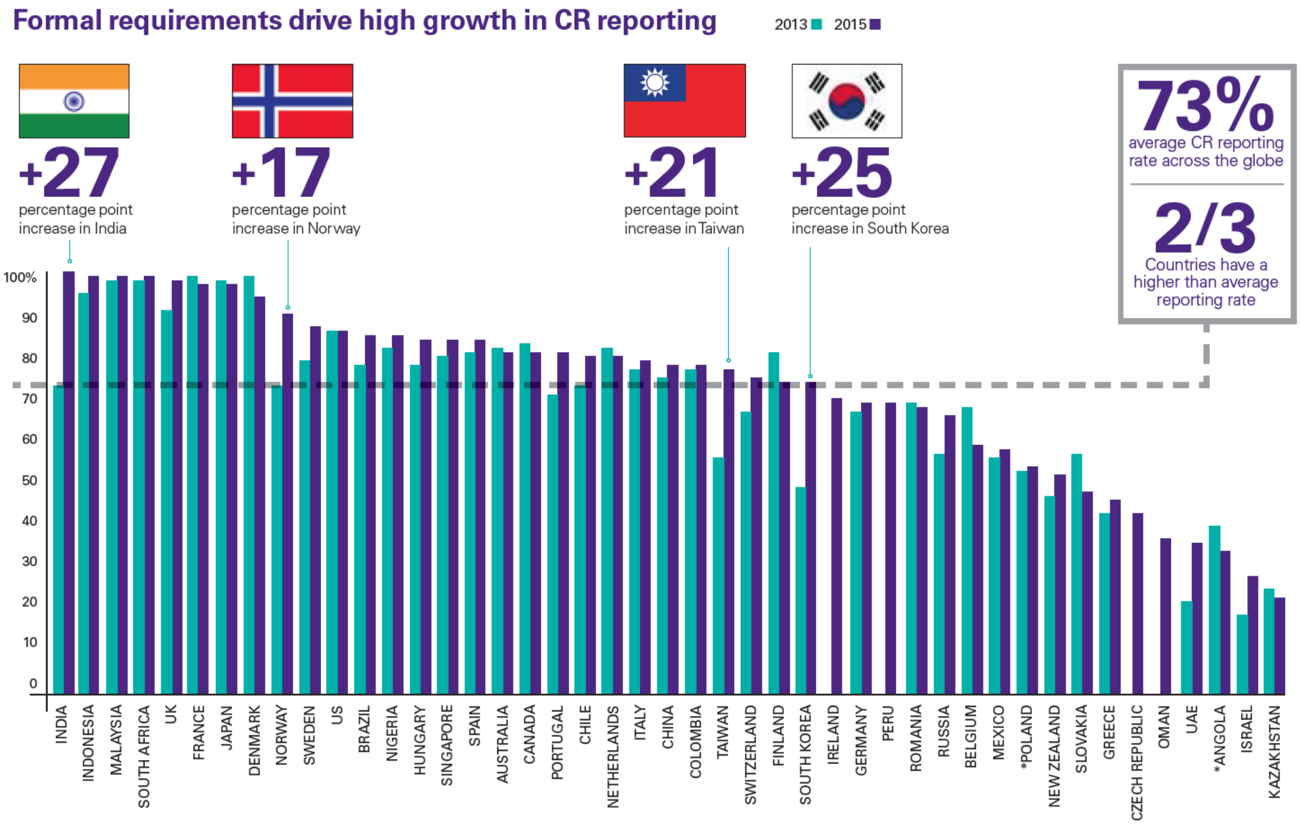

Figure 10. Corporate Responsibility reporting growth in 2015 compared to 2013. Source: KPMG (2015)

However, the analysis of corporate reports of the participating companies in this study shows that the majority of the reporting companies are moving towards Integrated Reporting or mixture of both IR and GRI. A participant whose organisation has helped many public companies to put a sustainability report together, explains that using GRI, IR, or both depends on the type of the company. She argued that in her experience some stakeholder groups such as “Iwi” find IR more useful, and that the value creation model that is used in IR is “a really important fundamental piece of work to do, which the GRI standards don’t actually get into” and that is why many companies choose to do a mixture of both which results in “ultimate” reporting (OP7). She said:

> *The GRI standards works for certain types of companies. We also think that in the natural resources sector in agriculture and others seeing the value chain is actually quiet useful so integrated reports work really well for those type of businesses. the similarity is that they both encourage materiality assessment that is stakeholder lead. There is also measure of performance indicators and review of business strategies. They are very different. One looks at value creation the other looks at indicators of performance being the GRI. (OP7)*

This participant explained that in her experience the IR framework has become more valuable than GRI since it is "more holistic" and can integrate sustainability with business strategy. According to this participant, sustainability managers have had to "tick boxes" to use the GRI framework and the results were only read by the sustainability reporting community because it spoke their language.

According to a GRI trainer, businesses need to get the "fundamental stuff" right first by using the GRI standard, and then adapt the IR framework when they are ready (OP6). He believed that the IR framework by itself is too focused on the shareholders, and explained that while the two are "complementary", the indicators that are available in the GRI standard and absent from the IR framework are very valuable tools. According to him, the GRI is more focused on performance while IR concentrates more on value creation:

> *IR on purpose did not repeat everything that's in GRI. They go this stuff is already out there, use it. But on top of that help us understand your business model value creation, capitals and what you create over short, medium, and long term and its link to strategy. (OP6)*

The representative of SBN also believed that while the Integrated Reporting framework is “the gold standard” at the moment, the government does not need to tell the companies what framework they should use (OP5). Similarly, the representative of SBC explained that their organisation does not necessarily recommend a tool but rather informs its members of what tools exist (OP4). She explained that how companies practice sustainability defines what tool they use. This participant shared her personal view regarding the GRI standard and the IR framework and described the first to be “so prescriptive” and “quite structured” which makes it hard to communicate the qualitative information, while the latter “gives the story”, which is why many of their members choose a blend of both. However, she believed, shareholders might prefer the GRI standards more.

5.5. Summary of the Chapter

How companies understand corporate transparency shapes the way they prepare their corporate reports. For some, transparency means complying with the law and, therefore, publishing an annual financial report is equal to transparency. For a few, transparency is more than just passing the legal requirements and involves honesty in every aspect of an organisation’s operations, not just the financial ones. For these companies, it is about disclosing material information about their actions which have negative effects on the economy, the environment, and the society, and their plans to resolve those issues rather than just reporting on their philanthropic activities.

Aside from legal requirements, factors such as a company’s reputation, and stakeholders’ expectations can influence what material information is selected to be in a report. Some participants in this study suggest they are influenced by what they perceive to be a lack of expectation on the part of stakeholders for sustainability reporting.

The concept of having a regulatory body managing the process of mandatory sustainability reporting was challenged by many participants, who argued that such requirements do not have any value, and will be hard to define since there are many different industries in the country, and that a common standard cannot be applied to all industries.

In the next chapter, I look at the challenges of applying a common standard and producing a sustainability report, as well as the motives for publishing such a report.

CHAPTER 6: Findings II. Motivations, Challenges, and Barriers

Introduction

According to the Global Reporting Initiative (GRI, 2013a), sustainability reporting has several benefits which can motivate organisations to publish one. The following are some of the notable benefits described by the GRI:

- Non-financial reporting can establish trust between companies and their stakeholders and increase credibility while reducing reputational risks.
- It reduces cost by improving decision-making processes.
- It can lead to better and stronger strategies through its process, which involves a complete analysis of strengths and weaknesses.
- Measuring sustainability performance can help organisations gather the necessary data more efficiently.
- Responsible companies can be more appealing to investors and other stakeholders.

In this chapter, I assess different views that the representatives of the participating companies have regarding the benefits of sustainability reporting.

Organisation of chapter

This chapter is divided into two main sections:

1. In the first section, I focus on the two main drivers that motivate companies in New Zealand, which currently publish sustainability reports, or are

considering issuing one in the near future. For my analysis, I look at data gathered from the interviews as well as reports and data from the Sustainable Business Council (SBC). Since the cost of publishing a sustainability report seems to be a major concern for the companies (as also noted in the second section of this chapter), I explore if companies see a reward system, such as tax incentives, as a potential motive for reporting.

2. The second section of this chapter looks at the challenges that companies are facing in New Zealand, and the barriers that prevent some of the biggest companies in the country from disclosing non-financial information. I pay special attention to the materiality process by reflecting on the latest sustainability reporting guidelines published by GRI (G4), and explain the procedures companies must go through to choose the right material information to include in their reports.

6.1. Motivations and Drivers

By the end of 2013 only 17% of the top 100 companies in New Zealand were providing a corporate responsibility report while this number was as high as 71% across the Asia Pacific region (KPMG, 2013). The number of reports produced by New Zealand based companies had not grown much by 2015. Nevertheless, there has been some progress (KPMG, 2015). So what drives organisations to produce such a report in an environment where there is a noticeable lack of expectation or pressure from certain stakeholders? (Discussed further in the next section).

Aside from the rare occasion when some CSR investors ask for a sustainability report, a few other factors sometimes push companies in New Zealand to make the effort to disclose their effects on the environment and society. As sustainability reporting in New Zealand has been voluntary, stakeholders with expectations of such information rely on other motivations to kick in. A sustainability professional points out that these motivations include the desire of a company to demonstrate leadership in its sector and the “peer pressure” of competitors to act (OP 5). However, he believes such motives are weak in New Zealand because of the small market in New Zealand compared to markets in other countries such as Australia. Corporate participants in this research who are involved in currently publishing a sustainability report, or are in the process of creating one, highlighted the following drivers to do so.

6.1.1. Change in Leadership

A change of leadership in an organisation is seen as a major trigger for the organisation to start publishing sustainability reports, or to significantly improve its existing ones. A new leader has significant influence on a company to change its perception of sustainability reporting. Most of the current producers of sustainability reports, and those working on one for the near future, believe that a new management’s approach encouraged staff to look at sustainability in a completely different way. Interestingly, most of the leaders who had experienced the benefits of sustainability disclosure globally, started to apply it within the organisations they took control of in New Zealand. One of them said:

> *I think we're going to bring in some global expertise within that space [sustainability disclosure]. Our CEO is ex CEO of UUU in North America. He ended up leaving UUU in North America. What I mean by that is he will lever a certain knowledge of sort of corporate golden standards. So it's kind of interesting now having a*

CEO who comes from UUU, and understands the core value within sustainability. (CP2)

Some argued that sustainability must go straight to the heart of the business plan and thus be fully integrated across all business units within a sustainable framework. They believed that this could only be possible when the management is committed to sustainability, has the desire to introduce a new business model and values, and is willing to create new roles such as a "Chief People Officer", whose job is simply to make sure the employees of the company are well looked after, so they can represent and communicate the values of the company. For example, one participant (CP14) said that this style of management could be so effective that it could encourage everyone in the organisation to be passionate about sustainability. She also praised the efforts of the Chief Executive Officer of her organisation and said:

Definitely the CEO. It's his passion. I don't mean to say background affects position but our previous MD was an accountant. This one is a completely different management style, more about the people. Because he is quite passionate as well, it really comes through when he delivers the message and talks to his staff… So it automatically makes you feel quite valued and I think because of the way he approaches, everybody wants to see the company succeed. And I think they always have, but they have never been openly passionate about it [sustainability] so it's all from the CEO. (CP14)

She also explained that by "developing the people" in the company, the management has, over the years, introduced changes in their strategy, and has promoted a culture of "sharing information".

6.1.2. Social License to Operate

The Sustainable Business Council (SBC) and Business NZ's Major Companies Group (MCG) define a Social License to Operate (SLO) as a company's ability to continue to operate because society trusts that the firm will act legitimately, and be socially, and environmentally responsible. They believe companies behave in this way to not only comply with regulations but also because they consider the wellbeing of a much larger group of stakeholders and feel responsible to be more transparent (SBC & MCG, 2013). SLO is another motive for organisations to provide sustainability disclosure and, according to OP4, "young people" and "the new workforce" are big drivers. Companies such as the one represented by CP14 even attended the workshops about SLO provided by the SBC. She explained the importance of having a social licence to operate for her firm by saying:

> *The reason why we report quite a lot on sustainability, is because people don't see us as a sustainable operation. This is because we are catching fish at the end of the day, so we need to show that we are sustainable and, ultimately, we need to maintain our social license to operate. To maintain our social license to operate we need to show the community and the area that we work, that what we are doing is legit. (CP14)*

According to the SBC, 75% of New Zealanders consider economic growth to be their main concern for the country. Having said that, they also want to protect the environment even if that causes a slower economy, simply because New Zealand's environment is the basis of their quality of life. The SBC's findings also indicate that New Zealanders are gradually growing concerned about businesses' emphasis on profit over their role in society. In fact, 76% of those polled believe that companies should pay more attention to public good as well as making profit for their investors (SBC & MCG, 2013).

The implementation manual of G4 (GRI's latest sustainability guideline), regards a SLO as closely related to reputation. According to the manual, failure to manage social, economic, and environmental impacts can result in loss of social license to operate, as well as damage to the company's image and reputation (Initiative, 2015). "Brand and reputation matters to the shareholders" (OP4). To have a good reputation, companies need to obtain the SLO. Sometimes, paradoxically, to gain the SLO, companies need to put their reputation at risk. For example, there are public companies in New Zealand that feel pressure to pay more attention to the general public's wellbeing, and even put their reputation at risk by being more transparent, just to earn that social licence to operate. A participant (CP3) spoke of a recall by his company last year, which, despite the potential reputation risk of informing the public, was necessary to show the public that they were being transparent. He explained that the "reputation risk would be balanced against the need to be transparent" and informing the public was worth the risk.

6.1.3. Tax Incentives

As many of the participants' major concern regarding producing a sustainability report was its cost (this will be discussed further as a barrier in the next section), I looked into whether a reward system such as tax incentives would change their mind-set about sustainability reporting and its values.

Most of the companies had a very positive reaction to the idea of receiving tax incentives as a motivation to increase their sustainability activities and disclosure. While a participant from a state-owned enterprise (CP6) felt that the government would never give tax incentives, the current providers of sustainability reports believed that if such incentives were put in place, there should no longer be any other reason for not disclosing information regarding a company's direct and indirect social, environmental, and economic impacts. A participant, whose company does not provide any information in terms of corporate responsibility, believed tax incentives could be a very good start:

> *I think it will be very good. If there is a tax advantage of lowering your carbon, or your electricity, or water usage that would be great. We are looking at doing a development and there is a requirement and the plan is, they want to see highly efficient buildings that are good on the environment and there is not a really big return on that investment. Anything that we got back from the crown or the local body that recognises the fact that you are investing in sustainability would be very good to be honest because they are very expensive. (CP12)*

Four of the companies that do not publish a sustainability report disagreed that tax incentives could help. One believed, "unless it's a significant tax incentive" it will not serve as a major motivation (CP3). Another explained that the major issue is the managers' lack of understanding of the benefits of producing a sustainability report (CP14). She argued that unless the management of a company has complete understanding of the benefits of the report and sees value in creating one, even tax incentives will not motivate them to do it. A good example of this was a participant's (CP1) reaction to the idea of tax incentives. His company does not include any material information that is concerned with social, environmental, and economic impacts in their corporate reports. He evidently also understands the purpose of sustainability reports as a tool that only communicates their philanthropic activities with their shareholders. He argued that they "don't do the donations to get the tax deduction" and that is not the key motivation for why they donate to the community. In terms of reporting, he said: "if there is a cost involved even if you get a tax deduction the question is what benefit of reporting is there and do our shareholders want to know" (CP1).

A senior manager in the sustainability team of one of the biggest assurance companies in the country (OP2), weighed in on the idea of having tax incentives by drawing on the concept of "greenwashing". She believed the incentives could be a good motivation if the reporting process is managed properly using an appropriate framework, and then the information provided needs to be checked to see whether the company is disclosing the right information or is only publishing the report to be entitled to receive tax incentives:

> *If there was an incentive for a company to report on sustainability or non-financial information, you would have to have the right framework in place, to ensure that the information that they are providing is correct to get the incentive. Because they can just do some sort of greenwashing, which you can see in quite a few places. So in that case, you would expect that the framework might need to include something like a third party assurance, just to give those claims credibility and insure that there is a robust data trail behind it. (OP2)*

6.2. Challenges and Barriers

6.2.1. Lack of Expectation, Understanding, Legislation, and Standard

In the previous chapter, I discussed six reasons for the common belief that there is no expectation for non-financial reporting. In this section, I discuss how that perceived lack of expectation from certain stakeholders (not all), has become a reason for some organisations in New Zealand to avoid disclosing information regarding environmental, social and economic activities. The Chief Financial Officer of LLL, a company in the automotive sector, sees the constant growth of expectations from different sources (mainly shareholders, potential investors, and the government) and adopting “international accounting standards” as the reasons why their financial reports have grown from 24 pages to 80 pages over the past few years. This pressure, however, is not nearly the same for non-financial or corporate responsibility reporting.

As mentioned before, there are no regulations in New Zealand that require companies to provide a sustainability report. In terms of disclosure of information, the NZX defines material information as any information that concerns the issuer, is expected by a reasonable person, and affects share prices (NZX, 2016). This lack of pressure from the government for companies to be transparent regarding their activities that have impacts on society eliminates one of the powerful and influential stakeholders that could demand sustainability reports. This puts the onus on other stakeholders, such as shareholders, banks, investors, brokers, the general public, and employees to demand action. Of these, shareholders seem to be the foremost constituency for whom companies prepare reports. Interviewees used terms such as “the first obviously”, “majority” and “most importantly” to describe the importance of shareholders.

There are, however, certain other stakeholders who demand sustainability transparency, such as the Sustainable Business Council and certain customers who use the non-financial information provided in sustainability reports for assessing the risks of working with corporations. However, they are usually interested only in certain issues. One of the participants argued that aside from the low number of stakeholders who demand transparency of sustainability related issues, the other problem is the fact that many of these stakeholders concentrate on one single problem rather than looking at sustainability disclosure as a whole. He said:

> *In New Zealand, that's marginal whether we have that scale (expectation). Are there enough NGOs or investors with the capacity to consider the sustainability of the business? And many of them are quite single issue focused. They are interested in disclosure about water or climate, as opposed to risk management and sustainability management, so I don't think there is as much pressure to do balanced reporting. (CP3)*

This participant went on to argue that this lack of pressure has had negative effects on organisations which used to produce such reports.

> *If you look at the sustainability reporting in New Zealand and compare it to somewhere in Europe, there are a lot more companies here that have done a report, done a couple, and then pulled back on that reporting because the stakeholders simply aren't reading it. They are still doing the accurate setting behind the report, prioritising and improving, but there isn't enough of an audience for that report to justify putting it together and I think that is an issue in New Zealand. (CP3)*

This lack of pressure was raised by at least four other participants as one of the main reasons why sustainability reporting has not grown as much in New Zealand compared to other countries.

In addition, not all interviewees agreed that there are benefits in sustainability reporting. Participating companies' views in New Zealand regarding such benefits were affected by their perception of what sustainability and corporate responsibility reporting entails. The confusion between what should be reported in a sustainability report and philanthropic activities has caused some companies to believe there is no benefit in producing such a report. A corporate participant said:

> *The question is what benefit of reporting is there, and do our shareholders want to know exactly what's happening, and that's a lot of time and effort which we will do. Or they are just happy with what we have done now, to just say we donate. And at this stage I don't think there is benefit of going into any further detail of what we are doing, yeah I don't think there is any benefit of doing that. (CP1)*

While many organisations questioned the benefits of non-financial reporting, others such as CP 2 believed that it should be clear that "the reporting system is a tool not an end game…you do create value at the back end. But it's not over a 50 page report". He also argued that the value comes in when an organisation understands the purpose of the report itself and for whom they are doing it, and that the business should drive the standards, and not the other way around. This participant believed that sustainability must be integrated in the business model and finding the right tool, which fits well with the organisation, would be the biggest challenge. Another participant (CP3) also believed it could be beneficial, but said that it should be carefully implemented, as it could send the wrong message that sustainability is about ticking the box and a few different matrices, as opposed to thinking more realistically about the businesses and their impacts on the society.

The main argument about the benefits of sustainability reporting was whether or not the creation of the report would be worth the cost. One participant (OP2) believed there could be benefits but that the organisation would have to weigh up the cost versus the benefits to see whether or not reporting was right for the business. Some others also argued that whether preparing a report is worthwhile or not depends on the financial impact of the undertaking. It is relevant to note that a study done in four countries where sustainability reporting is mandatory (Malaysia, China, Denmark, and South Africa) concluded that even though the mandatory sustainability reporting may have had some costs for some companies, on average, the regulations have boosted value rather than terminating value (Ioannou and Serafeim, 2014). Another study by KPMG (2011) showed that almost half of the G250 companies (drawn from the Fortune Global 500 List) have shown financial gain from their corporate responsibility initiatives.

Each of the four representatives of the companies that currently publish sustainability reports, who participated in this research, and the other six companies who are moving towards disclosing non-financial information, believe that sustainability reports are a good communication tool and play an important role in creating a good image for the company. Some said they use these reports as a marketing tool while some others felt they helped advertise their activities in the community.

A participant (CP14), whose company has been publishing sustainability reports for the past 15 years, explained that transparency through sustainability reports has not only given their company brand a good reputation and increased their credibility globally, but is also helping them become "the employer of choice" in their industry, which has been one of their long term goals. According to her, it is the fact that one owns up to mistakes and offers solutions to correct mistakes, which matters the most to their stakeholders.

OP6, whose company has been helping many major companies in New Zealand create sustainability reports, believes there have been a lot of benefits for their clients as a result of producing a sustainability report. These companies have experienced enhanced relationships with their investors and employees because of more transparency. She said:

> *What our clients tell us, those that are actively reporting their non-financial information, is that it helps them form their business strategy. When you conduct a comprehensive materiality assessment which is stakeholder led you discover things about your company that you may not be privy to on a day to day operational level. It brings to light some observations from stakeholders that are quite important for the business to be aware of so it can really enhance or sharpen the focus of the business as it impacts the key stakeholders. (OP6)*

Similarly, the representative of SBN (OP5) described the benefits of non-financial disclosure as "tremendous". He argued that most of the value does not come from the report itself, but the process that the company goes through to identify risks and stakeholders and to create the report. He believes that not going through the process is allowing unidentified risks to develop in the company's "blind spot".

As noted earlier, some of the participants, such as CP14, also believed that some companies simply do not understand the benefits of sustainability reporting. OP7, on the other hand, found it "hard to believe" that top managers and directors of listed companies could not understand the benefits of sustainability reporting and believed that they are simply ignoring it because:

> *It is more work. Companies that are highly profitable and very successful on the stock exchange - for those companies they don't understand why they need to. Why should we? We are doing great. Those same companies when I look at them I do a gap analysis and I do a benchmark against I can see that there is exposure, there is absolutely exposure, and you also find that they may be doing very well in a*

particular area but they are actually not listening to stakeholders and quite often they are the same companies whilst doing extremely well from a profitability perspective, balance sheet perspective, paying dividends, investors are happy, they are the same companies that often have other stakeholders who they perhaps view less importantly or give less priority who view them quite negatively. (OP7)

It is perhaps more the lack of understanding of the benefits of non-financial reporting, (rather than ignoring them) that has become a form of barrier for the companies, according to OP5. However, this participant also argued that the benefits are not being communicated through either the market (NZX) or the government: This puts the companies in "a position of false comfort because they don't see the need and they don't see the urgency", and by the time the companies realise the need, it might be too late and it could come at a "heavy cost" (OP5).

6.2.2. Cost

The high cost of publishing sustainability reports is a major barrier for firms in New Zealand. Expenses related to preparing a sustainability report include assurance, printing, design, and labour. Aside from these direct costs, gathering the right information requires a considerable amount of time. Providing the report can cost companies more than NZ$150,000 depending on the size of the firm, with assurance being the most expensive part of process. The second most expensive part, printing, could be avoided, according to a participant (CP16), as on average only 10 to 15 percent of stakeholders demand printed copies and the rest prefer to read them online. Designing the document is costly too because the material presented needs to be visually appealing and easy to understand. Design is particularly important for companies that use these reports as marketing and communication tools. Time is another factor as preparing reports eats into the work time of employees. CP6, who argues that getting the materiality process right can be very difficult and time consuming, said that engaging with people to get the right stories, which could be used in the report, and “working out the right level of stakeholder input”, could take a long time to process.

On the other hand, some of the companies that only disclose financial information believed that the cost of preparing financial reports is not very significant, although the resources required for creating a financial report are very similar to those used for a non-financial report. The reason given to justify this belief was that producing a financial report is a part of being a public company and there are bigger costs for being listed on the NZX than the expenses involved in writing an annual report:

> *Cost of being a public company and the requirements around there for maintaining computer shares are bigger. We use annual reports as a marketing document, something that has to be prepared. I wouldn't say it is the most expensive thing that we do. (CP5)*

6.2.3. Materiality

As noted in the second section of Chapter Five, companies perceive material information in New Zealand in three different ways. There are companies that understand material information as what shareholders want to see, there are those which only provide what is legally required (financial information), and then there are some which publish sustainability reports despite the lack of legislation. The different ways of perceiving material information, and its significance, are reflected in the diverse views on the most challenging aspects of writing a report.

Most of the companies that do not disclose information regarding their sustainability activities said that the effort required to write the annual report was consistent across different sections of the report. However, some believed the first half of the report, which includes commentaries, was the difficult part to write. One participant, who is the communication manager of one of the biggest companies in the food industry said:

> *It depends if you had a good year or a bad year. Look it's not terribly challenging or difficult to actually write the elements. It's in our best interest and this is a philosophy that we have always had. We are open and honest to communicate what is going on accurately. So it is what it is and the most challenging piece, is getting the key stakeholders such as the MD [Managing Director] and the chairman focused on, and really thinking about the commentary, their letters, and ensuring that there is not a lot of crossovers. (CP19)*

These non-reporting companies found the story writing part of the annual report much harder than the numbers. CP5, for example, explained that the difficult part in the first half of the report, which has more "commentary" and "subjective information" than numbers, "is choosing what messages you want to get across and how you want to get them across".

On the other hand, providers of sustainability reports had a different perception of the main challenge of writing a report. For them it was the materiality process (selecting the material information that should be included in the report) and choosing the right information and aspects that was most challenging. Even though there are recognised tools available to assist with this, many of the companies that publish sustainability reports use a materiality matrix (shown in Figure 11) to determine what aspects should be prioritised and to choose the right material topic.

According to GRI (2015), there are a number of factors that need to be considered by companies when identifying the material topics. These factors include the main topics that stakeholders are interested in, topics that have been explored and recognised by experts, the company's key values, competencies, strategies, and goals, and making sure that the topics have been prioritised according to importance.

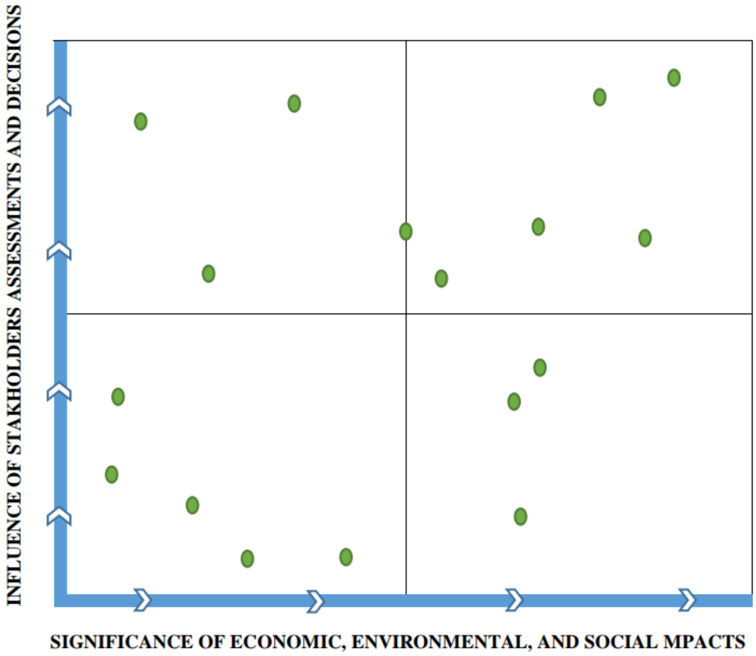

Figure 11. Visual representation of prioritisation of Aspects. The green circles represent the issues that have the potential to be included in reports. The issues that end up on the right top corner of the matrix are given priority by the companies. Adapted from GRI (2015).

CP14, who is among the users of the matrix, described the process as long and difficult, sometimes taking the whole year. She explained that anything about the company that has been published in the media, and somehow is a concern to their company, is picked up and added to the materiality matrix. According to her, this matrix is built up throughout the year. It helps identify the important material and create the content and design of the report by highlighting the important topics and issues that need to be resolved.

Not everything in the matrix is included in the sustainability report. Because of the considerable number of "topics of interest" it is necessary to find the "major topics" that stand out and respond to them first. To explain the selection process, CP14 said:

> *We start preparing little stories throughout the year…We look at all those topics that we have identified, and we do materiality assessment with our own internal staff and all of our management staff, and we look at what is the priority or the level of importance to our company and how it affects our strategy and the level of importance to our stakeholders. As soon as that materiality is set …what the quote in the top right quadrant, is what we decide is the material topic. (CP14)*

What is interesting is that even though the stories or the topics are prioritised according to their level of importance to the stakeholders, some admit that they do not engage with the stakeholders regarding the chosen topics directly. She explained:

> *We don't really do so much stakeholder engagement on the material topic since we feel we have a very good understanding throughout the year. So those key people who deal with the stakeholders will respond on behalf of the stakeholders on what's important to them if there are some concerns. (CP14)*

The media were the main source of the topics chosen by this participant. No other stakeholders were mentioned directly as a source. She said: "What I do throughout the year is, anything that I picked up through media that SSS has a concern over, I will put it down into a matrix. It’s just one of those topics”. She highlights the important role of the media in choosing what is considered as material: “I am listening to what the media are saying, to what my colleagues are telling me about stakeholders” (CP14).

In fact, the majority of the providers of sustainability reports see the media as one of the most important sources of material topics. Another participant, whose company will publish its first sustainability report soon, explained that in order to complete the matrix of materiality, they looked at what is important to the business:

> *What I did there was, I looked through our strategic plan, business plans, and risk registers, conversations with the key senior managers around the business, and looked at media reports and media analysis and what has kind of been coming out of the media. (CP6)*

The only thing that this participant did differently was to conduct a survey involving “some key stakeholders” just to make sure that what is being chosen as the material topic was correctly correlated with some of their concerns.

Yet another corporate participant admitted that instead of holding meetings with stakeholders to know what their concerns are, they also take the easy way of talking to their own staff, and picking from what is being covered in the media. She explained that they hold internal meetings and invite people responsible for various stakeholder relationships throughout the business at different levels. These internal groups of people come together to talk to people in charge of writing the reports about the stakeholder issues that they either perceived, or had been spoken to about by other stakeholders, over the year. Regarding the lack of direct communication with stakeholders and the sources of the material topics she said:

What we don't do is hold separate specific stakeholder meetings for the purpose of collecting information for the annual report (their sustainability report is included in the annual report), and that's something I would like to do in the future. So we basically do it from our internal staff who interact with stakeholders and we also look at the market, the media… the media is usually about price and service. (CP8)

OP 7 describes looking into what the media covers as a "factor" and as a part of the materiality process, which should be done alongside the engagement that the company has with other stakeholders. She explained that her company comes up sometimes with up to 50 different topic areas "which need to be prioritised against the relative weighting of the stakeholder to the organisation". She said:

So how it's typically done is the company weigh the stakeholder in terms of stakeholders' investment in business. You typically find employees would be at the top customers will be at the top, investors will be at the top, and then you might have analysts and regulators, community interest groups etc. So they will get weighed so the opinions of the stakeholders when you are doing an assessment are not equal and that's quiet an important part of the process actually because otherwise you can wind up with issues on the top right quadrant (of materiality matrix) that actually don't fit the real level of influence of the stakeholders on that issue against the business. (OP7)

Another participant (OP6) also explained how his company helps other companies prioritise the stakeholders' level of importance for the company as well as the material topics. He explained that he uses a "stakeholder salience" model to teach their clients how to create a list of their stakeholder groups "to quickly build a picture" of what needs to be reported:

> *If they are legitimate, they are interested in what you are doing and they are interested in what's happening now, it's urgent. You better go and engage with those people those guys who have got a high profile because they are powerful or legitimate. (OP6)*

The SBN representative (OP5) also said that while engaging with the media as an important stakeholder makes sense, accepting their opinion without considering other stakeholders "feels like a bit of a short cut and not good process". He then emphasised the importance of the process of engaging with stakeholders, and explained that the true value of sustainability reporting is in having "those conversations [with stakeholders] and opening yourself up for criticism and feedback".

Based on the data collected from the interviews, it is clear that if an incident or issue is not covered by the media or raised by the internal staff members who are only in touch with certain stakeholders (mostly shareholders), it is unlikely that the issue or incident in question would find a place in the sustainability report. This could be partially due to how important a company's reputation and image is to them. There seems to be a direct link between what is material and the companies' reputation and image. What is material is chosen to achieve the strategic goals of companies and how these companies want to be perceived by others. That is why the prioritised topics are the ones that are covered by the media.

In addition, CP6 names short term and long term financial wellbeing, brand, and reputation as the few factors that influence the process of short listing and prioritising the material topics.

6.3. Summary of the Chapter

Not many publicly listed companies in New Zealand choose to publish sustainability reports. Since there are no legal requirements for disclosing non-financial information, companies that do so are motivated for other reasons. One of the important drivers for producing sustainability reports (or to work towards making one), is a change of leadership. New leaders, who have already experienced the benefits of having sustainability reports on a global scale, are now using them for the companies they now run in New Zealand.

Reporting companies also believe that they need to maintain their social licence to operate in order to be viewed as a trustworthy business by their stakeholders. By being honest in their sustainability reports and openly discussing their impacts on society, the environment and the economy, and showing initiative in addressing the issues that their operations might have caused, they may initially put their reputation at risk. However, this transparency in their activities gives the credibility and social licence to operate and improves their image in the long run.

There are barriers that have discouraged several large companies in the country from publishing sustainability reports, and have forced some reporting companies to stop disclosing their non-financial information. These barriers include what is seen as a lack of expectation from certain stakeholders. While some investors who do CSR investing and customers who are interested in their suppliers' sustainability activities require non-financial information, not many shareholders expect to see such data in the reports. Other than that, there are neither legal requirements nor recommendations that demand a sustainability report. This is despite the fact that the government of New Zealand itself is a major shareholder of many large corporations.

Another challenge for many companies seems to be the cost involved in the process of publishing a report. The major expenses, according to the participants, are assurance, printing, design, and labour. Besides, the process of choosing the material information is very difficult and time consuming as it needs to be done throughout the year. In some cases, more than one person was involved in gathering the information necessary to put in the report.

Aside from being a time consuming and expensive process, there were other concerns about materiality. Based on the interview data, non-sustainability reporting companies find writing the first half of the annual report, which includes commentaries, subjective information, and stories, more difficult than the second half of report, which concentrates more on numbers. Since storytelling is a key skill required to write a good sustainability report, a lack of this ability is also a major challenge for companies that only do financial reporting. For the reporting companies, however, selecting the right stories and getting access to the stakeholders' topic of interest is the major task. Many reporting companies admit that they do not have the necessary communication with their stakeholders to learn directly from them about their topics of interest. Instead, they communicate with internal staff who are in touch with the stakeholders to learn about what they are interested to see in the reports.

The media heavily influence the material selected to be in the report. All reporting companies mentioned media as a major source of their topics. The stories that are covered by the media and seem to be a concern for the company are selected and kept throughout the year. The stories are then prioritised and used in the report according to importance.

In the next chapter, I will discuss the findings presented in chapters 5 and 6 in the light of my research questions and the relevant literature.

CHAPTER 7: Discussion

Overview

In this chapter, I discuss the findings of my research that were presented in Chapters 5 and 6 in light of the literature on the communication aspects of corporate sustainability, corporate transparency and CSR reviewed in Chapter 2. The discussion is also guided by the theoretical frameworks of the research, which were set out in Chapter 3.

In the past few decades there has been increasing pressure internationally for organisations to be more socially responsible and transparent regarding their business activities that have impacts on society (Benn et al., 2014). Font et al. (2012) and Christensen (2002) believe that this pressure comes from different stakeholders for organisations to act more sustainably and to accept responsibility for their choices. Larger corporations are even more likely to be under pressure from the public to disclose information regarding their social activities (Dhaliwal et al., 2014). These expectations, which have affected large firms' operations globally, come from various groups of stakeholders including "investors, consumers, supply chain partners, legislators, and non-governmental organisations (NGOs)" (Gualandris et al., 2015).

I argue that New Zealand's neo-liberal economic system, and the investment friendly environment created by its government have greatly affected attitudes towards non-financial disclosure in the country. In a neoliberal economy, voluntary transparency is favoured over a more controlled transparency system managed by the state (Nadesan, 2011).

In this chapter, I also challenge the effectiveness of a voluntary system, and present evidence that a voluntary reporting structure provides an environment where companies may exaggerate their positive impacts (Hahn & Lülfs, 2014) and under report their negative ones. As discussed earlier, sustainability reports in New Zealand are prepared voluntarily, often through organisations such as the Sustainable Business Network (SBN), or the Sustainable Business Council (SBC) which requires its members, who have joined voluntarily, to prepare such reports within two years of joining the organisation (SBC, 2016b; SBN, 2016).

While previous studies concentrate on factors such as the relationship between industry and social responsibility transparency (Alali & Romero, 2012; Kolk & Perego, 2010), the relationship between the level of transparency and stakeholder pressure (Fernandez-Feijoo et al., 2014b), and the relationship between pressure from certain stakeholders and industries (Adams, Hill, & Roberts, 1998; Hackston & Milne, 1996), I concentrate on what the concept of transparency means in legal terms, and how it is understood by some of the largest listed corporations in New Zealand. I then look into the possible causes of what is commonly seen or interpreted by some participants as lack of expectation from stakeholders for non-financial disclosure in the country. Next, I discuss stakeholder power in terms of a neoliberal economic system, by drawing on the Salience Model designed by Mitchell et al. (1997) and on Zygmunt Bauman's discussion of liquid modernity (Bauman, 2005; Zygmunt Bauman, 2013; Clegg & Baumeler, 2010; Vogel & Oschmann, 2013). Finally, I discuss the importance of having a standard such as the GRI (GRI, 2013a, 2013b, 2016a, 2016b) as a guide for sustainability reporting throughout all industries in New Zealand.

7.1. Corporate Transparency in New Zealand

As discussed in Chapter 5, there are no regulations in New Zealand which require a company to report on its impacts on society, the environment, and the economy. Companies are only required to publish “material information” (discussed later in this section) which is defined by law as information that when provided would affect the share prices as interpreted by a “reasonable person” (NZX, 2017). However, a new governance code, which was released by the market (NZX) at the end of 2017, now *recommends* that listed companies either disclose their non-financial impacts, or explain why they have not done so. How this recommendation changes the reporting practices in New Zealand has yet to be determined, as it was released after the latest reports were due to be published.

To look into how some of the public companies perceive stakeholder expectations for a sustainability report, I first discuss and critique what corporate transparency means in legal terms in New Zealand, and how it is understood by some of the public companies listed on the New Zealand Stock Exchange (NZX).

7.1.1. Transparency in legal terms

In their study, Prado-Lorenzo et al. (2009) conclude that the ownership structure of a company as well as certain groups of stakeholders, such as the government, have significant effect on the publication of CSR reports. They highlight the importance of the government’s role and conclude that it should improve the regulations by defining a standard for such reports, especially since their results show that even though shareholders do influence the contents of sustainability reports, they are not interested in the accuracy of the information included in the report, but rather the benefits that publishing the report will have for the company (Mason & Simmons, 2014).

As discussed earlier, “there is currently no specific requirement for NZX listed companies to disclose any sustainability/environmental matters” (OP2). According to the FMA representative, the laws regarding material information have been passed by the government of the day, are approved by the FMA, and enforced by the NZX. Alongside the FMA, there are two other main supervisory bodies, the Reserve Bank of New Zealand and the Commerce Commission (Figure 12), which all support a “financially healthy New Zealand” (FMA, 2016).

This is where the problems begin to surface. The entire supervisory body and its three main regulators concentrate only on the financial health of the country. The first expected outcome, because of the presence of these regulators, is said to be “well-informed consumers and investors” (FMA, 2016). The findings of this study clearly suggest that there are expectations for non-financial reporting at least from “institutional investors and the big financial companies, that do corporate social responsibility investing” (CP9) and certain customers who are “managing risks in their supply chains” (CP3). Yet, there are no requirements from any of the regulatory bodies for non-financial disclosure.

A review of the reports over two time periods (2015 and 2017) also suggests changes in the level of expectation for non-financial reporting among non-investor stakeholders. The number of companies that took some form of initiative to create a sustainability report has more than doubled among the participants of this study over only two years. While there were only 4 reporters in 2015, 9 of the participating companies made a clear effort to release non-financial information in

2017. In these non-financial reports, **all** stakeholders have been acknowledged, and in the majority of them, there is clear evidence of engagement. The fact that there is a now a recommendation introduced by the New Zealand Stock Exchange, which monitors the market, suggests that there is pressure (OP7), and that it has been increasing from at least certain stakeholders for non-financial disclosure.

Figure 12. The main regulators, and the expected outcomes from the regulation Source: FMA (2016).

The FMA's representative insisted that "material information" is what is required of the companies. The NZX (2017b, p. 13) defines material information as information that "a reasonable person would expect if it were generally available to the market, to have a material effect on the price of quoted securities of the issuer”. Despite NZX’s change of code of governance from no expectation to a recommendation (comply or explain), this definition remains the same. There are a few factors that need to be considered regarding this description.

First, this is a very broad definition for material information, since it applies to more than 15 different industry groups, including primary ones such as agriculture, forestry, horticulture, mining, and fishing (Treasury, 2016). At least one company active in each of the primary industries was interviewed, and data show that they all have environmental, social, and economic impacts. As mentioned earlier, two of the participants (CP3 from the agriculture sector, and CP9 from the energy and minerals sector) explained that certain investors in their respective industries do CSR investing. This means that there are “reasonable persons” in at least certain industries who demand sustainability disclosure. CP6 did not produce any form of sustainability report up until 2015, but started publishing one the year after. In their 2017 integrated report, the company indicates expectations from investors for such non-financial transparency. Therefore, the findings of this research suggest that some companies are or have been wilfully ignoring “reasonable persons”.

Aside from that, what a “reasonable person” would perceive as important information changes over the years. This definition of “material information” could also change and should be updated based on what is perceived as information that affects the share price. It is suggested that in today’s consumer society, individuals only know how to solve their issues as consumers, and they seek more consumption options to choose from to increase their ability to negotiate for solutions to address their daily problems (Davis, 2011). For example, the number of households purchasing organic/free range food had increased by more than 40% from 1999 to 2004 in the UK, because consumers had become more health conscious (Padel & Foster, 2005). Therefore, the number of organic food providers has dramatically increased due to the high demand for such products, affecting the share price of these companies.

The second issue with this definition is that it does not specifically exclude non-financial information nor does it include financial information and is described as information that, once published, would "have effect on the price of quoted securities of the issuer" (NZX, 2017). This leaves the definition of "material information" open to interpretation. For instance, on 22 September 2015, Volkswagen, one of the biggest car manufacturers in the world admitted to using software to cheat the emissions test, allowing them to release cars that produced up to 40 times more pollution than the legal limit. As soon as the information was released the company lost 15 billion euros in share prices (Kollewe, 2015). It is clear, therefore, that non-financial information can and does affect share prices once released.

7.1.2. Corporate representatives' views on transparency and material information

As stated in Chapter 5, transparency means different things to different companies. The majority of the non-sustainability reporting companies which took part in this research only release material information that is legally required of them and that, as discussed in the previous section, only includes fiscal data. According to OP3 (from an assurance company), some of these companies provide what they believe is enough information for their third-party assurance provider, and only release more information if it is necessary, just to avoid releasing “too much information”. The main goal for these companies is first to pass the legal requirements, and second to ensure that the shareholders are happy and informed. These companies have a “we don’t say anything about anything unless you really have to” (CP3) mind-set.

This could be observed easily in some of the reports where organisations only report on the positive societal or environmental impacts they have had. Even in some of the sustainability reports, the negative effects were down sized by using a smaller font.

It is unlikely that such corporations would provide non-financial information unless it is a legal requirement, except when it is demanded by a very important shareholder (this will be discussed further, later in this chapter). The data gathered from this study and previous studies (KPMG, 2013, 2015) suggest that majority of public companies in New Zealand belong to this group, and tend to “need a reason” (CP3) to disclose information. Therefore, they do not disclose any information on their social, economic and environmental impacts. Figure 13 illustrates New Zealand’s position on non-financial transparency compared with the global average (KPMG, 2015).

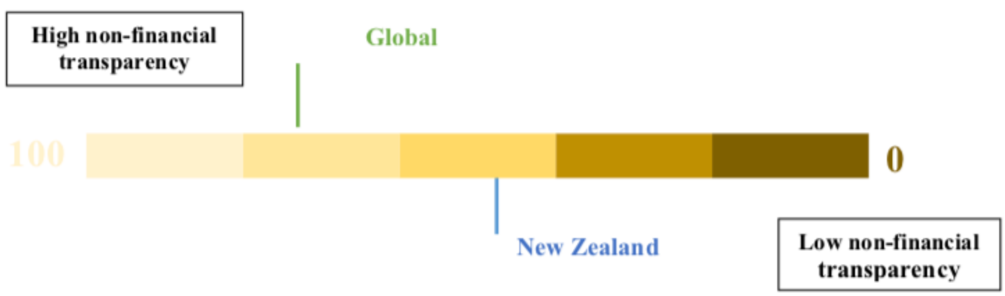

Figure 2. New Zealand's performance on CR reporting compared to global performance. Adapted from KPMG (2015).

Early in the process of data collection it became clear that “corporate transparency” and “sustainability reporting” were not favourite topics for the companies to talk about. Aside from the big percentage of the potential interviewees who simply ignored the interview request, many gave other reasons not to participate in this research, such as not having anything to say because they just went public, they had done interviews for other researchers and believed they had done their part, or thought that the topic of sustainability reporting did not apply to their industry. Out of more than 120 requests, only 21 companies agreed to do the interview, most of which did so after the interview request was changed and no longer included the term “sustainability reporting”.

This unwillingness to talk about sustainability reporting was also observed during the interviews, when a question regarding the topic was raised. In particular, the non-sustainability reporting companies seemed uncomfortable talking about it. For these participants, transparency revolved around their financial reporting and what a shareholder of the company would want to know about.

Some made it very clear that they did not want to talk about sustainability and CSR disclosure. When asked about corporate transparency, they immediately spoke of their financial reports. It was as though sustainability reporting was not considered as an act of transparency. A clear lack of understanding of what purpose a sustainability report serves was observed (this issue will be discussed further later in this chapter).

For more than half of the participants, transparency was heavily affected by what was legally required and had little to do with CSR disclosure. It was as though topics such as sustainability reporting were taboo. As discussed in Chapter 2, taboos are issues that people know exist but prefer to avoid talking about, because discussing taboos could threaten one's position in the organisation or community, and cause problems (Kallio, 2007).

Why companies reacted negatively towards the topic of sustainability reporting, and treated it as a taboo, could be explained by looking at their main goal. The first stakeholder, and in some cases the only one, for almost all interviewees (including sustainability reporting companies) mentioned as the audience of their corporate reports, were shareholders. The findings of this study show that more than half of the participants, like Friedman (1970), believed that the shareholders' satisfaction is all that matters. Legal requirements aside, the information chosen to be in the reports was in most cases what the shareholders would want to see. Apart from one rare case, even the publishers of the sustainability reports mainly had the good of the corporation and achieving strategic goals in sight, making their CSR disclosure seem slightly insincere. CSR disclosure in New Zealand seems to be used as a marketing tool or a luxury thing that some companies "go out of their way" (CP3) to do. This superficial take on CSR disclosure found in this research is aligned with previous studies done by Eden (1999) and Crane (2000, p. 690) in which, "growth, consumption, profitability, and personal success", are the main components of today's companies' moral code.

Almost all participating companies in this study (reporting and non-reporting) agree with Friedman (1970) and his notion of amoral business where a company's responsibility is aligned with its shareholders' interests, and in such a setting discussing the other stakeholders' interest may be considered as crossing the boundaries (Kallio, 2007). However, for some participants, it was not entirely how they felt about sustainability that made them avoid it, but rather their incorrect understanding of the purpose CSR disclosure and sustainability reporting.

Participants from non-reporting companies believe that some factors justify the absence of non-financial reporting in their company. These factors include the lack of “need” (CP17) or “applicability” to them, simply because they are an investment company, or a retail company, or their impact is not “significant enough” (CP20 and CP21) to be reported. Some question the “value” (CP8, CP9, and CP21) of such reports; some refer to their “donations” (CP1 and CP6), confusing philanthropic activities with sustainability; and others believe the “size” (CP5, CP16) of their company was too small to provide sustainability reporting. All these reasons give a clear indication of a misunderstanding of why such reports are prepared in the first place.

The Global Reporting Initiative (GRI, 2016a) describes the purpose of sustainability reporting as a tool which has been designed to assist companies “to measure, understand and communicate their economic, environmental, social and governance performance, and then set goals, and manage change more effectively”, regardless of their industry, company type, size, location, and whether their impacts are negative or positive.

Companies that believe that sustainability reporting does not apply to them argue that they do not have any effects on society or the environment to report. Investment companies, finance providers such as banks, and retail companies, all have impacts on the community they are operating in, directly or indirectly, by investing and providing loans for projects in certain industries which could cause damage to the environment (Thompson & Cowton, 2004) or have negative social impacts. These types of companies (both retail and investment), also use considerable amounts of resources such as paper and energy and could also damage the environment by not managing their waste properly (Castelo Branco & Lima Rodrigues, 2006). Clearly, non-reporting companies, as noted earlier, do not consider any of these impacts relevant to their business. For instance, CP21, representing a financial service provider, believed their "footprint is pretty small" to matter, compared to "taxi role and economy role companies like airlines".

There is also evidence of confusion between corporate philanthropy (Bartkus & Morris, 2015) and corporate sustainability by some of the participants in this study. When speaking of disclosing non-financial information, some participants referred to their positive activities in the community and donations (CP1). One even justified not having a report by explaining that they have not done the community work to report on them because "as we are losing money, it's not really appropriate for us to be giving shareholder money away" (CP21). This mind set also clearly shows in the way the corporate reports have been constructed. CP1, CP6 (2015), CP8, CP13, CP17, and CP21 all stated philanthropic work, and gender diversity as the only non-financial information in their reports.

As discussed in Chapter 2, philanthropic activities are among four identified categories of corporate social responsibilities (Carroll & Shabana, 2010). Although corporate sustainability and CSR are closely related concepts, they are often thought to concentrate on different matters (Cheung, 2011). For instance, while one of the areas that CSR focuses on is environmental issues in relation to the benefit that there could be for the public, some scholars believe sustainability pays attention to the environmental issues themselves aside from any benefits for people (Montiel, 2008), and making sure that while the corporation advances and improves its performance, it is still controlling the negative affects it might have on the economy, society, and the environment (Cheung, 2011).

Sustainability reporting is one of the tools designed to assist corporations in measuring these harmful impacts, and provides a mechanism by which they can plan how to respond and manage these negative effects (GRI, 2016a). While it can be used as a marketing tool to highlight companies' efforts as a responsible part of society and improve their image, it has little to do with philanthropic activities such as "giving money away". The reporting companies which took part in this study understood this concept to some degree. CP14, for example, explained that they report on the number and volume of the spills that they have in the ocean, and their plans to resolve the issue. She believed that the report in fact works in their favour and adds to the company's credibility, as it shows the stakeholders that they are dealing with the problem rather than hiding it. As presented in Chapter 5, a comparison between the 2015 sustainability reports and those of 2017 suggests that the corporations are becoming more and more aware of the value of transparently communicating their negative effects, as well as what actions they are taking to resolve the issues.

7.2. Lack of Expectation or Lack of Power?

Currently, the common belief amongst the majority of the participants in this study is that there is a lack of expectation from stakeholders for sustainability reports, and that this is the primary reason why so many New Zealand companies do not produce such reports. In this section, I examine the reasons why they hold such views and discuss why such beliefs hold. As discussed in Chapter 5, there are claims that most stakeholders do not read sustainability reports and, therefore, producing one does not make sense to many companies (CP3). I argue that the same claim can be made about annual reports: as CP5 explained, most stakeholders such as customers may never read annual reports while retail shareholders, and some potential investors, mostly read the front and the end of the reports because “there are a lot of standards these days which nobody understands” in the annual report.

For the representatives of the companies to know whether or not stakeholders expect to see non-financial information in the reports, they must have in depth conversations with their stakeholder groups. Therefore, I looked for evidence of such engagement in the reports and interview transcripts. Part of the data suggests that the companies or their representatives are aware of certain groups’ expectations of non-financial transparency, but why have their voices not been heard yet?

As explained in Chapter 3, in modern times, as societies have become more consumption oriented (Bauman, 2013a), and companies started competing to satisfy consumers (Davis, 2011), power was transferred from the state to individuals (the liquid modern era) but so did the responsibility for each individual to look after their own interest. Instead of pursuing a collective interest and what is good for the society as a whole, each person now would work to satisfy their never-ending thirst for a better life. While a better life for different people means different things, the nature of a neoliberal system is more supportive of those individuals and groups that choose wealth. As Crane (2000, p. 690) writes, “the self-sustaining order of the modern organisation is one of utilitarian based techno-rationalism, a social architecture where the moral code is constructed around ***growth, consumption, profitability, and personal success***”. In a sense, a neoliberal system prioritises making profit over creating individuals with a sense of social responsibility (Giroux, 2015). Therefore, certain [wealthy] groups possess more power to demand change, and companies use their liquid power to provide partial transparency to satisfy only these powerful stakeholders.

I use Bauman's discussion of liquid modernity and neoliberalism to argue that the level of non-financial disclosure in a neoliberal environment has little to do with different stakeholder groups' expectations and demands, but rather the stakeholders' power to influence the company. To do this, I first draw on Mitchell, Agle, and Wood's (1997) *Salience Model*, to assess and discuss different stakeholders' power to dictate change. I then discuss other major factors which may have influenced the current lack of sustainability reporting in the country.

As discussed in Chapter 3 Mitchell et al. (1997) suggest that stakeholders have one or some combination of the three attributes (power, legitimacy, and urgency) (see also Dong et al., 2014). They anticipate that if a stakeholder has only one of these qualities, their salience for the company is low up to a point that the company might even fully ignore them and deny their existence. Mitchell et al. (1997) then argue that once two of the attributes are present, stakeholders' salience is considered moderate, and companies' responsiveness level towards them increases, but they do not receive as much attention as the next group. When all three attributes are present, stakeholders' salience levels are considered high. Mitchell et al. (1997) then identify different categories of stakeholders, based on the attributes that they possess.

In the next section, I match the characteristics that are listed for each of the stakeholder categories in the Salience Model with the stakeholder groups identified by the participants of this study in order to identify the stakeholders' priority level for these companies (Table 8). The main stakeholder groups acknowledged by the participants in this study include shareholders, potential investors, the government, employees, board of directors, the media, the general public, Iwi, NGOs and the SBC, and customers. I argue that based on their characteristics, all these groups can be placed in the definitive, dominant, dependent, discretionary, or dormant category.

Rating	Salience (priority) (Mitchell et al., 1997)*
Low	**One attribute present**, demands are most likely ignored due to lack of resources
Moderate	**Two attributes present**, receive reasonable attention from companies
High	**Three attributes present**, can demand immediate action

Table 8. Rating system for level of Salience. Adapted from Mitchell et al. (1997).

7.2.1. Classification of stakeholders

In this section I categorise stakeholders into five groups. I then discuss how, if at all, the participating companies have directly or indirectly indicated that the stakeholder group has demanded non-financial disclosure. I also discuss whether or not stakeholders have the power to force the companies to publish a sustainability report. A figure is included after the analysis of each stakeholder group with the purpose of illustrating the attributes that are present, and the group's consequent salience level.

7.2.1.1. Dependent Stakeholders (customers and potential investors)

Customers as stakeholders have been referred to in different ways in the reports and by the participating representatives of different companies. In the comprehensive reports created by the companies which included non-financial information (these reports are shown as green in table 7), customers have been engaged with as one of the major stakeholders.

For CP2's customers, several things were important, including the company's contribution "to the success of New Zealand" (CP2, 2017 sustainability report). According to the report, their customers also took part in the wellbeing of the country themselves. For example, the report indicates that thousands of customers voluntarily took part in carbon offsetting. For CP3's customers, climate and energy were among the topics that they would have liked the company to work on and engage with them about (2017 sustainability report). CP6, CP7, and CP14's customers also directly asked for non-financial transparency according to the companies' corporate reports.

In other studies, such as an online survey done by SBC & Fairfax Media (2013) in New Zealand, out of the 2,152 respondents, 63% said that they would stop using a product if there is any sign of human and animal mistreatment, and 67% would switch products, if negative environmental and social impacts were observed. The report also shows a 3% annual increase in sustainability awareness among New Zealanders. The results of this study indicate that the majority of customers do expect companies to be more socially responsible and would like to be informed if their favourite brands have impacts on society and the environment.

Aside from individual customers, some of these public companies serve as suppliers for smaller firms which want to keep a good image themselves. CP3 explained that these customers choose their main suppliers (the public companies), based on those companies' image and how they are perceived by end-use customers (individual buyers). Even though he admits that there is expectation from their customers (other smaller businesses), the general public, and Iwi for their company to be "more transparent and more accountable", the organisation did not publish a sustainability report until 2017. In addition, CP2, CP4, CP6, CP9, CP14, and CP20 also agreed that some customers would like to know that the product or the service is "environmentally sustainable" before they use it.

Based on these findings, these companies experience a moderate level of demand for sustainability disclosure from their customers. However, this expectation seems to be largely dismissed because it is not coming from a powerful stakeholder. Or in some cases, the powerful stakeholders are against non-financial disclosure. As CP19 explained, they have to be "mindful" of certain customers who also happen to be investors as well. He was referring to their international shareholder who currently owns nearly 40% of their company, and is potentially going to invest more in the near future. Another non-reporting corporation (CP18) also only engages with one major customer which contributes 10% of total revenue. Sustainability issues do not appear to be important to this particular customer.

CP10 defined potential investors as "prospective investors [who] are community members who aren't yet investing in the company but may be interested [to do so]".

Previous literature suggests that potential investors are becoming more aware of the importance of non-financial information, and consider that before making investments (Hayward et al., 2013; Hughen et al., 2014). A few of the participants in this study directly mentioned certain potential investors who do “CSR investing” (CP3, CP9), and look into a company’s non-financial information before they invest. As CP20 puts it, “investors don’t like surprises, either positive ones or negative ones”. Some are “managing risks” and care about their own “reputation”. As a result, they look carefully into the impacts of the companies that they invest in. OP6 and OP7 similarly believe that investors are now a lot more interested in knowing about companies’ social and environmental impacts, before they decide to invest.

It appears that customers and potential investors possess the characteristics of **dependent stakeholders.** Mitchell et al. (1997) explain that, despite the urgent and legitimate claims, these stakeholders have **no power** and are dependent on “guardianship” of stronger stakeholders (such as the government). The customers’ and potential investors’ claims are considered legitimate since their desire is for the companies to act in socially acceptable ways, and urgent because if the companies fail to do so, customers will switch providers and potential investors could look for other opportunities. Nonetheless, neither customers nor potential investors are prioritised ahead of current shareholders of the companies by any of the participants. The presence of the two attributes suggests that this stakeholder group’s (customers and potential investors) priority level for the companies is **moderate** (Figure 14), and they should receive a reasonable amount of attention.

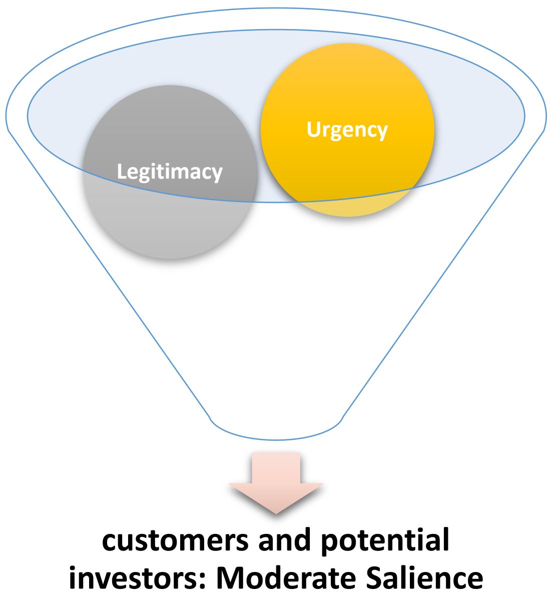

Figure 14. Dependent stakeholders do not possess enough power to demand for disclosure of non-financial information.

However, despite the fact that their priority level is fairly moderate, this group does not have sufficient power to demand non-financial disclosure. To effect change, they are dependent on a guardian stakeholder (Mitchell et al. 1997), the government. Due to the neoliberal nature of governance in New Zealand (Collins et al. (2007); Frame & Bebbington, 2012), fiscal transparency remains the only form of disclosure expected by the government. I argue that with the absence of pressure from this authority figure and guardian stakeholder, the pressure of expectations from other stakeholders such as customers and potential investors, is not enough to force companies to change their ways, as they do not possess any power themselves.

7.2.1.2. Dominant Stakeholders (retail shareholders, employees and board of directors, and the government)

According to Mitchell et al. (1997), dominant stakeholders are both powerful and legitimate, and undeniably have impacts on the company. They argue that these stakeholders have the power to act on their legitimate claims, and demand both annual and sustainability reports but for different reasons (discussed later in this section), may choose not to do so. I argue that retail (‘mum and dad’) shareholders with minor investments, the board of directors, the employees of the companies, and the New Zealand Government belong to this group, and match the characteristics of dominant stakeholders.

As discussed in Chapter 2, being transparent towards employees (internal transparency) motivates employees to be more engaged and improves their performance while it builds trust between the employers and the employees (Drucker & Gumpert, 2007). This benefit of internal transparency was highlighted by a participant who explained that her company was currently concentrating on a “sustaining people” strategy (CP14). This company believes that employees are one of the most important stakeholders and have created a new “Chief People Officer” role in their company.

Employees are one of the influential stakeholder groups, according to the findings, who could positively impact the company when empowered. The findings also suggest that this empowerment can take place when changes in leadership cause cultural changes in the company. For the organisational culture to change, management has to take the first step. Once employees witness the change in management and understand the benefits of communicating non-financial performance, they start integrating the concept in their work, knowing that the management will be supportive of their actions (Epstein et al., 2010).

OP2’s company advises their clients to conduct a biannual survey to engage with their employees and get their feedback on what they should do in the future. The participant representing this company explained that employees are well informed because they are in touch with other stakeholders, especially shareholders, and know the company's values and impacts. Employees also appeared as important stakeholders in the participants' non-financial reports. The most important topics to them included transparent two-way communication, maintaining a social licence to operate, and commitment to society and the environment.

As a majority of the participants consider employees as one of their main stakeholder groups, their power to influence the company cannot be denied. However, there is a common belief that shareholders' interest and claims must be served ahead of stakeholders such as employees (Eccles et al., 2014). Therefore, employees' power to demand change can be overruled when management decides that their claims are not in the best interest of shareholders.

In addition, data suggests that even directors, as powerful stakeholders with influence and legitimate claims, are not immune to shareholders' interests. For instance, CP19 explained that there are certain directors within their organisation who bring a lot of experience and have a really "strong view on sustainability being an important aspect". They believe that they should be communicating their sustainability impacts. But their view on sustainability "is not shared across the board of directors". He later explained that an international company owns 39.9% of his company and implied that what that major shareholder wants is going to highly influence the content of their report, overruling what some members of the board would have wanted to include.

Aside from major shareholders' influence on the board, there is another major reason that can explain the lack of pressure from the boards of directors in New

Zealand based companies for publishing a sustainability reports. The board of directors' role is to monitor the decisions that are made by the management of the company to make sure that the company's objectives are being reached (Eccles et al., 2014). However, as OP7 explained, many directors in New Zealand serve as members of boards in up to 5 companies. A study done by Al-Maskati et al. (2015) also finds that the boards in New Zealand based companies are facing what they call "director busyness" caused by the fact that some of these directors may be serving in multiple companies. This apparent limit in the number of capable directors in New Zealand has a negative impact on how well they can monitor company activities and have a say when major decisions (such as publishing a sustainability report) have to be made (Fox et al., 2012). Another recent study done by Rao and Tilt (2016) also suggests that "multiple directorship" can affect non-financial reporting.

On the other hand, 'mum and dad' or retail shareholders, who also have power and legitimate claims, do not demand sustainability reporting for a number of reasons. For example, CP7 believes that the benefits of disclosing non-financial information, have not been introduced well in New Zealand. She explained that in today's society, "the health and ongoing welfare of a company, and their ability to make returns is depending on a lot more". She said "people don't know what they don't know" and this can change once the company produces a report and shows the stakeholders the benefits and values of non-financial reporting. However, the findings suggest that in many cases the management of the company does not understand the values of sustainability reporting either. Many companies do not necessarily believe that being sustainable can have financial, or any other benefits.

Assuming that they do not understand the benefits and purpose of sustainability reporting, which in this day and age OP7 thought would be hard to believe, a body with authority should take the role of educating the decision makers of the largest companies in the country. As OP5 explained, a lack of understanding of what benefits a sustainability report at some point becomes conscious ignorance, which then becomes wilfully choosing not to understand.

Similar to the findings of this study, Nidumolu et al. (2009) explain that companies see sustainability as an expense since they are worried that customers will not pay more for sustainable products and being sustainable means that they have to purchase new equipment and find new suppliers. One participant (CP12) argued that lowering carbon, electricity and water usage is "highly efficient and good on the environment, [but] there is not a really big return on that investment". This indicates a lack of understanding of what a sustainability report's benefits are for the company. The same lack of understanding is also evident in some of the corporate reports.

Aside from improving companies' image and reputation, a sustainability report can help companies identify all the issues that they may have with control and use of their resources, and assist them in creating plans to manage their assets properly, which, as discussed in Chapter 2, can lead to reducing costs, creating opportunities for new business ventures, and financial benefits in the long run, and add value to the company by improving its performance in the future (Lourenço et al., 2014; Nidumolu et al., 2009). The results of other studies such as Hussainey and Salama (2010), suggest that investors are enabled to forecast the companies' future earnings better when the management has a good reputation in environmental performance, since the investors are able to understand the companies' long term plans.

Aside from the lack of knowledge of sustainability reporting's benefits, another reason for the lack of expectation from the retail shareholders is how they are represented. As mentioned in Chapter 5, some of these companies have hundreds of thousands of shareholders, many of whom only find out what is happening with their investment through communication tools such as annual reports. In many situations shareholders and many other stakeholders leave the decision-making power to portfolio managers (OP6), the management or the board (Eccles et al., 2014). This allows the board or management to make decisions on behalf of thousands of people. The problem arises when the board or management favours their own (Eccles et al., 2014) or one or more major shareholders' interests instead of those of the retail shareholders. The board, according to almost all participants, has the final say, and some participants such as CP18 and CP19 admit that they favour the major shareholders' requests over other stakeholders (discussed further in the Definitive Stakeholders section).

As a powerful stakeholder with legitimate claims, the New Zealand Government (and its regulatory bodies), like other dominant stakeholders, has the ability to demand sustainability disclosures, but chooses not to, for a number of reasons.

As CP8 explains, the government of New Zealand is trying to reduce the number of regulations and claims that adding "another set of regulations to follow" scares away foreign investors who have plans to invest in New Zealand based companies. While some consider such regulations as barriers to entry for competition (Koźluk, 2014), and suggest that deregulations attract more investment (Alesina et al., 2005), other studies such as that by Testa et al. (2011) suggest that sustainability related regulations significantly and positively affect companies' competitiveness in terms of innovation, and encourage them to improve their environmental performance to compete with each other. Testa et al. (2011) also conclude that the governments and their regulatory bodies must keep sustainability regulations in place, since they can create competition among companies, which can benefit the environment and society as well as the economy.

Another reason for the government's lack of interest in sustainability reports is that the majority of the shares (more than 51%) of some of the largest corporations in the country are owned by the government. These include but are not limited to Air New Zealand, Meridian Energy, Mighty River Energy, and Genesis Energy. While state owned enterprises (SOEs) are designed to create profit and be responsible towards the public (Cunningham, 2011), as a huge shareholder of some of the most profitable companies in the country, the New Zealand government's interest seems to be leaning more toward creating profit, as it is very strict towards financial transparency, but imprecise towards sustainability disclosure. The government's lack of interest in sustainability reports can be clearly observed in the vague legal definition of material information and the lack of even a recommendation for non-financial reporting in the NZX listing rules. This has led to the absence of sustainability reports from most of the SOEs and in the case of at least two companies, abandoning such reports.

The findings from the corporate reports indicate that the employees, investors, and directors of reporting companies are interested in non-financial topics. As dominant stakeholders, the employees and the board of directors, retail shareholders, and the government all have the power and the legitimacy to demand sustainability reports, but for the reasons discussed above, compared to major shareholders, their claim remains non urgent, and while they have a **moderate** salience level (Figure 15) and receive a fair amount of attention from the companies, their high level of power to influence companies remains unused in most companies, since the organisations perceive no pressure for the disclosure of non-financial information from these stakeholders.

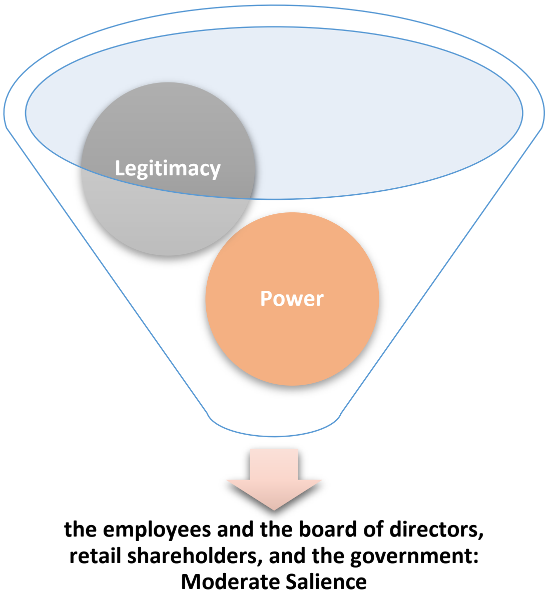

Figure 15. Despite having the power attribute, there is not enough perceived expectation from dominant stakeholders for sustainability reports.

7.2.1.3. Dormant stakeholder (Media)

As discussed in Chapter 2, the mass media have increasingly gained the power to impact public opinion regarding corporations (Christensen, 2002). The findings of this study illustrate that media play an important role as a stakeholder, for both reporting and non-reporting companies, effectively influencing how they communicate with their stakeholders. This study is also aligned with previous studies (Baron, 2005; Siegel & Vitaliano, 2007; Zyglidopoulos et al., 2012), providing evidence of the mass media's influence on corporate behaviour, and corporate CSR.

For the companies that already publish sustainability reports, or are preparing one to be published in the near future, media were considered as one of the major sources of material information for the reports (the other source was employees who are in touch with stakeholders). CP6, CP7, and CP14, who produce sustainability reports, explained that they pick up stories in the media that involve their company, and bring them up in the reports together with what they are doing to resolve their issues. CP19 who is from a non-reporting company also considers "media channels" as a major way of communicating with other stakeholders. CP13 also explained that they are "very news worthy" and they receive a lot of requests from the media for different types of information.

The findings discussed in chapters 5 and 6 suggest that the media can influence sustainability reports that are already being published by the reporting companies. However, in New Zealand's voluntary system, media's power remains unused to demand publication of sustainability reports by non-reporting companies. I argue that media can become a tool for companies to gain a good reputation and achieve their economic goals, without having to disclose all their major negative impacts. Instead, they only have to address the ones that have been covered in the news.

As mentioned earlier, the reporting companies use the stories that come up through media outlets as material information. Aside from the media, they admit that they do not directly get in touch with all their stakeholders for feedback, but prefer to speak to their staff who are in touch with the stakeholders to find out what they want to see in the reports. This leaves the media as the only major external source for the identification of material information.

The main problem here is, because of the absence of regulations for sustainability reporting, companies have no obligation to release information that may have major negative impacts on their image, and only cover what was already published by the media and therefore expected of them to cover (Zyglidopoulos & Fleming, 2011), their own stories about their positive activities, and their good deeds. As a result, major issues that are not already known by the public and are not mentioned in the media are ignored. This improves the companies' image and portrays them as socially responsible, while they could be hiding a major issue. These companies receive more positive news reportage, helping them gain a social license to operate (Boutilier & Thomson, 2011; Moffat & Zhang, 2014; Prno & Scott Slocombe, 2012) and increase their value in the market (Cahan et al., 2015). In this way these companies can manipulate both the media coverage and their stock prices (Figure 16), or as Bauman sees it, to use the media as a publicity platform to get the public to join the market and make choices as consumers (Cotter & Perrin, 2017; Gane, 2012).

In addition, similar to the findings of Reinig and Tilt (2009), it was observed that many of the companies use press releases to communicate their non-financial information, which mostly included "community engagement" (CP10), rather than having an official report. The problem with this method is that many of these companies either have their own Investors Relations (IR) department, or hire an IR firm to generate more positive press releases than negative ones (Solomon, 2012).

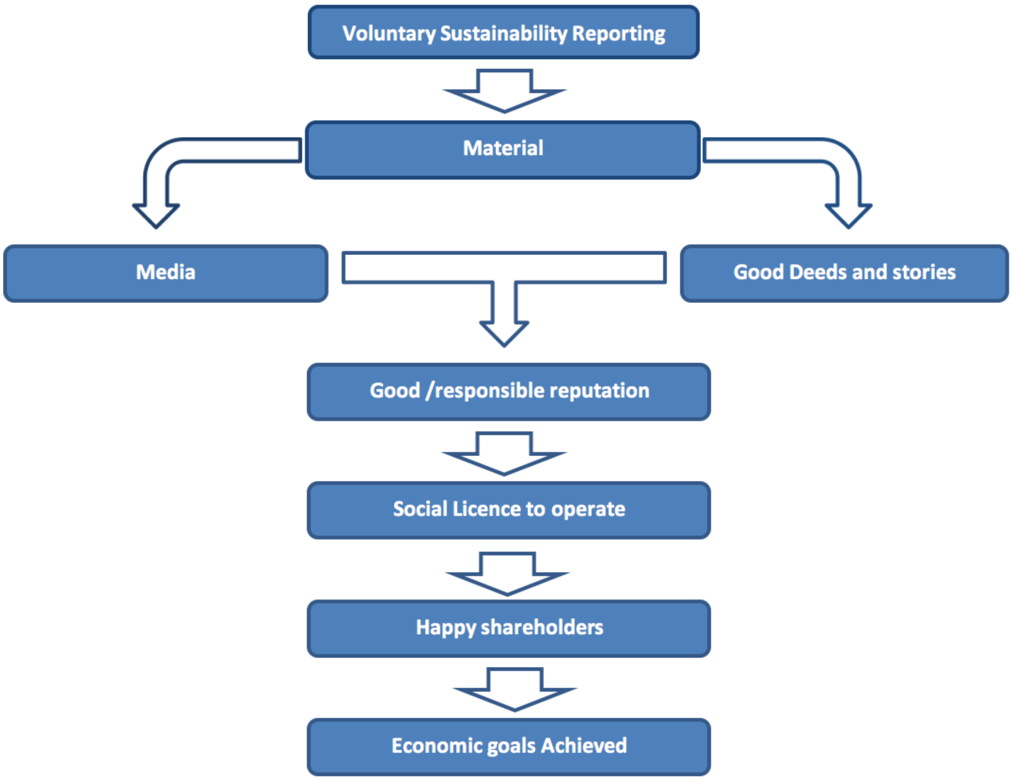

Figure 16. Influence of media in a voluntary system

Another factor that affects the legitimacy of media's influence, is that they have the tendency to lean towards local companies. A study done by Gurun and Butler (2012) shows that local media can be biased towards their local companies, since a big part of local media's revenue is from advertising for these companies. Therefore, they tend to take a more positive point of view towards the local companies, compared to how a non-local media outlet would position itself towards that company. Furthermore, Van Peursem and Hauriasi (1999) suggest that media coverage in New Zealand is highly affected by news production requirements and the need to entertain. Therefore, if a piece of important sustainability news does not have the potential to be entertaining, it may not be included in the news.

In addition, the findings of this study align with those of Aerts and Cormier (2009) in suggesting that negative issues raised by the media that need to be addressed by the companies are mostly drivers for press releases rather than sustainability reports. Several participants such as CP10, use their websites and "news announcements through media" to respond to negative issues that the public already knows about.

Mitchell et al. (1997) argue that while the only attribute that dormant stakeholders have is power and they can demand what they want to see, because of the lack of a legitimate and urgent connection to the companies, their power is unusable. They explain that dormant stakeholders have potential to gain urgency or legitimacy and earn a higher level of salience, and demand more attention from management. I argue that the mass media, as the largest source of information about sustainability in New Zealand (Research New Zealand, 2007) due to its ability to grab public attention, has the power to affect companies' image and reputation and as a result, gain the legitimacy or urgency attributes.

Interestingly, while many of the reporting companies and the other participants (OP5, OP6, and OP7) discussed the importance of media in the materiality process, this stakeholder was not listed in any of the sustainability reports as a major stakeholder. Most companies do not produce sustainability reports and those that do look to the media to identify material issues. However, media influence in this way is only indirect. Under normal circumstances when there is no incident involving the corporations, the media have little to no interaction with the companies, so it has the characteristics of a dormant stakeholder and is of low priority (Figure 17).

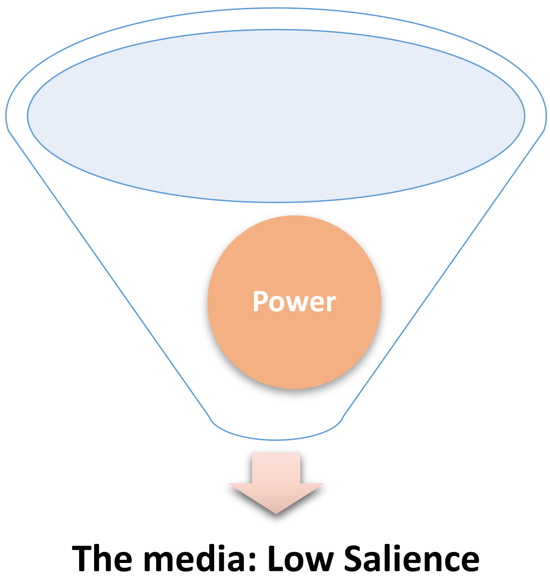

Figure 17. With only the power attribute, dormant stakeholders can be ignored by the companies as they have no legitimate and urgent claims.

7.2.1.4. Discretionary Stakeholders (NGOs and the SBC)

Mitchell et al. (1997) describe discretionary stakeholders as stakeholders with no power nor urgent claim to influence the company, and explain that because they lack these two attributes, managers are under no obligation to have a relationship with these stakeholders, although they may choose to do so. I argue that organisations such as the Sustainable Business Council (SBC), and the Sustainable Business Network (SBN) belong to this category, and even though their claims are legitimate and many companies have chosen to be a member of these organisations, they hold no power to demand non-financial disclosure on their own in a voluntary system (Nadesan, 2011).

The SBC has 80 members and requires its members to produce a sustainability report within two years of membership (SBC, 2016b). Out of these 80 members, only 15 are publicly listed on the NZX. Not all of these 15 companies are currently publishing sustainability reports. Five of the members which are publicly listed participated in this study (CP2, CP3, CP7, CP9, and CP14). These members described their relationship with the SBC as valuable and explained that the council helps them with matters such as supply chain efficiency, social license to operate, freight efficiency, transition to a lower carbon economy, and the complex process of creating a sustainability report. While many of the participants in this study have praised the SBC for its sustainability efforts, I suggest, in line with previous literature (Milne et al. (2005); Milne et al. (2006); Wright et al. (2016)) , that the organisation would have been more effective combined with governmental pressure.

There were concerns regarding the legitimacy of what is currently prepared voluntarily by some participants. CP4 believed that since there is no set framework, many companies "put a spin on things" to make themselves look responsible. Even though the SBC requires all members to produce a non-financial report within 2 years of becoming a member, it does not have the power to directly penalise the offenders in the same way as an authority figure like a government could (e.g. cash penalties). This can create an environment for such companies to take advantage of being a member of organisations such as the SBC, to improve their image. In addition, the existence of the SBC is dependent on their members. Despite years of being active, many of the members managed to avoid producing a sustainability report within the two-year window. However, it does appear that the situation is changing. According to the representative of the SBC (OP4), in 2018 the organisation for the first time asked a member not to renew their membership because the company failed to publish a report. The SBC finally took this step towards implementing their own policy after the release of the code of governance by the NZX at the end of 2017.

As discussed before, while many reporting companies use the GRI framework as a guideline, some of them only cover issues that have already been raised by the media. While there are some genuine reports being published every year in New Zealand, there are companies that are not being “authentic” with what they include in their reports (CP2). Aside from authenticity, there are other issues that could be problematic when it comes to organisations such as the SBC. Lydenberg et al. (2010) argue that companies in a voluntary system can choose when and how often they want to report. They can also choose indicators and formats that suit their image best, allowing them to foster a false responsible reputation (Hahn & Lülfs, 2014).

While organisations such as the SBC and the SBN are known for their work for disclosure of non-financial information, they have **no power** to require all public companies to publish such information and can only indirectly demand it from their own members as a condition of their voluntary membership. As there is no urgency to their claim, companies are under no pressure to acknowledge these organisations, giving them a **low** level of priority (Figure 18), and sometimes even completely ignoring these stakeholders.

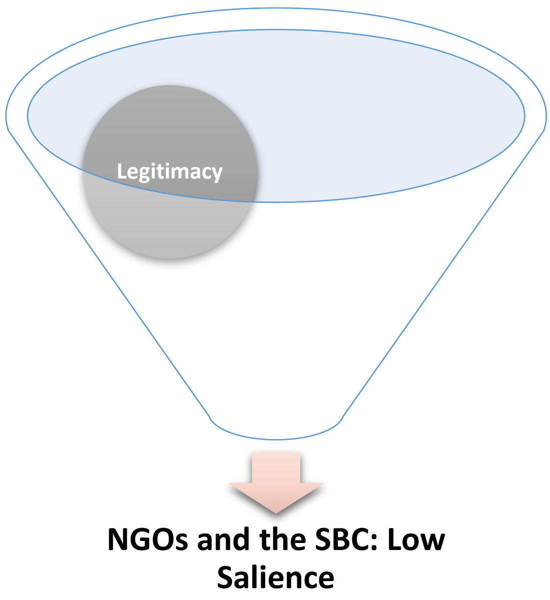

Figure 18. Discretionary stakeholders do not possess the power to demand for non-financial disclosure

7.2.1.5. Definitive Stakeholders (major Shareholders)

The data gathered for this study strongly suggests that there is a sense of urgency in keeping the major shareholders "happy", and that the companies' first priority is to satisfy their major shareholders' needs (Friedman, 1970; Friedman, 2009) before any other stakeholders, including retail shareholders. For example, CP18 explained that when one "large shareholder owns two-thirds of a company", "it has a lot of influence" over the company's reporting protocols. In other words, if this large shareholder does not ask for sustainability reporting, the company does not feel the need to publish such a report. The influence of this large shareholder "with a 66.7 % stake" overrules the interests of small shareholders "that own one or two shares".

Aside from this participant, many others named shareholders as their main stakeholder. It later became clear that they mostly were referring to major shareholders who own big portions of the company. CP10, even classified their stakeholders into different types of shareholders (indicating that they only consider shareholders as their stakeholders) and put "institutional shareholders" on the top of his list. For this reason, in the previous section I characterised retail shareholders as *dominant* stakeholders with power and legitimate claims, while I argue that major shareholders belong to the *definitive* stakeholders' category due to presence of urgency as the third attribute, in addition to power and legitimacy. As a stakeholder group with all three attributes, they receive the highest level of attention from the companies (Mitchell et al., 1997).

In New Zealand, the major shareholders' power is enhanced even more, with the help of the government. By "minimising the regulations" (CP8), the New Zealand government has created an investment friendly environment for these major shareholders (Connell & Dados, 2014; Kingfisher, 2013). Aside from not requiring any form of non-financial disclosure, the government, through the Reserve Bank, has also created New Zealand Central Securities Depository Limited (NZCSD) which acts as a custodian and "becomes the legal owner of the securities on the relevant register and holds securities on behalf of the member, the beneficial owner" (RBNZ, 2016), such as JP Morgan Chase Bank and HSBC.

"New Zealand Central Securities Depository Limited" is the shareholder name listed in the annual reports of the companies. While the NZCSD has more than 100 members, the information regarding which company owns what portion of the public companies listed on the NZX is not publicly available and can remain hidden, unless the listed companies choose to include that information in their annual reports. When I contacted NZCSD to find out more about these institutional investors, I was told that the information was "confidential" and could not be shared.

As discussed earlier in the third section of Chapter 5, in some cases up to 90% of a company is owned by a few of these investment companies, giving them more power than "mom and dad" or "retail" shareholders. On the other hand, public companies' ranking on the NZX, which used to be freely available for the public, is now only available if one pays for subscription to S&P Dow Jones Indices (Adams, 2015).

Many of these major shareholders own a large number of shares in New Zealand's largest companies, and in the absence of regulations for sustainability reporting, they greatly influence the public companies' disclosure policies. This has led to an environment where companies are able to operate without having to worry about the impacts that their activities may have on society, the environment and the economy. This lack of regulation allows a few investment firms to have the power to have control a major part of the market.

Previously, I suggested reasons why companies may perceive a lack of expectation for sustainability reporting from retail shareholders, which included these shareholders' lack of knowledge and the way they are represented. In addition, many participants including CP1, CP5, CP8, CP10, CP11, CP12, CP13, CP15, CP17, CP18, CP20, and CP21 at the time of being interviewed believed that there are no expectations from other stakeholders for sustainability transparency. One thing that almost all these participants have in common is the fact that they considered shareholders as either the only stakeholder, or the most important one, giving them the **highest** level of priority (Figure 19). Therefore, I argue that the claim of lack of expectation made by these companies is because their view of stakeholders is only narrowly focused on shareholders, especially the major ones.

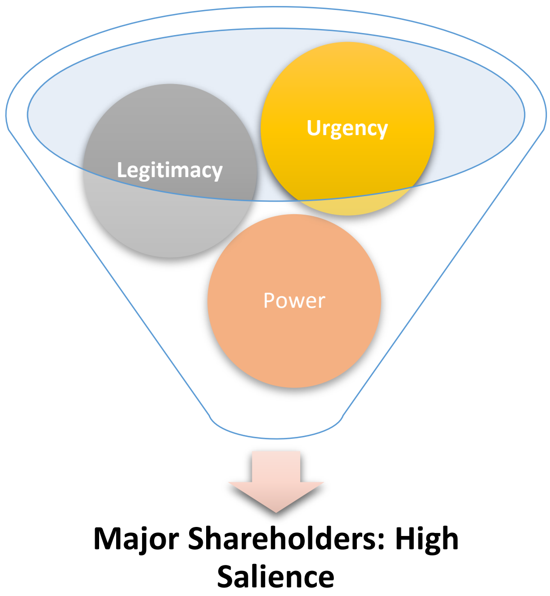

Figure 19. Major shareholders have high level of power and influence on the companies.

In addition, the review of the corporate reports of these non-reporting organisations showed no evidence of direct engagement and communication with any of the stakeholder groups aside from shareholders were found. While many of the reports claimed to be in touch with shareholders, there was no indication as to how that engagement was made and what the important topics for the major shareholders were.

In this section, using the Salience Model, I argue that different stakeholder groups have different levels of power to influence companies' non-financial transparency in New Zealand. I believe a combination of genuine lack of understanding and choosing not to understand (consciously ignoring) what sustainability reporting is and what benefits it has (by both decision makers and major shareholders), with the absence of communication and genuine engagement with what key stakeholders want, has made a major contribution to the apparent current lack of interest in non-financial reporting in the country. In the next section, I draw on Bauman's liquid modernity, discussed in Chapter 2, to explain how difference in levels of stakeholders' power and the state's lack of involvement in the market's affairs have shaped current practices of sustainability reporting in New Zealand.

7.2.2. Effects of absence of regulations on sustainability reporting in New Zealand

As disused earlier, a neoliberal system supports market freedom, and its method of governance is to use regulatory and monitory practices which have been put in place to effectively infuse competition and principles of the market to all aspects of life (Gane, 2012). In a system that has been built on the idea of individualism and individual success, companies avoid social responsibilities and are only required to provide a report designed to speed up their economic growth.

The data gathered for this study support this claim. Some participants such as CP4, CP8, and CP9 explained that their annual reports are "compliance based" or are only designed to "comply with the listing rules". CP4 even went on to say that they have already collected the non-financial information needed to produce a sustainability report for their own use, and although they report this information to global programs outside New Zealand, they do not disclose it in the country because "at this stage [they] are not required to disclose it to anybody else".

Similarly, OP1 also said the annual report "is for most a compliance document, it's required to produce. The main thing is that it has to tick the boxes for the regulator".

Another Participant (CP5) explained that because of the constant pressure from the regulators and their major shareholders, their financial reports have grown from 24 pages to 80 pages over the years. While the expectations from powerful stakeholders are promoting constant growth of fiscal reporting in the country, the pressure is nowhere near the same when it comes to non-financial information.

In section 7.2.1, I classified stakeholders into five groups and argued that in New Zealand, in most cases, little to no pressure is perceived by companies from stakeholders with the power attribute (Definitive, Dormant, and Dominant stakeholders) for non-financial transparency. I also established that in a neoliberal system such as New Zealand's, where sustainability reporting is done voluntarily, only major shareholders have the absolute power to demand sustainability reports, and the disclosure of non-financial information, due to the high level of attention that they receive from companies, and their highly effective power. However, as discussed earlier, many of these shareholders do not see any financial benefits for releasing non-financial information (Nidumolu et al., 2009), and believe that addressing sustainability issues could have negative financial effects (costs) (Brown, Helland, & Smith, 2006). Therefore, they do not expect (or want) it, although the cost of preparing financial reports is not an issue since it is a "requirement" and comes with "being a public company" (CP5).

While, in terms of financial transparency, companies go out of their way to comply with powerful stakeholders' requirements, there is little attention paid to non-financial transparency. After all, neoliberalism "is about market freedoms and forms of governmentality that operate through such freedoms and, moreover, through forms of surveillance and regulation that are designed to inject market principles of competition into all spheres of social and cultural life" (Gane 2012, p. 625).

As discussed earlier, according to Bauman (2000) power was transferred from the state to individuals in the liquid modern era, due to processes of individualisation. The disciplinary power of the Panopticon era was replaced with unstructured or 'liquid' power. The post Panopticon conditions, as Bauman (2000) argues, allow power to move freely without any constraints. Liquid power therefore enables companies or "free agents" to separate themselves from the government, and the state that has been enticed by the concept of individualisation in neoliberalism participates in order to weaken itself.

I build on Bauman's discussion of liquid modernity and argue that with individuals now having to take responsibility for their own wellbeing, each person or group of stakeholders will pursue their own interests, demanding different forms of disclosure that serve them best. Companies that now have lost their solid form use their liquid power to meet the requirements of the government (usually in a form of an annual report) and the demands of those stakeholders who only ask for financial transparency and still appear as legitimate (Figure 20).

As Bauman (2000) explains, the important thing in a post-Panoptical era is that the people who have the power to shape the fate of their less powerful dependent partners, and the less fortunate, can escape beyond grasp whenever they want:

> The prime technique of power is now escape, slippage, elision and avoidance, the effective rejection of any territorial confinement with its cumbersome corollaries of order-building, order-maintenance and the responsibility for the consequences of it all as well as of the necessity to

bear their costs. (p. 11).

This process of escape and slippage is represented in diagrammatic form in Figure 20 below, with the now 'fluid' corporate entity avoiding the demands of a range of stakeholders as well as the associated responsibilities.

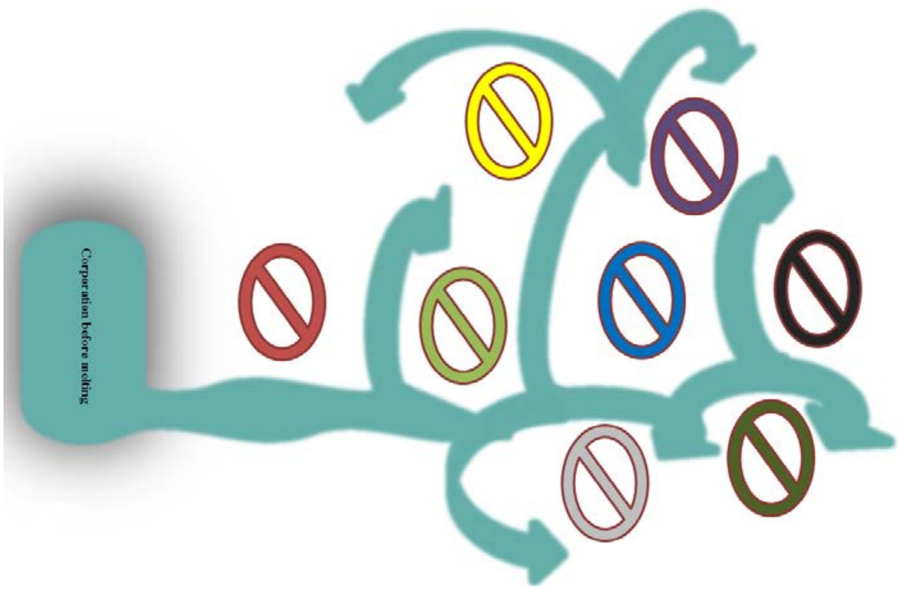

Figure 20. Companies taking advantage of their liquid power to escape social and environmental responsibilities, and different stakeholder groups' demand for transparency.

In the absence of regulations, and the lack of perceived expectation or demand from major shareholders, the dependent, dormant, and discretionary stakeholders do not have enough power to force companies to take notice of their demands. This allows organisations to have different levels of transparency (partial transparency) for different types of stakeholders (Figure 21), to satisfy stakeholders with higher levels of salience and ignore other stakeholders' demands.

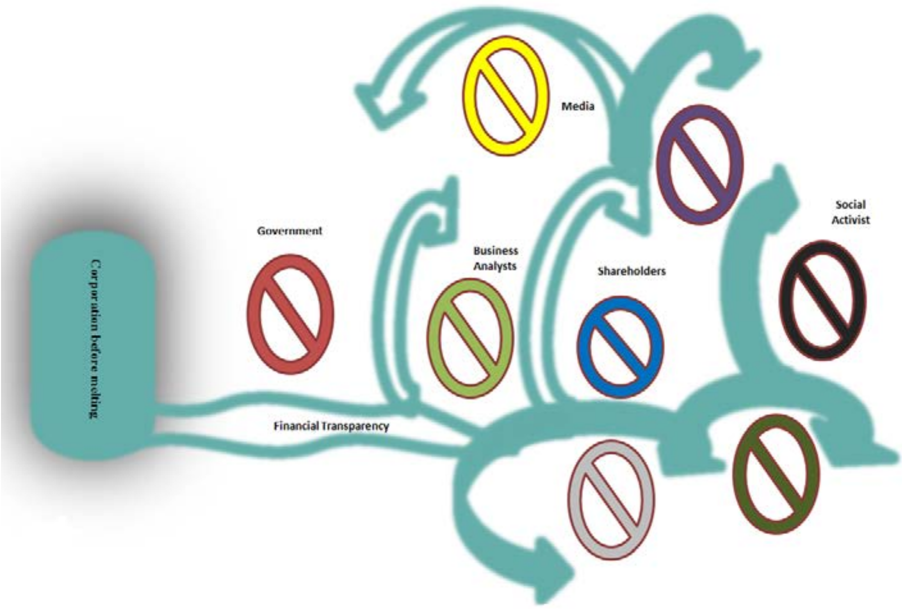

Figure 21. The liquid form allows companies to be flexible and provide partial disclosure that serves their interest best, thus escaping their responsibilities and any form of social responsibility.

In addition, as discussed in chapter 3, the liquidity of power (Bauman 2000) allows companies to move operations that are deemed unacceptable to places where there are fewer constraints on their activities (Dicken, 2003; Zyglidopulos & Fleming, 2011). The absence of regulations around non-financial transparency makes New Zealand a safe haven for companies that wish to hide their questionable actions. Non-financial reporting, when done correctly, has the potential to expose companies' social, environmental, and economic impacts, and where they should be regulated (Milne et al., 2005). The current situation in New Zealand, however, allows companies to be able to use sustainability reports as legitimising tools (Tregidga et al., 2014), by responding to incidents covered by the media, or cover smaller matters while hiding major issues, and still appear legitimate, a practice that CP10, CP12, and CP15 exercised in their 2017 reports (these companies' practices were discussed in chapter 5).

This is happening in an era when four developing countries (India, Malaysia, South Africa, and Indonesia) have the highest rate of corporate responsibility reporting in the world. While official requirements are driving the growth of CR and sustainability reporting worldwide and show positive development since 2013, New Zealand and its voluntary reporting system falls behind with countries such as Slovakia and Greece, well below the average and with little improvement (KPMG, 2015).

In a neoliberal environment the market, rather than the government, is given the power to manage societal growth. As a result, the market can dictate its own agenda and monitor itself. As discussed earlier, at the end of 2017, the NZX as the authority figure regulating the market in New Zealand introduced a new code of governance that included a “comply or explain” recommendation. I argue that while introducing such recommendation appears to be a positive step towards non-financial transparency, it is in fact a neoliberal act of misusing power (Peck and Tickell 2002) in order to strengthen the market and achieve financial goals, and in many ways could do more harm than good as “there are still a lot of [ways] out” (OP6). Giving the companies the option of explaining instead of complying is the market’s way of allowing some, such as investment organisations, to avoid having to be transparent about their social and environmental impacts. Thus, companies or free agents, as Bauman calls them, can justify the absence of non-financial transparency and legitimise their actions as their liquid power allows them to escape all forms of social responsibility (Bauman, 2000).

On the other hand, the Government, which owns large portions of some of the biggest and most profitable listed companies, directly or through "guardians of the superannuation" or "local government" bodies, is empowering companies to avoid compliance with the other stakeholders' demands by creating this so called investment friendly environment through the NZCSD through not introducing a standard for non-financial reporting. Instead of acting as an enforcement authority as well as a key stakeholder with power to apply pressure on companies to address their environment and societal impacts, the government is in some ways supporting companies to disengage from such responsibilities. In this way the Government is undoing the efforts of those stakeholders who have rightfully demanded sustainability transparency, and reversing the small impact these responsible stakeholders with little power may have had. Some participants in this study admit that they used to publish sustainability reports, or were taking steps towards releasing non-financial information, but stopped due to lack of interest from important stakeholders such as the government.

This absence of regulations also allows companies to use their size and type of industry as reasons not to publish a sustainability report. Numerous studies have looked at size as a factor affecting the content of corporate responsibility reports (Baumann-Pauly et al., 2013; Frias-Aceituno et al., 2014; Gallo & Christensen, 2011; Morhardt, 2010), and suggest that there is a relationship between levels of non-financial disclosure, and size of the company. The findings in studies by Brammer and Pavelin (2006); Fernandez-Feijoo et al. (2014a); and Simnett et al. (2009) suggest that larger companies provide more information than smaller ones in a voluntary system. In line with these studies, some of the non-reporting companies in this research see their “small” size as one of the main reasons not to publish non-financial reporting.

For instance, CP16 stated that their company is “not big enough from a shareholder point of view”, because of their low share prices. He explained that they are “classified as penny stock” and that is the reason why they are “sliding under the radar”. He said that in the next two years, as their share prices increase, he expects that there will be demand for more information, and certain stakeholders such as “analysts and the market” will expect more disclosure. CP16’s product is taken from the ocean and has direct impacts on the environment. Yet because of its size from a shareholder’s point of view, and lack of regulation, they have not had to acknowledge any demands to disclose non-financial information.

Similarly, CP5 considers his company to be a “very small corporate holding” with “10 people in their corporate office”. I argue that it is the nature of what they do as a holding company that should be considered, rather than size. In terms of employees who are directly employed by this company, they are considered small. However, this company as a holding corporation, owns several businesses that are responsible for more than 3,000 employees globally, and has total sales of nearly NZD 800 million. That is why, even though they consider themselves as a “very small corporate holding”, they are placed just outside of NZX 50. This company has significant social impacts because of the very large number of employees that they are responsible for (amongst other things). They also have environmental impacts as they own businesses that are active in the automotive sector and resource services, providing technical and maintenance services in the oil, gas, power, agriculture, mineral, and petro chemical industries; and finally, economic impacts due to their value in the stock market.

Therefore, while it is true that firms that are ranked in NZX 15 are much larger than the ones listed after NZX 50, and certainly have bigger impacts on society, the environment, and the economy compared to the smaller organisations, it does not change the fact that publicly listed companies, whether big or small, do affect the wellbeing of the country and need to disclose their impacts, regardless of what industry they are active in (KPMG, 2015). Consequently, size becomes an irrelevant factor in deciding whether or not a company should publish non-financial information. In addition, being a smaller corporation can in some ways be an advantage. A smaller company can engage more easily with the community it is operating in, compared to very large ones (Draper, 2000) and can mould the reputation and the image they want.

For whatever reasons, whether it is size or type of industry, the majority of the publicly listed companies in New Zealand are not disclosing non-financial information, and the impact of the new code of governance by the NZX which was introduced at the end of 2017 is yet to be seen. I challenge the common belief that stakeholders do not expect non-financial reports, and argue instead that the main barriers for growth of non-financial reporting in New Zealand are stakeholders' lack of power to demand non-financial transparency, and the fact that they have not been sufficiently engaged and communicated with.

Out of the 43 reports that were analysed for this study, the majority still do not include any non-financial disclosure (shown as red in Table 7). The representatives of these companies are the ones who claim that they have not felt any pressure from any stakeholders for sustainability transparency. At the same time, no evidence of communication with any stakeholder groups aside from shareholders was found in any of these reports. In contrast, the sustainability reporting participants with comprehensive reports (shown as green in table 7) have engaged all stakeholder groups and asked them what is important to them. The fact that the less powerful stakeholders do not have an opportunity to speak does not mean that they do not have any such expectations.

The absence of governmental intervention as the guardian stakeholder to protect the interest of other stakeholders has been a topic of discussion for years in New Zealand (Collins et al. (2007); Bebbington et al. (2009); Frame & Bebbington, (2012); Birchall et al. (2013). The result of this absenteeism is what Bauman warned us about: “what matters in post-Panoptical power-relations is that the people operating the levers of power on which the fate of the less volatile partners in the relationship depends can at any moment escape beyond reach - into sheer inaccessibility” (Bauman, 2000, p.11).

Increasing the power of state through regulation for non-financial transparency will make companies present a sustainability report and to respond equally to all stakeholder demands for transparency in all dimensions of environment, society, as well as the economy (Figure 22).

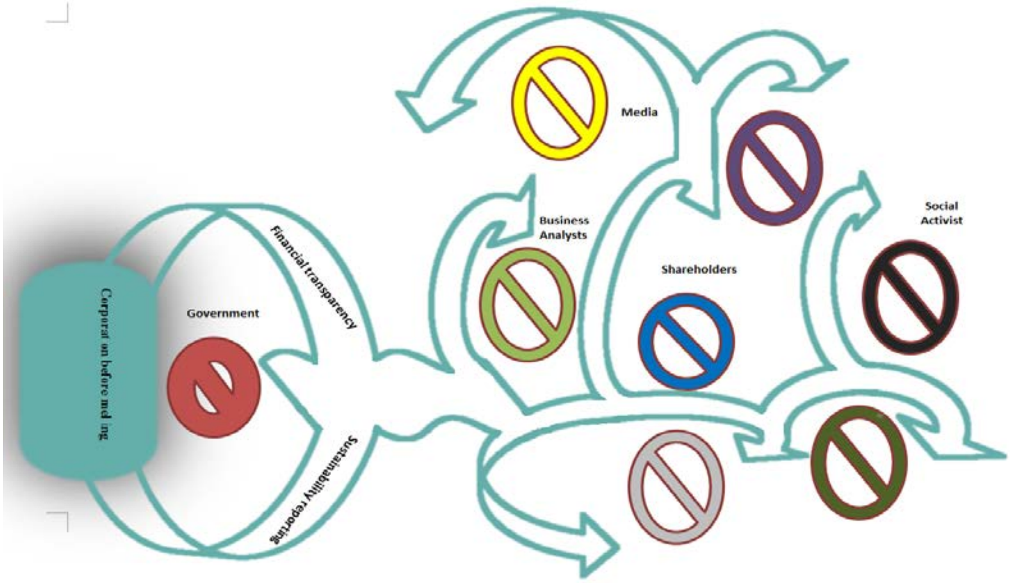

Figure 22. Introducing mandatory expectations will create consistency in both financial and non-financial transparency.

Whether the decision makers in organisations truly do not understand the purpose of non-financial reporting, or are deliberately ignoring it, having a mandatory standard would require them to educate themselves and engage with their other stakeholders in order to understand their needs and expectations and truly serve their purpose as an important part of society. Such regulation enhances performance by giving less powerful stakeholders the ability to have a say, and by requiring managers to make changes which do a lot more than just serve the short term interest of the shareholders (Maltby, 1997).

7.3. A common standard and mandatory integrated reporting

Similar to studies by Chapman and Milne (2003); Hackston and Milne (1996); Milne, Tregidga, and Walton (2009), I also challenge the reliability of some of the sustainability reports published by companies in New Zealand. While the producers of comprehensive sustainability reports engaged with all their stakeholders, the data suggests that some companies rely only on the media to find out what issues need to be addressed. Some even admit that there is no direct communication with other stakeholders to hear their feedback and suggestions.

In addition, despite having a full sustainability section, several reports either have been created without engaging with stakeholders, and/or there is evidence of attempts to de-emphasise the negative impacts of the company (these reports are shown as yellow in Table 7). These attempts include using smaller fonts, or excluding important facts about an issue. As in any other voluntary system, those who do this, or who do not report their negative impacts, cannot be punished for not disclosing the information regarding their effects (Nadesan, 2011).

The way the participants from the reporting companies spoke of sustainability reports suggests that companies intentionally or unintentionally concentrate on certain aspects, mainly environment, less on society, and rarely on their impacts on the economy. Massive corporations' effects on the economy should not be dismissed. For example, some large financial institutions collapsed during the 2008 financial crisis because of weak risk management. They made a series of decisions that exposed their firms to significant risks and large losses (Erkens, Hung, & Matos, 2012). When the big global institutions that were too big to fail got too close to the edge, they were bailed out by governments, but ultimately it is the taxpayer who paid the cost.

A firm's activities can harm the environment, society, and the economy in direct and indirect ways, destroying public goods and imposing costs on the people living in the community. These costs (discussed in Chapter 2 as “externalities”) have to be calculated and the offending firm must be penalised and required to pay for its negative impacts to internalise the costs (Mosteanu & Iacob, 2009). However, many of the participants believe that their companies do not have any impact because of the type of industry they are active in, and the size of their corporation, dismissing the need for a sustainability report. Some even believe that the same guidelines cannot be used for all industries.

To solve the challenges outlined above, in many countries sustainability reporting instruments are introduced directly by the government, or other regulatory bodies. According to a UNEP report (UNEP et al, 2016), nearly 400 instruments (a complete list of the instruments is available on www.carrotsandsticks.net) are used in 71 countries, out of which more than 80% are introduced by the government, and 65% are mandatory, the benefits of which were discussed in chapter 2.

Companies’ impacts can be reported in different ways (Hughen et al., 2014). With the current absence of an official guideline in New Zealand, all reporting companies, and those which were in the middle of creating a report to be published soon, used the GRI framework as a guideline. While some just followed the guideline’s indicators, some others such as CP2 preferred to integrate it with their annual report, explaining that sustainability was integrated across their business, and that it created more value when combined with the annual report. These participants used the report to open a conversation with stakeholders, empowering them to provide feedback, rather than being used as a tool to achieve company’s strategic goals (Higgins & Coffey, 2016).

As discussed in Chapter 2, the concept of integrated reporting is relatively new. A framework has been in the process of being tested and developed since 2014 by the International Integrated Reporting Council (IIRC) and was recently ready for early adopters (IIRC, 2016). Some of the participants of this study adapted the integrated framework for their latest corporate report (published in 2017).While the concept of integrated reporting is facing some challenges and has been criticised by a number of scholars (Dumay (2016); Flower (2015)), the data from this study shows that more and more companies are leaning towards using a mixture of GRI and the IR. Based on the analysis of reports, I found those that only used the GRI guidelines were hard to understand for a non-sustainability professional. Some of the professionals who participated in this study agree with this claim (OP4, OP5, and OP7). In contrast, where a combination of the GRI and IR frameworks were used, the report appeared more fruitful and easy to understand, since the GRI (normally used by sustainability professionals) was utilised to assess a company's material issues raised by their stakeholders using complex indicators, and then the company used IR to explain how they create value and address the problems identified in an easy to understand manner.

While this study suggests that mandatory non-financial reporting would be beneficial for the country as well as for the public companies listed on the NZX, the sustainability professionals who participated in this study all agree that the companies should choose their own framework(s) to report their environmental, social, and economic impacts. This allows companies to select a reporting tool that suits their values, the goals that they aim to achieve, and their budget. At the same time, participating sustainability experts all agreed that a combination of GRI and IR provides the most value for companies from any industry and size.

7.4. Summary of the Chapter

Even though the legal definition of material information does not exclude non-financial information, nor specifically highlight financial information, it is generally accepted that in New Zealand only financial information is required to be disclosed by public companies. On the other hand, since most of the companies in the country do not provide any information aside from what is required, complying with the law and providing an annual report is regarded as being equal to full transparency. One of the major reasons for not producing a sustainability report that was highlighted by the participants from these non-reporting companies was the apparent lack of expectation from stakeholders.

In the second section of this chapter, I used the Salience model of Mitchell et al. (1997), to categorise the most influential stakeholders named by the participants, using the three attributes of power, legitimacy, and urgency of the stakeholders' claim. Based on the data gathered for this study and multiple other studies, I matched the characteristics of all the named stakeholders with the characteristics of the stakeholders' groups identified by Michel, Agle, and Wood (1997), in the following format:

- Dependent Stakeholders (customers and potential investors)
- Dominant Stakeholders (retail shareholders, employees and board of directors, and the government)
- Dormant stakeholder (Media)
- Discretionary Stakeholders (NGOs and the SBC)
- Definitive Stakeholders (major Shareholders)

Considering this classification of influential stakeholders and based on the data gathered for this study, I drew on Bauman's liquid modernity concept to argue that instead of a lack of perceived expectation from the stakeholders, other factors such as stakeholders' lack of power, and the absence of proper engagement with these groups of stakeholders, are the reasons why their demands are not considered by the companies. On the other hand, some stakeholders, especially major shareholders, possess so much power that they can dictate what the content of reports should be.

Therefore, in the absence of legislation on non-financial disclosure, companies with negative impacts on the environment, society, and the economy do not need to report them or act on them. Corporate reporting in New Zealand is extremely compliance based, up to a point where some companies go to the trouble of collecting the non-financial information to report it outside New Zealand, but keep the same information away from the public's eyes in this country. Introducing a standard such as the GRI framework or the integrated reporting (IR) (or a combination of both) by the Government of New Zealand or one of the regulatory bodies, could empower the other stakeholders to demand sustainability transparency, and create a dialogue between the stakeholders and the companies, which in the long run will benefit both the companies and the country.

CHAPTER 8: Conclusion

Introduction

In this chapter, I provide a brief overview of this study, discuss the original contributions of the research, point towards future research, and make recommendations for both public companies and policy makers.

8.1. Overview of the thesis

The focus of this thesis has been non-financial reporting of publicly listed companies in New Zealand, and the causes of its slow development over time. Special attention is paid to the ways in which some of the largest public companies in New Zealand are influenced by different stakeholder groups in the country for non-financial disclosure. As pointed out in the first chapter, while the discussion of whether or not corporate sustainability reports should be a major aspect of corporate communication is ongoing, the majority of significant corporations in the country have been avoiding releasing information regarding their social, environmental, and economic impacts.

The analysis of the findings suggest that sustainability and non-financial reporting are viewed by the majority of the companies as costly disclosure activities with little to no benefits. In addition, with the absence of legislation around non-financial transparency, the authenticity of what is currently being reported can be questioned. As the data suggest, many companies only cover what has already been reported by the media regarding their impacts, rather than reporting unknown facts about the company. Furthermore, some companies which already measure their impacts refuse to report them unless it is legally required.

There also appears to be a perception or belief that stakeholders do not expect or want the companies that participated in this study, at least, to produce sustainability reports. The causes of this belief are: one, certain stakeholders have little to no power to influence the companies' transparency levels; two, companies which claim that they have not felt any pressure from the stakeholders, have not properly engaged and communicated with these stakeholder groups; and three, powerful stakeholders such as shareholders of some of the largest organisations, due to their financial interest in the companies, do not demand sustainable transparency as they see it to be more costly than beneficial. In addition, the Government of New Zealand, as the guardian stakeholder and the only other stakeholder with the necessary power to demand change, has not exercised its authority to do so yet. Considering that the state owns big portions of a number of companies in New Zealand, there is a clear conflict of interest that could explain why no actions have been taken by the Government to require companies to disclose their non-financial information.

8.2. Contributions of the study

This thesis has important theoretical as well as practical implications. It contributes to the literature in a number of ways which are discussed in the first part of this section. The practical implications of this study include two sets of recommendations which are outlined in the latter part of this section; one for the public companies, the other for policy makers and the government of New Zealand.

8.2.1. Theoretical implications

Previous studies have focused on factors such as the relationship between the type of industry and transparency of social responsibility, the relationship between the level of transparency and stakeholder pressure, the relationship between pressure from certain stakeholders and industries, in addition to size of the company, the industry they are active in, and their ownership structure (see for example, Adams et al. (1998); Alali and Romero (2012); Fernandez-Feijoo et al. (2014a, 2014b); Hackston and Milne (1996); Kolk and Perego (2010)), However, this study sought to understand the causes for what is commonly known as a lack of expectation for sustainability reporting in New Zealand. This was achieved by utilising Mitchell, Agle, and Wood's (1997) Salience Model to classify different stakeholder groups and then by drawing on Bauman's (2001) notion of liquid modernity, to explain the distribution of power amongst different stakeholders which enhanced the depth of this thesis. In addition, it led to an original contribution through an expansion of both concepts, as described below.

The Salience Model (Mitchell et al., 1997) facilitated the categorisation of different groups of a company's stakeholders based on their level of importance for the company and how much influence they have over that company. The categorisation in practice is necessarily company specific and subject to change over time. However, the model, as put forward by Mitchell, Agle, and Wood, does not categorise the stakeholders per se but, rather, it introduces their characteristics, to be applied to specific contexts. I matched these characteristics with the stakeholder characteristics that were identified through the course of this research, to put different stakeholders introduced by companies in New Zealand into stakeholder groups identified by the Salience Model. This application of the model allowed time specific, but otherwise widely applicable categorisation of stakeholders as perceived by the participants of this study.

This application of the Mitchell, Agle, and Wood's model illustrates that the model itself is necessarily dependent upon a number of variables, a consideration that has not been pointed out by Mitchell, Agle, and Wood. That is, while the broad characterisation of "stakeholder" is particular to context, that characterisation needs further refinement to allow for the perspectives of those involved in applying the model, in this case, that of managers.

Liquid modernity theory was used in this study to describe the shift of power from the state to individuals. In his discussion, Bauman (2000) argues that power in the post-Panopticon era has become liquid and moves freely, enabling free agents (the companies) to disengage from the government. This is, however, as far as Bauman's discussion goes in regards to the transfer of power.

Using this theory, I established how organisations in New Zealand's neoliberal system are taking advantage of their liquid power to practice partial transparency by reporting just enough to pass the legal requirements and then responding to issues already covered by the media and known to the public, to manipulate the system in order to seem more legitimate.

I extended Bauman's theory by engaging in a discussion regarding the relationship between the government and the market in a neoliberal setting. I also illustrated the absence of equality amongst stakeholders' levels of power and perceived expectation which is caused by the absence of government regulations for non-financial disclosure, and how unevenly information was distributed amongst the different groups of stakeholders which were identified by the Salience Model. In addition, I suggested a possible way to contain the corporations' liquid power by introducing a mandatory non-financial reporting in New Zealand and how it would solve the unevenness of corporate transparency in the country.

8.2.2. Implications for practice

8.2.2.1. Recommendations for public companies

Executives and managers need to be enlightened regarding the purpose and benefits of sustainability reports.

As discussed previously, publishing sustainability reports improves companies' reputations and gives them a license to operate. Further, previous studies show that sustainability reports have financial benefits, can create business opportunities for new projects, and add more value to companies (Lourenço et al., 2014; Nidumolu et al., 2009). They also help companies reduce their waste and manage natural resources. In addition, the reports can be used as marketing tools to attract more investors (Hussainey & Salama, 2010) and customers.

This study presents evidence of a lack of understanding (or perhaps conscious ignoring) of the benefits of publishing sustainability reports amongst key representatives of some of the largest public companies in New Zealand. This unfamiliarity with the concept of sustainability reporting became even more evident when some participants believed releasing information regarding their philanthropic activities to be equal to publishing a sustainability report.

In addition, companies which claimed that they feel no pressure for non-financial transparency are not engaging with all different groups of stakeholders.

Communicating with stakeholders to find out what is important to them can be beneficial to both parties.

Since integrating sustainability practices in order to take advantage of its benefits requires cultural change in an organisation, and changing the culture starts with the leadership (Epstein et al., 2010), it is necessary for companies to invest in updating and cultivating their management teams regarding what purpose a sustainability report serves, and what benefits its presence can have for companies. This study can provide a guide of what could be expected from the New Zealand based companies in terms of non-financial reporting, and how integrated reporting could change the future of how information is communicated to different groups of stakeholders, using just a single report.

In addition, organisations such as the Sustainable Business Council and the Sustainable Business Network need to add to their efforts to educate their members regarding the benefits of non-financial reporting, as the findings suggest that even members of these two organisations who participated in this study did not fully grasp the benefits of such reports.

However, as discussed earlier, voluntary organisations such as the SBC and the SBN can only encourage (not require) the decision makers of their member companies to educate themselves regarding non-financial disclosure. In addition, companies that are not members of such organisations most likely will need more support in learning about the importance of non-financial reporting, something that can only be achieved by a body with authority taking the role of educating the mangers of some of the largest organisations in the country. Therefore, in the next section, I suggest some recommendations for the government of New Zealand.

8.2.2.2. Recommendations for policy makers

A clear, regulated standard for sustainability reporting needs to be introduced by the Government of New Zealand.

One of the major tenets of neo-liberalism is the reduction (or, if possible, elimination) of government involvement in business and society, aside from the enforcement of law and order to protect private property, and the transference of social management to market forces. The problem with such an operating environment is that profit making becomes the number one priority for organisations. Therefore, something that is considered unethical, such as harming the environment, is somehow seen by some leaders as moral as long as the corporations create profit for their shareholders. This sums up the current situation in the New Zealand market.

Due to the absence of any regulations for non-financial disclosure, many companies prioritise the satisfaction and happiness of their major shareholders (many of which are international companies), over sustaining the country. As a result, the concerned stakeholders' voice to have a say in what happens to the environment around them is muffled. As Harris and Twiname (1998) write: "the more we strip down the state and the more we empower the corporates, the smaller the area remains in which people are able to exercise any form of democratic decision making about their society and their lives" (p. 209).

On the other hand, a voluntary setting for some organisations is serving as a system that can easily be manipulated and tampered with by investor relations and public relations professionals for companies to seem legitimate, after they respond to issues that are already reported by the media and known to the public, and covering up issues that never made it to the news because they simply were not known and/or newsworthy.

Instead of being voluntary, I believe that for non-financial transparency to provide its full benefits for both organisations and all their stakeholders (including shareholders), it has to be applied as a form of observational control by the government where non-financial transparency is "represented in the policies of governmentally mandated disclosures through which corporate leaders and their organisations are held accountable for their decisions and words" (Flyverbom et al., 2015, p. 390). This allows the public as well as the media to have access to corporate information which they can use to protect society and themselves against any type of misconduct by the companies.

As of 2017, the NZX has preferred to recommend that listed companies should either release any material information that involves risk to the sustainability of the environment, the economy, and society, and explain what actions they have taken or intend to take to deal with the risk, OR explain why they are not disclosing such information. While this can be a good start, it still does not cover the financial sector, including banks and investment companies, as they believe they do not have any economic, social, nor environmental impacts. To avoid such confusion, a standard for sustainability reporting with a complete set of indicators that covers all three areas, and which is applicable to all industries needs to be introduced by the New Zealand Government.

While there are hundreds of tools which can be used for this purpose, I suggest adopting the GRI standard and guidelines as the most comprehensive and globally accepted sustainability reporting tool, combined with an integrated reporting format, as the only corporate report published by companies and which includes all financial and non-financial information that a company has to disclose.

8.3. Recommendations for future research

1. **Companies' lack of interest in sustainability reporting:** An overwhelming absence of interest among corporations to discuss sustainability reporting was observed during the process of data collection for this research. The refusal to speak about this important topic, which is rapidly growing globally, and the way the key management personnel of companies treat sustainability as taboo, and the changes that organisational culture may need in New Zealand all require further examination.

2. **Media's influence:** The concept of CSR and corporate sustainability reporting in New Zealand seem to be perceived as additional activities that companies go out of their way to do, rather than as a necessity of organisational communication. These perceptions are also highly influenced by the mass media. If the issues have not been covered by the media, and the public does not already know about them, it appears that they will not be reported by the companies themselves, a strategic choice that is in contrast with the concept of transparency. Therefore, further research is needed on the influence of mass media on shaping non-financial corporate reports.
3. **The role of NZCSD:** The work of New Zealand Central Securities Depository Limited (NZCSD), as an organisation that is fully owned by the Reserve Bank of New Zealand, the role that they play, and their impact on the transparency of publicly listed companies in the country also need to be

investigated. The current situation and the fact that it is classified in such a way that the public cannot know which members of NZCSD own what portion of which company also run counter to notions of transparency.

4. **The impacts of private companies:** This study concentrates only on publicly listed companies. There is a considerable number of massive private companies in New Zealand, with significant social and environmental impacts. The exact impact of this group of companies that are not listed on the NZX needs to be studied as well.
5. **Preparing New Zealand for non-financial transparency:** The findings of this study suggest a concern amongst corporations regarding the readiness of New Zealand and New Zealanders for a mandatory non-financial disclosure system. Therefore, further research is needed to address what needs to be done before such a system can be used in this country. Some of the recommendations made in the earlier section, may be considered for this purpose.
6. **GRI's user friendliness:** Some of the sustainability professionals who participated in this study suggested that reports created using the GRI framework are only read by "the people in the sustainability reporting community". GRI's friendliness towards an average reader, and who has been its audience has to be studied.

Concluding remarks

The remarkably low number of non-financial reporters in New Zealand was the driving force that motivated me to conduct this research. While this number has been on the rise since I began my journey, it has certainly not grown enough in comparison with global standards.

The step taken by the NZX to introduce a “comply or explain” recommendation may be a positive one. However, the fact that they are listed on the same market that they oversee, something that Bauman (2000) warns us about in a neoliberal system, raises some concerns of conflict of interest.

In addition, the government of New Zealand (regardless of which party has been in power) has actively added to its efforts in creating an investment friendly environment by introducing systems such as NZClear. This provides a shelter for foreign companies outside the country to take ownership of some of the largest public companies in New Zealand with the ability to hide their identity through NZCSD, and to conduct their business without having to worry about the consequences of their actions. For a mandatory not-financial reporting system to work, and for New Zealand to keep its “clean and green” image, the issue of the government’s conflict of interest needs to be addressed. Further research on this issue is needed.

Appendices

Appendix A: Primary questions for sustainability reporting companies

1. Does your organization prepare sustainability reports?

If so, are these reports part of the annual reports or separate reports? How does your organization prepare these reports? Are there guidelines that you follow?

2. Why does your organization prepare sustainability reports? Who are the audience?
3. Who (which departments) are involved in writing sustainability reports in your organization?
4. What are the factors that your company considers while designing/structuring a report?
5. What have been some of the significant changes in your annual/sustainability reports over the last few years? What do these changes reflect?
6. Who has the final say on the content of the reports?

Appendix B: Primary questions non- reporting companies

1. How does your organization prepare an annual report? Are there guidelines that you follow?
2. Who (which departments) are involved in writing annual reports in your organization?
3. What are the factors that your company considers while designing/structuring a report?
4. What have been some of the significant changes in your annual reports over the last few years? What do these changes reflect?
5. Who has the final say on the content of the reports?

Appendix C: Example of follow up questions for Corporate Participants (CPs)

1. How does your company define corporate transparency?
2. What does sustainability mean to your company? What direction is it taking?
3. Who are your stakeholders?
4. How do you classify your stakeholders?
5. How do you communication with your stakeholders?
6. What actions does your organisation take to address the concerns of your stakeholders?
7. How responsible is your corporation towards your stakeholders?
8. What do your stakeholders expect to see in your corporate reports?
9. How does the materiality process work? How are stakeholders engaged?
10. Do you think there is pressure from your stakeholders for non-financial reporting? Has the level of expectation hanged over the years?
11. Does being a member of SBC provide value for your organisation? What value does the SBC add?
12. Are you using any guidelines to create your report? Is there a third party consultant who guides you through the process?
13. What do you think of mandatory sustainability reporting?
14. If the government does not require tax incentives n CSR activities, would it affect how you feel about mandatory sustainability reporting?

Appendix D: Questions for Other Participants (OPs)

1. Are you aware of the number of publicly listed companies in New Zealand that produce sustainability reports?
2. Do you think sustainability reporting has benefits?
3. Do you believe that the management teams in public companies are aware of these benefits?
4. Why do you think the number of sustainability reporters in the country at lower than global average?
5. Do you think there is enough pressure from companies' stakeholders for them to produce sustainability reports?
6. Where should the expectation come from?
7. What should be the role of government in advocating sustainability practices in the country?
8. How effective do you think organisations such as the SBC/SBN are in advocating sustainability reporting?
9. What do you think about the current corporate transparency practices of the public companies in New Zealand?
10. Would you change anything in regards with these practices?
11. Do you think size of the company/the industry they are active in is of importance when it comes to sustainability reporting?
12. Why do you think sustainability reporting in NZ has not become mandatory over the years?
13. What standard/ tools are best to be used for creating a sustainability report?
14. Are you familiar with integrated reporting? What do you think of it?

15. Do you think the material information that is provided in sustainability reports which use the GRI framework, can affect companies share prices in any way?
16. How does the materiality process work? How are stakeholders engaged?
17. Which group of stakeholders do you think can affect the material information in the reports?
18. Do you believe the media plays a role in shaping what is included in the reports? In what way?
19. When/if sustainability reporting is made mandatory, should there be a standard for all companies to use? Which guideline/s do you think should be used?
20. Why is GRI the most used guideline for non-financial repotting globally?
21. In your opinion, what are the main differences between GRI and IR guidelines?

Appendix E: Summary of the analysis for each participating company's corporate report for 2015 and 2017

Company Code	2015 Report(s)	2017 Report(s)
CP1	CP 1 is active in the health care and social assistant industry, has considerable social and environmental impacts. The term "stakeholder appears six times in the entire report. The report claims that company handles its business ethically and aligned with legal requirements. Aside from the material information by law, the company works towards providing adequate information for stakeholders and investors. The board of directors has been identified as responsible for providing transparency and protecting the interest of shareholders and stakeholders. This paragraph seems to be a standard practice which appears in many other reports. The company claims to have open communication with stakeholders including "shareholders, brokers, the investing community and the New Zealand Shareholders' Association, as well as our staff, suppliers and customers". Details of two ways communication with stakeholders (primarily by phone) has only been provided for communication channels with shareholders and does not include other stakeholders. Aside from shareholders employees are the only other group of stakeholders which have been mentioned in the report. However the discussions are mostly in terms of	This report is very similar to the 2015 report with little difference around communication engagement. There is a little more on communication with shareholders.

	employment benefits rather than engagement. The report is very financial based and there are no signs of environmental nor social information. The report includes information in regards with companies gender diversity with 9 male officers and directors compared to 2 females.	
CP2	CP 2 produces a separate sustainability report aside from their annual report (2015 was their first). The company's 2015 sustainability report includes economic, social and environmental aspects. The company has set clear goals, priorities and targets for each element. To find out the right "sustainability strategy" the company engaged its employees across the business. The company has also identified where they stand regarding diversity, carbon footprint, safety, electricity and water use, and recycling rates, and has defined the goals that they plan to achieve for 2016 and 2020. Most of the engagement done to prepare this sustainability report appears to be internal and with company's employees. The report follows a narrative storyline. While it includes some of the negative impacts of the company (mostly in a smaller font and at the bottom of the page), it does not include all indicators identified by guidelines such as the GRI. Since the company produces a separate sustainability report, the annual report for the same year is entirely financially focused, with shareholders being the centre of attention.	Compared to the 2015 report, the company has clearly learned a lot from their reporting process as the 2017 report is much more detailed and addresses issues more directly. The language used in writing the report is more responsible as the company directly identifies the problems with statistics and explains what is exactly being done to resolve them. The report and has grown significantly in size (105 pages compared to 22 pages in 2015). This is due to the company’s choice of an integrated framework. The report has been written using both IR and GRI principles. It includes a complete GRI content index which was not used in the 2015 sustainability report. Most importantly, the company has specifically mentioned the stakeholders they have engaged with to identify the material issues in the reports, the way they engaged them and what is important to each group. The term stakeholders has been used 37 times in this report compared to only twice in the 2015 sustainability report. Suppliers, communities, employees, and NGOs are the stakeholder groups with

		non-financial transparency expectations. The company's financial report for this year is also focused on financial transparency. However, the annual report refers the reader to the sustainability report created by the company: "Initiatives are pursued to inform all stakeholders of the company's performance against broader objectives, including responsibilities to our communities, people, environment and economy. The company's Sustainability Report reports on activities and achievements in these areas".
CP3	Despite the company's significant environmental, social and economic impacts, there is no indication of non-financial transparency nor stakeholder engagement in the 2015 annual report. The company even has a sustainability department and there is a section for sustainability on company's website. It appears to mostly be for marketing purposes rather than communicating company's impacts.	The way the company communicates using its reports has majorly changed. While in the 2015 annual report non-financial transparency was completely absent, in the 2017 report the organization has identified "creating sustainable value for all stakeholders" as its long term strategy. The company has also introduced its very first sustainability report this year. The report which is in accordance with GRI standard, identifies all New Zealanders as stakeholders who "value their natural environment highly and they expect [the company] to continue to strive towards the highest standards of sustainability". The company claims to have shaped the topics and

		structure of the report using a materiality process which considered the stakeholders' view on how important the topics are. The stakeholder groups have clearly been identified and the method of engagement with each group has been described in details.
CP4	With 23 subsidiaries, the company has massive social economic and specifically environmental impacts. Yet at this stage, there is no sign of non-financial information in the corporate reports produced by the company. The term "stakeholder" has been mentioned once in the report where the board's governance responsibilities are described.	The report is virtually the same with no reference to non-financial information. In the past 3 years the company has taken no steps towards stakeholder engagement, social, and environmental transparency in their corporate reports.
CP5	The company seems to define stakeholders as those who gain profit from it. The term "stakeholder" has been used only twice in the report and in both occasions in financial terms. The report reads: "With a back-to-basics approach and strong focus on accountability, the group's performance improved substantially over the following four years. This improvement resulted in higher profits, a recovered share price and winning back the confidence of many [company's name] stakeholders. There is some information regarding gender diversity at the workplace. Other than that, no non-financial information has been presented in the annual report.	Company has been delisted from the NZX.
CP6	The first part of the report concentrates on some facts about the business. These include some non-financial information. most of the reporting that	This is the company's second Annual integrated report (first one was in 2016). The report is written

	is done on social and environmental impacts includes the things that the company is doing such as reducing carbon emissions. The language used concentrates on positive actions being taken without discussing the issues or any future plans or goals. For example the company claims that it is helping communities and creating two way relationship with different stakeholder groups. How this is being done is not explained however. Customers, employees and suppliers have been highlighted as stakeholders.	based on IIRC's framework. The report claims to cover the issues that are important to the company and its stakeholders which include: "customer relationships, financial performance, work health and safety, operational efficiency, energy and carbon emissions, transport resilience, commercial focus, employee relations, and public safety". This report includes a complete and detailed section on who the stakeholders are and how the company engages with each group. There is indication of expectation from customers and some investors for non-financial transparency in the report.
CP7	According to the annual report, sustainability is vital to the company's reputation and their market positioning. Sustainability and transparency of non-financial information is also very important to many stakeholder groups including industry partners, Iwi, customers, shareholders, the government, general community, NGOs an, investors. The financial and non-financial information have been integrated in one report. company uses GRI framework to create the non-financial section. The company claims to have engaged with stakeholders to identify what is important to them. Each stakeholder group and method of engagement with them has been completely explained with details. At least one of the engagement methods is a kind of two way communication channel. The report also explains how key areas of concerns which were raised by the stakeholders have been	This is another integrated report which includes both financial, economic, social, and environmental aspects of the business. The non-financial information is once again in accordance with the GRI guidelines. In this report the company has been more clear about the stakeholders' expectations. Transparent communication in regards with all the activities of the companies sits under the top important issues by "all stakeholder". The demands of each group has then been mapped out separately. The report reads: "We know that strong stakeholder relationships are key to [company name] success, and a affect our ability to create value. We are committed to

	addressed. Before the stakeholder concerns are identified, the line reads: “No specific external engagement was undertaken to prepare this report”.	understanding their interests and concerns, responding accordingly, and providing honest and transparent communication”. The government (51% shares) and investors appear to be the main advocates of incorporating sustainability and stakeholders’ view into the business. A lot more attention is paid to non-financial information in this report compared to the 2015 report.
CP8	The report consists of two major parts. The first section concentrates on financial reporting and the second part focuses on corporate governance. The report indicates that the company works towards managing the indirect economic impacts on different stakeholder groups. There is no indication that same is being done on social and environmental impacts (except a mention of encouraging recycling in the business). In the “other stakeholder interests” section of the report only customers are discussed. The report claims that customers and employees are engaged with. Although there is not much detail provided on how that has been done and what they demanded. Communication with the shareholders has been explained well. In terms of engaging with the communities around them, the company only reports on philanthropic activities that they have done on two occasions and sponsoring some events.	In terms of non financial transparency and engagement with the stakeholders, no improvements have been done in the past three years.
CP9	This company has some of the largest social and environmental impacts on the country. Yet, there is little to no non-financial disclosure in their corporate reports. In fact instead of identifying the issues that are cause by	Since 2015 the organisation was taken over by another public company and the corporate report for 2017 is completely the opposite of what was produced

	them and offering solutions, the company sees itself as a solution for other organisations' problems. Sustainability is only mentioned in the report as a way of marketing the company. The report claims that the company manages the expectations and interest of all stakeholders. However, there is no indication that other stakeholders have been engaged aside from the shareholders.	previously. The company claims to have "ultra long sustainability in mind" when they take any actions. Half of this report is on non-financial information. While it incorporates aspects of integrated reporting framework, it has been prepared in accordance with the GRI standards. Different stakeholders have been acknowledged and engaged. They include: customers, employees, partners, shareholders and investors, Iwi, the government, community, suppliers, and industry participants. The most important topics expected to be included in the report have been identified. These include: economic performance, natural resources availability, fairness, climate change, environmental compliance and mitigation, safety, and customer experience. The company has addressed all these matters by explaining what action they are taking to resolve issues related to these topics. Stakeholders have played a key role in what is included in this report.
CP10	While the annual report includes both financial and non-financial information, it is not using an integrated reporting framework. Instead, the first half reports on financial outcomes and in the second part a GRI index is introduced. The GRI index by itself appears to be hard to read and understand for an average reader compared to other reports where	The company has changed its direction towards their first separate and comprehensive sustainability report. This report however was published in 2016. GRI is still used to guide the core of the report. However in this report, the company

	the index is used within an IR framework. Stakeholder groups have been identified and engaged through different methods. These groups include: general community, Maori, Environmental groups and other non-government organisations, shareholders, investors, employees, local government, central government, and industry partners and bodies. The most important issues to these stakeholders (both internal and external) have been around company's investment plans for the future (making smart decisions that bring good value), and environmental responsiveness (climate change and environmental footprint). While the report acknowledges the stakeholders' expectation and the important topics for them, it has not addressed them in an easy to understand and clear manner and uses the GRI index to refer the reader to either a different link or an email address to find answers. For example one of the indicators which asks for direct and indirect greenhouse gas emissions by weight, the response is that "the report can be requested by email".	appears to address the issues that have been raised by stakeholders directly. The material issues have been recognized through conversations with the stakeholders and what the media has covered about the company in the past year. While the report has immensely improved, it is still difficult to understand what specific negative impacts the company's activities have had socially and environmental and how they are addressing them. For example for major environmental issues such as waste and carbon emission, the report just says "data is not available at the time of publishing". So once again, despite good engagement with the stakeholders and acknowledging their expectations, this SOE has not transparently discussed their negative impacts and what they are doing to resolve these issues. The 2017 annual report of the company has a short sustainability section which refers back to the 2016 sustainability report which means the company has published one report for two operational years.
CP11	Aside from a gender diversity discussion which includes engagement with employees, there is no sign of other non-financial information nor engagement with other stakeholders aside from shareholders can be found in the report. The term "stakeholder" comes up five times in the report and	The report looks similar to the 2015 one. This time however the company identifies the stakeholder group as "regulators or government, the Electricity Commission, listed issuers, brokers or institutional and

	mostly refers to “market stakeholders”. No other stakeholder groups have been identified in the report.	retail investors”. The report acknowledges that the company does not have a social and environmental reporting framework but promises one for 2018. This may be because of the “comply or explain” recommendation of the new code of conduct released by the NZX at the end of 2017.
CP12	The report includes a one page sustainability section. In this page the company explains that it has developed a sustainability policy which drives improvements in environmental performance and operational costs. The information disclosed in this page is only on company’s achievements such as reducing power consumption. The term stakeholder has not been used even once in the entire report. The report does not contain any information in regards with engagement with any stakeholder groups to understand their concerns.	There are major changes made to the annual report compared to the 2015 one. According to the report, this is the first time that the company is using an integrated framework. The term “stakeholder” has been mentioned in this report 12 times. However in parts it appears to refer to mostly financial stakeholders. The report reads: “The company has a wide range of stakeholders including small and large shareholders, bondholders and other debt holders”. The sustainability section of the report has grown from one page to 7 pages and includes a GRI content index. Nearly half of the indicators are not currently provided in the report as the “decisions of stakeholders are still being reviewed”. It is unclear which stakeholders have been engaged and what method was used to communicate with them. Only two of the indicators have been externally assured. The report promises to improve

		the sustainability aspect of the report in the future years.
CP13	There is no sign of any form of non-financial disclosure. The report does not contain the term "stakeholder" at all. There is no sign of any form of engagement with any stakeholder groups. Only some information about charity work has been included in the chairman's report section.	The report is almost identical to the 2015 report in terms of non-financial information. Again, there is none, nor is there a sign of engagement with any stakeholder groups.
CP14	This company is one of the pioneers of sustainability reporting in New Zealand which has been publishing one for many years. The reports used to separated from annual reports but recently the organization decided to disclose their financial and non-financial information together using an integrated reporting framework. The report is also using the the GRI guidelines (G4). The company chose an IR framework because they believe it creates a complete picture of how they create value. The stakeholders are identified as people (employees), shareholders, customers and suppliers, community, government, and industry. The stakeholders were engaged through survey and interviews and were asked to ask 19 issues. These issues were selected based on ongoing engagement with stakeholders. The top issues that the stakeholders are concerned about were: [product] safety and quality, sustainable [raw material] stock, leadership and values, developing and wellbeing of people (employees), customer relationships, community engagement, and financial performance. The report has comprehensively explained company's negative impacts, and what is being done to resolve the issues. For each of the material issues raised by the	This report also uses a combination of IR framework and GRI indicators. In this report, the company has been more specific about their stakeholder groups. The stakeholders have been identified as: People (employees), shareholders and investors, Government and regulators, Industry and business associations, suppliers, customers, communities, NGOs, civil society, and Iwi. The stakeholders were asked to rank 30 issues which they flagged as concerns (compared to 19 in 2015). Due to the high number of issues identified, the company grouped them under the following outcomes: sustainable business, heathy [source of raw material], employees, community and partnership, healthy [product], and protecting the environment. Most issues belong to the sustainable business and healthy [source of raw material] categories. The most important issues for the stakeholders include

	stakeholder groups, the company has identified goals, targets, and enablers. This report is by far one of the most comprehensive reports amongst the participating companies.	product safety and quality, health and wellbeing of employees, profitability, and social license to operate. 37 stakeholders (22 external and 15 internal) were selected and engaged through semi-structured interviews. They were selected based on factors such as “dependency, responsibility, tension, influence and diversity”. Each issue is then discussed together with the company’s planes to address them. This report is even more comprehensive than the 2015 one.
CP15	The company operates in the horticulture industry with 9 subsidiaries. While there is people, community and environment section in the report, there is no actual non-financial disclosure present. This section only claims that the company cares about the community, its employees and the environment. There is no explanation of what the impact of the organization’s activities are and how they are being managed. In addition, there is no sign of any stakeholder groups (aside from shareholders) being engaged or communicated with. The term “stakeholder” has only been used once in financial terms.	In their latest annual report, the company has taken a big step towards sustainability reporting by using GRI indicators and engaging with internal and external stakeholders to find out what issues are important to them. The top issues include: Employment, health and safety, supplier requirements, water use, and carbon. There is no indication of who the stakeholder groups which have been engaged are or what the method of communication used with them was. While in the first part of the sustainability section the report claims that the material topics are the result

		of stakeholder engagement, later in another section the report reads as though the topics were based on GRI indicators and not what is important to stakeholder groups. It reads: “We have identified 16 sustainability topics which we believe reflect key sustainability concerns for [the company]” (CP 15, Annual Report). Even the material topic mentioned have not been discussed in the report.
CP16	This company’s product has everything to do with the ocean. The report opens by committing to sustainability and environmental responsibility. Although there is no explanation of what is being done to achieve this. There is no non-financial disclosure taking place in the report. The report does not contain the term “stakeholder” and there is no indication that any groups of stakeholders have been engaged.	No non-financial disclosure component have been added to the 2017 report and it completely keeps its financial core. A line has been added to the report that “the Board seeks to balance the interests of shareholders with the interests of other stakeholders, as appropriate” (CP16, Annual Report). Despite company’s major environmental impacts, there is no sign of future plans for a sustainability report.
CP17	The company owns 11 major international franchises in New Zealand. The report claims that the company is committed to using practices that minimize social and environmental impacts such as recycling and only using suppliers who use sustainable resources. The company also claims to take part in supporting the community and charitable events. There is no evidence	This report is a little different from the 2015 one. It acknowledges that there are other stakeholders such as the public, customers, team members, suppliers, and shareholders, and the company aims to conduct its business in a way that the results are positive for all these groups. How this is

	of any of these presented in the report nor is there any non-financial disclosure which include the company's negative impacts. There is no sign of stakeholder engagement. The report appears to present the minimum required information to comply with the listing rules.	done is not explained. The only sign of engaging with a stakeholder group, is a line that explains the company's efforts to communicate with the customers to understand their needs for the product better. Once again aside from promising to manage their social and environmental impacts, there is no non-financial information included in the report.
CP18	Majority of this company is owned by the local government. The organization has major social, environmental, and economic impact on the region. The report claims that the company is continuously working on minimizing its impacts, and provides some examples such as 60% power reduction, recycling, and identifying and disposing harmful chemicals. The report does not include any negative impacts of the company and how they are being managed. According to the report, the company engages with one major customer which contributes to 10% of total revenue, the regulators, and permanent employees. The outcome of the engagements have not be described in the report.	The report has kept its financial nature and no improvements have been made in terms of non-financial disclosure.
CP19	Investors, employees, customers, suppliers, creditors, and local community have been identified as stakeholders in the report. There is claims of engagement with shareholders and employees. Although it is not clear how the engagement was done and the outcome of it. This large organisation which is mainly owned by an international company does not disclose non-financial information in their corporate reports.	The company claims that 100% of their suppliers have environment plans and are sustainable. Once again other than gender diversity no other non-financial information is included in the report. There is no indication of stakeholder engagement in the report.

CP20	Despite being active in the forestry industry and having major environmental impacts, the company does not provide any non-financial information. No stakeholders have been engaged (except shareholders) to create the report. The report appears to present the minimum required information to comply with the listing rules.	Company has been delisted from the NZX.
CP 21	The report is completely financial focused. No stakeholders have been engaged while writing this report. There is no non-financial information presented.	This report is similar to the 2015 report. Except here the company acknowledges other stakeholders. There is some information regarding companies charity work for the community and gender diversity. There is no mention of stakeholders being engaged. Company’s economic, social, and environmental impacts have not been included in the report.

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