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# **Assessing corporate social responsibility reports on supply chain sustainability following GRI G4 guidelines**

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## **Abstract**

This dissertation was written as part of the MSc in Environmental Management and Sustainability at the International Hellenic University.

Since the introduction of the stakeholder theory, much has changed in the corporate world. All types of companies and organizations, regardless of their size or the sector they belong to, are expected to disclose essential data regarding their operations and the impacts they have on the society and the environment as a whole. For the purpose of making corporate social responsibility reporting reliable, several organizations emerged. Nowadays, the GRI G4 guidelines are considered to be the global standard for corporate social responsibility reporting.

This dissertation aims to evaluate the comprehensiveness and the quality of the disclosures included in corporate social responsibility reports, in relation to the assessment of the supply chain's impacts on the environment, human rights, labor practices and the society.

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Keywords: supply chain, corporate social responsibility, assessment, GRI G4

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## Introduction

In the globalized corporate world companies have surpassed the national borders. A company can expand its operations as far as the other side of the world. Companies are now entities that can affect societies in large numbers. People either own them, work for them, supply them or just live their lives close to a company operated site. But what about those affected? Is a company responsible towards them, towards society as a whole?

Many in the business world argue that to hold companies responsible for every possible aspect regarding its operations is wrong and counter-productive. It was Friedman that first expressed the opinion that companies have one responsibility only, and that is to increase the profits for its shareholders. As long as all laws and regulations are upheld, there is no other *social* responsibility deriving from a company (Friedman, 2009).

As means for communication grew and information was made available much easier, a plethora of scandals regarding the way multinational corporations conducted business reached the surface stimulating criticism among various groups of people that demanded a change.

That change came with the introduction of stakeholder theory. As Freeman suggested, the stakeholder theory states that a company has responsibilities towards every group of people that are affected or are part of the company's operations (Freeman & McVea, 2001). Thus the stakeholder approach to corporate social responsibility was born. Companies devised their strategies and included in them plans for the minimization of environmental and societal impacts. They also used CSR as a way of communicating their efforts towards sustainability to the public.

Gradually CSR became an instrument in the hands of corporate management. They used it to identify risks that the company is exposed to, decide what the best managerial approach to a matter would be and to better understand the company's limits and shortcomings (Kytte & Ruggie, 2005). The main idea behind the expansion of CSR reporting in recent years was that non-financial aspects of a corporation could and should be extensively reported as the financial aspects were for years before (Perrini, 2005).

Certain corporations twisted and distorted the meaning of CSR and used it as a marketing tool. In the minds of the consumers a corporation that publishes CSR reports should be one that operates in a responsible way and its products and services are probably superior. That belief and the demand for more CSR by the costumers was exploited by a number of corporations that used CSR reports to construct a false image of sustainability for themselves with the introduction of green-washing and green marketing(Bazillier & Vauday, 2009, Odgen & Watson, 1999).

Much criticism rose around the concept of CSR and many argued that it served no other purpose than the profiting of corporations that mislead consumers to increase their sales (Bazillier & Vauday, 2009). That misuse of CSR generated the need for comparable reporting and standardization of the procedure of conducting a CSR report. Many standardization organizations got involved in creating clear guidelines that could be applicable by any company regardless of its size or type. The most significant one being the Global Reporting Initiative (GRI). GRI was established in the nineties and since then expanded exponentially. That success came thanks to the guidelines that the initiative published on a regular basis, each more inclusive and well thought than the one before. They published five sets of guidelines the most update at the time being the GRI G4 reporting guidelines. GRI leads the CSR reporting effort expansion on a global basis (GRI website, history of GRI).

The GRI G4 reporting guidelines include various indicators and disclosure suggestions that incorporate every possible aspect of a company's operations. Probably the most difficult aspect to include in a CSR report is the supply chain. The supply chain of any corporation, much more of a global one, is a very complex system. Any company can outsource parts of its operations or its products to suppliers, external partners etc. A company has to find ways to get raw materials, packaging and logistics providers to be able to sell its products (Skjott-Larsen, 2007).

Companies are pressured by stakeholders and NGOs and are expected to uphold the same level of commitment to sustainability whether they are reporting internal operations or operations taking place in the supply chain (Maloni & Brown, 2006). Given the complexity of the supply chain there are many inherent risks in effectively managing it. Corporations are expected to be aware of the environmental impacts, labor practices

and possible violations of human rights happening in their supply chain and act in order to minimize or even eradicate them (Maloni & Brown, 2006). For that purpose many companies drafted sets of rules that were embodied in every contract they signed with a supplier. Those sets of rules are called *codes of conduct* and portray the values that the company believes in and stands for and they regulate operations inside and outside the company (Jenkins & Unies, 2001). Basically all suppliers have to abide to the same laws that the company imposed on its self regardless if the national laws of the country in which the supplier operates are “softer” (Welford, 2005).

The problem in hand is that in many cases, code of conduct implementation is voluntary or checked through self-auditing. Thus resulting in a gap between what is expected by the code and is implemented in the internal operations of the company and what takes place in the operation sites of suppliers (Bowen et al., 2001).

This dissertation aims to present a study of all aspects that were briefly passed through this introduction in the following chapters, assess the significance of the supply chain regarding sustainability, concluding in an effort to evaluate the performance of several companies regarding their supply chain CSR performance through the sustainability reports that they published following the GRI G4 guidelines.



## **Corporate Social Responsibility (C.S.R.)**

This chapter is an effort to explain the basic questions raised regarding CSR. What is corporate social responsibility? Do companies bear responsibilities towards society or their only interest should be towards their shareholders? Is there a use for CSR as an instrument of communication between a company and the general public? Can CSR be twisted and used to “green-wash” certain aspects of a company’s operations? What “green marketing” is and is there criticism regarding the ways that companies use CSR?

### ***Defining CSR***

According to Friedman, “There is one, and only one, social responsibility of business – to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game which is to say, engage in open and free competition without deception or fraud” (Friedman, 2009 p. 112). If this path is followed, one may say that the only obligation a corporation has towards the society is to report on its financial status. Using such an approach would result in CSR being a tool of seeking market opportunities.

In the process of seeking modern definitions of CSR that have appeared since the middle of the last century, e.g. the European Commission’s definition on CSR: “the responsibility of enterprises for their *impacts* on society” (European Commission, 2011), one perspective is the most persistent of all. That being the perspective of the responsibility towards society.

Somewhere apart from Friedman’s belief stands another approach that incorporates Freeman’s famous “Stakeholder theory” (Freeman & McVea, 2001). This approach does not only take into account the maximizing of the shareholder’s profit, but also the interests of other stakeholders. Bloom and Gundlach took into account the stakeholder theory’s incorporation to CSR and expressed the opinion that CSR is an obligation of the firm towards its stakeholders who can affect and be affected by the firm’s policies. They also believed that this obligation is greater than the minimum law requirements and by fulfilling those, the negative impacts of the firm towards society can be minimized and the positive ones maximized in the long run (Bloom & Gundlach, 2000).

### ***The Stakeholder Approach***

It's a widespread belief that the main purpose of a company is to generate wealth and profit. From that, one can safely say that what is asked from a manager of a company is to maximize profits for the shareholders. But that is not entirely true. Traditionally managers have an obligation to the corporation, which is then interpreted as an obligation to shareholder interests.

In globalized corporate world, Stakeholders could be any person (individual) or group of people that are affected, or affect, a company's operations and objectives (Freeman & McVea 2001). On a more general approach, a stakeholder can be any person that places a claim on a company's attention, resources or output. According to Holliday et al. the need for sustainable development nowadays expands over the -until now- closed circle of corporate stakeholders thanks to "available to all" information, the use of the internet and the global markets that empowered the stakeholders (Holliday et al., 2002).

What is mainly argued is the course managers have to take. That course is to try to understand the concerns of many groups such as shareholders, employees, suppliers, banks that share ties with the company and ultimately the society, in order to develop strategies and goals that stakeholders would support. Andriof and Waddock believed that in order to have a successful implementation of CSR, managers must find common ground with their stakeholders, engage them in the pursuit of the company's goals, and convince them to support the organization's chosen strategy (Andriof and Waddock, 2002). In conclusion the company's management should explore relationships with all stakeholders in order to develop business strategies.

What comes in mind easily is that it is very difficult to find middle ground between various stakeholder groups. Usually it is hard to reconcile differences among two distinct groups, and in this case managers are called to bring together a number of overlapping groups with different beliefs, views and goals. Naturally, the complexity of the groups that consist the stakeholders of a company raises many questions. According to Maak, it's in the hands of business leaders to solve the puzzle of the moral complexities that emerge from the multiplicity of stakeholders engaged and lead to a constructive path for all (Maak, 2007).

Freeman & McVea expressed the belief that the stakeholder approach leans towards actively managing the environment in which a company operates, having in mind the relationships between stakeholders and promoting shared interests (Freeman & McVea 2001). That new found common ground (shared interests) is to be used in order to form a company strategy that governs the relationships among key stakeholders. At its core the stakeholder approach is meant to be adaptable enough and not require a strategy change when a shift in the business environment occurs. To be able to achieve this, the company's values that derive from its stakeholders and the operating environment must be embodied in every aspect and sector of the company and go hand-in-hand with values that society appreciates.

Freeman and Velamuri acknowledged that the stakeholder approach consists of seven distinguishing characteristics (Freeman & Velamuri, 2008):

1. It offers a single strategic framework that allows a manager to deal with changes in the external environment without the need for new strategic paradigms.
2. The stakeholder approach is a strategic management process rather than a strategic planning process.
3. The central concern of the stakeholder approach is the achievement of the organization's objectives through the harnessing of support of all those who are affected by the firm's actions, as well as all those who can affect the progress of the firm.
4. The stakeholder approach emphasizes the critical role of values-based management, by recognizing that a diverse collection of stakeholders will cooperate with the firm over the long term only if they share a core set of values.
5. It is at once a prescriptive and a descriptive framework. It advocates a holistic approach to management, integrating economic, social, political, and ethical considerations.
6. The stakeholder approach places great importance in acquiring a fine grained understanding of the particular stakeholders of each firm.

7. It starts off with the premise that a firm can exist and sustain itself only if it offers solutions that balance the interests of multiple stakeholders over time.

Nevertheless, there is much criticisms revolving the stakeholder approach. Many believe that the stakeholder approach fails to adequately address the dynamic nature of the link between a company and the stakeholders. Some even claim that through the stakeholder approach the survival of a company is left in the hands of factors and groups that are external to the company (Aagaard et al., 2008).

### ***CSR as an instrument for communication***

Phillip Kotler and Nancy Lee identified and categorized certain ways a company can use CSR as a “tool” for the benefit of the company, its stakeholders and the society in general. A brief presentation and analysis of these tools is as follows (Kotler & Lee, 2008):

#### Cause promotions

The management of a certain company is called to select a cause that they believe to be important and socially responsible. Using the company’s name and resources, they try to increase public awareness for the cause. The cause needs to be carefully selected and reflect the values that the company has incorporated in its strategies, ultimately promoting the company itself. The cause needs to be supported for a long period of time and not to be altered shortly after, otherwise the public might see it as a marketing trick. Fundraising is a way to increase public responsiveness to the selected cause. In the same time the company can put to good use its already established public relations and communications network to increase public donations. What should be noted is that the management is called to *select* a cause, as it is usual for companies not to find the cause on their own. Instead a non-governmental organization (NGO) -who supports said cause- or another external factor contacts the management. The management is called to assess if the cause fits the company’s profile and choose whether to support it or not. The easiest way would be directly donating to said NGO. An example of cause promotion is Coca Cola’s “Arctic Home” where they moved arctic ecosystems enclosed in temperature controlled rooms into cities, urging people that passed by to support the protection of polar bears.

### Cause-related marketing

The strategy is to support a cause via donating a percentage of sales income. In most cases this happens over a limited period time, usually in collaboration with an NGO. Cause related marketing -in most cases- leads to a boost in sales for the company as the general public embraces the cause with minimum effort (consumers continue to buy the same product or service but in larger quantities or more frequently). What's important for the company is to select a cause with a clear relation to its "brand name" in order to maximize the synergy effect. One example of cause-related marketing is Warby Parker's "buy one – give one" campaign. The "buy one – give one" model suggests that for every pair of glasses Warby Parker sells, they donate a pair of glasses to their non-profit partners.

### Corporate social marketing

Through corporate social marketing a company tries to change public behavior. The management devises ways to improve public behavior on issues such as public health, public safety and environmental concern. In order to make a change happen and the public change its ways towards more "sustainable" behavior companies use educational tools. It is easy to identify numerous corporate social marketing campaigns, for example a food producing company spreading obesity awareness, a car company supporting lectures on safe driving or a condom company supporting a research about sexually transmitted diseases (STDs).

### Corporate philanthropy

Corporate philanthropy ultimately leads to an increase in the public reputation of the company, providing a good public image. The management chooses a cause and donates money to it, finances scholarship programs or supports financially an NGO. Usually the cause needs to be related to the company in order to benefit from it. so that the goal of the cause benefits the company. One example of corporate philanthropy is General Motors' support of highway safety in U.S.A., where GM provided funds and inspection vehicles for highway inspections.

### Community volunteering

Community volunteering is by many consumers considered as the most sincere form of CSR effort. Through community volunteering a company encourages its employees and

personnel to support a cause. The company provides the materials needed, funds and paid time to their employees to be part of the effort. For these reasons, community volunteering is considered by many to be a sincere way of a company fully embracing the meaning of “corporate social responsibility” An example is that of Team One’s ad agency in Atlanta U.S.A., whose employees volunteered to take over for the staff of the Atlanta Children's Shelter one day each month and look after the shelter's resident children so the staff can hold its monthly meetings.

#### Socially responsible business practices

Some argue that socially responsible business practices is not a use of CSR as a “tool” per se. Usually it focuses on general guidelines or a cluster of suggestions that the company follows as a practice. The management is expected to focus on certain areas such as the preservation of the environment, employee treatment, employee human rights, gender equality in the work environment etc. This form of CSR calls for the company to select an area of focus and facilitate improvements. As a result the company can have certain gains (e.g. if the area of focus is the preservation of the environment and the management chooses to actively promote less material usage, there can be cost savings).

#### ***Greenwashing and green marketing through CSR***

As companies that embrace the concept of CSR grow by the numbers and are engaged in finding ways to measure and minimize their social and environmental impacts, a fierce debate over the concept of greenwashing through CSR has spurred. Mostly in relation with the fears generated by the climate change and the threats that globalized industry emissions impose to global health, society and environment, a large portion of the consumer base has changed its ways. Concerned consumers are proven willing to support a company or a product that embodies CSR to its operations by paying a higher price for goods and services. Thus, some companies are tempted to exploit the needs of the consumers for more CSR for their own profit. Very often it is hard for the average consumer to verify the real level of commitment of a corporation in its CSR strategies. This, in relation with the cost of implementing CSR strategies to the company’s operations for the first time, opens a new way of profiting by communicating overestimated goals and half measures (Bazillier & Vauday, 2009).

A good example would be that of green marketing. Since the late 60s the words green, fresh, organic, natural or eco appear more and more in the marketing vocabulary. Industrialists found out that using those words among others increased the valued price that consumers were willing to pay for goods and services but also fueled the expansion of environmental and sustainability consciousness to the masses. On the other hand many environmentalists claim the use of words that proclaim the sustainability merits of every possible product bears a derogatory effect. In the end the constant use of “green vocabulary” may give the wrong impression that stricter laws and regulations are not needed since everything is eco-friendly and sustainable (Alves, 2009).

People in marketing use these terms not to declare the sustainability virtues of a certain product but to give the impression to the consumers that they are part of a community that protects the environment by consuming goods of higher quality. They use these terms to increase the sales of a product by associating it with the “lifestyle” of a responsible consumer that cares for the societal and environmental impacts of consumerism. Naturally every effort made around marketing, green or not, is made and carefully planned for the sole purpose of selling more products or increase the popularity of a brand name. In green marketing this includes the notion of invoking to the consumers the belief that they are improving the world, that they behave in an ethical way, simply by deciding which products they buy. In conclusion, increased use of these words bears a positive side, meaning that marketers continue to use them in excess because consumers respond to them, revealing a massive interest in sustainable products (Alves, 2009). An example of extensive green washing and false green marketing was portrayed when TerraChoice marketing company conducted a survey on “green labeled” products found in six major retail stores. In the survey 1.018 products displaying 1.753 statements of sustainability were identified. The results revealed that 1.017 of them had false claims or used language in such a manner that misled the consumers (Bazillier & Vauday, 2009). Findings like that give us a clear image of the damage green-washing and false green marketing can bear to CSR as many consumers may denounce it as another marketing technique with no real meaning.

Unsurprisingly the expansion of CSR introduced a variety of questions and issues. As discussed before, the most obvious being the one expressed by Friedman who deemed

that the firm can be held responsible only to its shareholders and its only duty is to maximize profit for them. That belief can lead us to the distortion of the instrumental use of CSR. Some argue that a company will only get involved in CSR if there is established economic profiting from doing so (Odgen & Watson, 1999). This idea suggests that any company will behave in a responsible and sustainable way only in the notion that doing so it will reach more costumers, sell more products and profit.

On the other hand, some disapprove CSR claiming that it's a convenient way for companies to exempt themselves from following much stricter rules. A multinational company can publish CSR reports on its operations worldwide and choose what to disclose and what not. That way it can appears as a responsible company and in the same time it can lobby against stricter rules and laws in the developing countries. For the skeptical, CSR is nothing more than another mean to maximize profit. The skeptical have the belief that CSR is used as a *façade* by large multinational companies and that they are not really dedicated to implement changes. In this context the NGO "ChristianAid" published a report named "Behind the mask: The real face of corporate social responsibility". In that report they questioned the very nature of CSR and exposed, among others, companies like Shell, Coca-Cola and British American Tobacco for unethical practices. They specifically attacked the voluntary nature of CSR and emphasized the need for strict, obligatory national laws and regulations in developing countries. They published their own definition for CSR and urged the corporate world to shift from *corporate social responsibility* to *corporate social accountability* (ChristianAid, 2004).

That skeptical stance towards CSR is strengthened when companies use it to "green-wash" their operations. The green-washing problem became so evident that the NGO "Greenpeace" had to produce a definition for it. They claim that corporations use green washing to mislead the consumers about the environmental commitments of a company or the environmental advantages of a certain product (Greenpeace website stopgreenwashing.org).



## **CSR reporting organizations and guidelines**

Are companies and organizations capable of reaching out to their stakeholders by implementing CSR strategies? What is the role of the Global Reporting Initiative and how it became the global standard for CSR reporting? What is the aspect of GRI's reporting guidelines and how did they change as years passed?

### ***Communicating through CSR reports***

As years passed and CSR was embedded in the general philosophy of "how should a company approach sustainability", numerous organizations used CSR as a way to better present their selves to the public. CSR gradually became a vehicle to promote the company's name to the general public, its stakeholders and shareholders. Evidently the initial concept of CSR was bound to change. Initially it was something of a vague state of awareness that companies directly affect their neighboring societies and environment and should include them on corporate strategy. Now it's the very act of specifically identifying impacts, updating their rule of conduct and most significantly *report* on all that (Perrini, 2005). As a result the concept of *reporting* on non-financial issues grew alongside the evolution of CSR, much thanks to the assumption that if a company is social responsible it would report on non-financial issues thus meaning that the company can be held accountable (Perrini, 2005). This is easy to acknowledge as the markets put pressure on more and more companies to exhibit solid evidence of improvement on their corporate processes and everyday operations regarding. Companies have to provide strong evidence of long term commitment to being sustainable both socially and environmentally in order to gain stakeholder's trust and gain good reputation. Perrini emphasized the need for the companies to *identify, monitor, and report* all social, environmental, and economic effects they pose on society (Perrini, 2005).

Consequently companies are more and more taking into account the importance of showing commitment to CSR. It is of crucial importance to provide *clear, verifiable* data and information that resemble strict financial reports and audits. Through this process CSR reports found their way in the corporate establishment.

### ***Global Reporting Initiative***

The growing need for non-financial CSR reports generated the need for a specific set of rules and indexes that will hold the quality level of the generated reports high and promote accountability. To fill that gap several institutions emerged, each of them supporting different approaches to the matter. The most important and widely acknowledged is the Global Reporting Initiative (GRI).

The GRI was founded in Boston USA, in 1997 and thanks to a strategic partnership with the UN's Environment Program in 1999 the organization gradually achieved international scope (GRI website, history). GRI reporting has managed to maintain strong commitment to environmental, ethical and human rights issues through the years. The GRI has proven to be persistent on the matter of sustainability, systematically expanding the reach of CSR reporting to more and more business sectors. When an issue that posed unique sustainability issues to a specific business sector wasn't included in the standard reporting guidelines, the GRI provided specialized sector guidance supplements. These guidance supplements incorporated business sectors such as: construction, financial services, mining companies, NGOs, airports etc. This resulted in the ongoing expansion and standardization of the GRI reporting guidelines that the majority of companies follow today.

Specific environmental disclosures in the GRI guidelines have pushed companies into being more sustainable and environmentally friendly. As it is noted by Alonso-Almeida, there is a correlation between a company achieving exceptional environmental performance and implementing the GRI reporting guidelines (Alonso-Almeida et al., 2014). Moreover Clarkson et al. were able to notice after studying 191 reports of US companies prone to environmental pollution (oil and gas, mining, chemical, and metal industries) that there is correlation between the environmental performance they achieved and the number of optional disclosures they reported using GRI guidelines (Clarkson et al., 2008).

The GRI presented equal level of commitment in improving social issues. Ioannou and Serafeim pointed out that companies that followed the GRI reporting guidelines had a more socially responsible stance. They abstained from opportunistic behavior and had fewer corruption incidents regarding their inner workings and their relations to suppliers

(Ioannou & Serafeim, 2016). An analysis of reporting trends regarding the financial sector in China by Noronha et al. showed that companies in that sector are taking CSR reporting under serious consideration in an attempt to reverse the negative public opinion against them. Through implementing CSR reporting GRI guidelines they try to ease the general public and the markets that hold them accountable for numerous corruption incidents (Noronha et al., 2013). Furthermore Noronha et al. noted that many companies proceed in generating a sustainability report in order to gain recognition by being present in the lists of companies that do so. Finally Schadewitz and Niskala reported a correlation between the disclosures made under the GRI guidelines and the market value of a company stating that: "...GRI responsibility disclosures – contribute to the market value of a firm. The contribution is beyond what earnings together with book values can predict" and "Our results show that managers can increase the informativeness of share prices via responsibility reporting." (Schadewitz and Niskala, 2010, p.105).

### ***GRI reporting guidelines***

The GRI has released five (5) versions of guidelines so far. The first set of guidelines was released in 2000, then followed the second in 2002 and the third in 2006. An updated version of the third (G3.1) was introduced in 2008. All of the aforementioned reporting guidelines have been rendered obsolete since 2015. The current version of GRI reporting guidelines is G4 that was released in 2013 (GRI website, history of GRI).

According to GRI "the GRI Sustainability Reporting Guidelines offer Reporting Principles, Standard Disclosures and implementation guidance for the preparation of sustainability reports by organizations, regardless of their size, sector or location. The Guidelines also offer an international reference for all those interested in the disclosure of governance approach and of the environmental, social and economic performance and impacts of organizations. The Guidelines are useful in the preparation of any type of document which requires such disclosure" (GRI G4 Reporting Principles and Standard Disclosures, p.5).

As GRI suggests, "sustainability reporting can be considered synonymous with other terms for non-financial reporting such as triple bottom line reporting and *corporate social responsibility (CSR) reporting*." (GRI website, information on sustainability reporting). Sustainability reporting is enabling companies to report crucial information in a

manner similar to financial reporting. It is of great importance that if a company chooses to publish reports in a timely, scheduled manner and in a systematic way following the guidelines, the result is comparable data, disclosures and metrics.

Companies and organizations that choose to publish a sustainability report following the GRI guidelines can be benefitted in multiple ways (GRI website, Benefits of Reporting):

- In-depth understanding of their inherent risks and opportunities can be obtained
- Comparing performance in different aspects of their operations over time can be made possible
- Implication in environmental, social or ethical failures that could be made public can be avoided
- They can reduce costs, improve their efficiency and streamline their processes
- Links between non-financial and financial performance can be evaluated

With the introduction of G4 guidelines GRI heightened the importance of materiality analysis. Following the G4 guidelines, companies and organizations are expected to report on issues that matter most to their operations –meaning potential risks, managerial strategies and opportunities. Through materiality analysis G4 asks for a systematic materiality assessment that will be followed by disclosures on those aspects found to be material to the company’s operations. There are two application stages when a company or organization is reporting “in accordance” with the G4 guidelines. Those are “core” and “comprehensive”, the most significant difference between the two is the number of disclosures regarding governance and strategies of the company. Since any sustainability report produced by a company can be considered an internal audit and presentation of the results, the G4 guidelines have incorporated the idea of external assurance by including a separate column in the all-inclusive index of the report for the assurance scope on a line-by-line basis. Disclosures on Management Approach (DMAs) are divided in two different types: the general DMAs (asking companies to disclose three basic items for the material topics) and the specific DMAs (asking companies to disclose management approach on specific indicators).

Concluding, G4 guidelines have embedded the supply chain impacts. Reporting companies are required to present an in-depth description of their supply chain by type, number, location and relation to the company or organization (GRI G4 Implementation manual).

## **Supply Chain and GRI G4 supply chain assessment**

Is the supply chain a vital part of sustainability reporting? What disclosures and indicators are incorporated into the GRI G4 guidelines regarding the management of a sustainable supply chain?

### ***Significance of the supply chain***

For any company, the ability to efficiently manage the supply chain is of great importance. Mostly due to globalization, elaborate corporate strategies are needed in the supply chain field to tackle the competition. As more and more companies expand their operations overseas and outsource a large part of previously internal activities, the global supply chain expands as well. (Skjott-Larsen, 2007). As a result, someone could say that the attention of managerial decisions has shifted from competing with another company directly, to competing with its supply chain (Christopher, 2005).

Nowadays a company that is able to create firm relations with its existing suppliers and in the same time form relations with new ones, establishes a strategic advantage in regard with the competition. As the trend of sustainability reporting has gradually become the establishment among many multinational corporations, there has been an increase in the development and implementation of sustainability strategies, environmental strategies and *codes of conduct*. Codes of conduct are devised by the management and are meant to regulate every aspect of the company's operations in regard with environmental, ethical and societal issues. In spite of the managerial decisions though, there has been reported a disparity between *desired* level of sustainability in the supply chains of multinational corporations and what's happening in reality (Bowen et al., 2001).

Over the years the majority of companies changed from vertical integrated ones to massively expanded corporations that outsource a great percentage of their final product. From nationally based companies to corporations that have their operations and most importantly their *supply chain* scattered across many countries. Naturally, to follow that transformation, CSR had to change also. CSR is now called to embody the entirety of a company's supply chain. Stakeholders now demand that multinational companies are bound to uphold the same rules and act in a responsible way in all their ventures and not only inside the narrow walls of the parent company. This means that they share

responsibility for the environmental practices, human rights practices, labor practices and ethics of their partners (suppliers, logistics etc.) (Maloni & Brown, 2006).

Internal (employees, unions, shareholders) and external (governments, costumers, media, business partners, NGOs) are expressing their concern pressuring regarding environmental and social issues that revolve the operations of multinational companies. Particularly those operations that take place at offshore production and supply sites in developing countries (Maloni & Brown, 2006). This puts pressure on the companies on expanding their CSR. Modern day media and technology has made life very hard for companies that tried to stay in the same old path and hide unsustainable –or even unethical– practices in their supply chain. Many incidents of unethical practices concerning gender and/or race discrimination, violations of human rights, working conditions and child labor have come to light thanks to global society of shared information.

The vast majority of those multinational companies in question countered the concerns and pressure imposed by their stakeholders. Their management developed and implemented strict systems, checks and balances that would define and uphold the rules their suppliers have to abide to in order to fully comply with the company's own social and environmental standards. The truth is that many companies choose their own way into strengthening their CSR and expanding it towards their supply chain. What studies have reviled is that the most common way to address this problem among large multinational companies is through the introduction of codes of conduct. Evidence of that fact is the steadily growing number of codes of conduct from the early 1990s up until today (Welford, 2005).

A code of conduct is basically a record of social and environmental standards and principles that the company's suppliers have to abide to and uphold (Jenkins & Unies, 2001). A steady increasingly number of multinational companies include such codes of conduct into the contracts that are signed between them and their suppliers (Welford, 2005). Naturally, codes of conduct are a written expression of the moral values, ethic principals and standards that the company wants to be related to. Codes of conduct are of course expected to follow standard regulation, international conventions rulings, local legislation and guidelines of standardization organizations (ISO, GRI).

Criticism towards the implementation of codes of conduct by many multinational corporations mainly revolve around the claim that they are not obligatory, at least not as much as a law would be. Another point made is that they are meant to address the risks that companies are exposed to and not the problems that workers face. Furthermore, many codes of conduct developed by multinational companies can often be very vague in their disclosures and lack specific substance to the point that they can be characterized as little more than public statements (Sethi, 2002). Defending codes of conduct, some argue that they are not really voluntary and that they act in a complementary way to weak regulations and laws concerning human rights and labor practices in developing countries (Sobczak 2006).

In conclusion the implementation of codes of conduct is a step forward in the improvement of many social and environmental issues apparent in the supply chain. However, not all codes of conduct are created equal. Perhaps the most unsettling observation made, is that despite the ongoing efforts towards the inclusion of supply chains to CSR, there are inconsistencies between what's expected by the codes of conduct and what's actually taking place in the work environment (Roberts, 2003).

***GRI indicators and DMAs regarding the environment, social issues, human rights and labor practices in the supply chain***

GRI G4 guidelines have numerous disclosures on management approach and indicators as part of the specific standard disclosures for companies to report regarding their supply chain. They are separated in three categories: economic, environmental and social. The economic and environmental categories have no sub-categories and cover four aspects, those are respectively: procurement practices, energy, emissions and supplier environmental assessment. The social category has four sub-categories and three of them have related aspects to the supply chain. Social sub-categories that include indicators relative to the supply chain are: labor practices and decent work, human rights and society. The labor practices sub-category incorporates two aspects, those of occupational health and safety and supplier assessment for labor practices. The subcategory of human rights includes aspects regarding freedom of association and collective bargaining, child labor, forced or compulsory labor and supplier human rights assessment. Finally, the aspect of supplier assessment for impacts on society is under the sub-category of



society (GRI G4 Reporting Principles and Standard Disclosures). The organization of different categories, sub-categories and aspects that concern the supply chain in GRI G4 guidelines is presented in table 1.

<b>Category</b>	<b>Environmental</b>		<b>Social</b>		
<b>Sub-category</b>	---		Labor Practices and Decent Work	Human Rights	Society
<b>Aspect</b>	Supplier Environmental Assessment	Envi- ronmental As- sessment	Supplier As- sessment for Labor Practices	Supplier Human Rights Assessment	Supplier As- sessment for Impacts on Society

*Table 1 Supply chain assessment aspects in GRI G4 guidelines*

Since all effort in this assignment is concentrated into finding how companies assess their supply chains, particularizing on aspects of supplier environmental assessment, supplier assessment for labor practices, supplier human rights assessment and supplier assessment for impacts on society is of the essence. Each of these aspects follow the same pattern. They consist of a specific DMA and two indicators that ask the reporting company to give exact percentage of new suppliers that were assessed using the processes described at the DMA section and also present exact numbers and percentages regarding the outcome of the assessment process.

#### Supplier environmental assessment

The DMA on the supplier environmental assessment aspect is an inquiry regarding the systems that are put in place by the company in order to assess new suppliers with the use of environmental criteria. The company that publishes the report is expected to present a list of the environmental criteria that are used in the assessment and depict clearly all methods that are used to identify possible and/or tangible environmental impacts occurring in the supply chain (e.g. due diligence). The company should disclose the identification and prioritization methods that are used in order to assess possible environmental impacts. Assessments may be fed by internal audits and grievance mechanisms. After the assessment is finished and the impacts are identified it is expected by

the company to disclose all the actions that were taken to address the issue and particularize on the intentions behind these actions (remedy, mitigate or prevent the impact). Those actions may call for a revision of the company’s procurement practices and supplier contracts that are in place, or even the termination of a contract. Also the company is called to explain the end goals and objectives of any actions taken. The company is asked to disclose the elements of auditing practices that are used to assess suppliers including the type (e.g. internal or external audit), frequency (e.g. annually, quarterly), their scope, type and system and name the parts of the supply chain that were assessed with that method. Audits on the matter can be carried out by the company or a second party. Finally the company should put into consideration any negative impacts that may occur due to the termination of a contract with the supplier and provide mitigation measures. The aspect of supplier environmental assessment includes two indicators: EN32 and EN33 that are shown below in picture 1 (GRI G4 implementation manual).



*Picture 1 Supplier environmental assessment indicators EN32 & EN33*

### Supplier assessment for labor practices

The DMA on the supplier assessment for labor practices asks for the description of the systems that are put in place by the company in order to assess new suppliers with the use of labor practices criteria. The report must include all labor practices criteria that were used and they can relate to:

- Fair wages
- Health practices
- Safety practices
- Employment practice
- Measures to compensate for overtime work.

In the report any processes that were used (e.g. due diligence) to examine possible and/or tangible impacts on labor practices by actions taking place in the supply chain should be made clear. The company should disclose the identification and prioritization methods that are used in order to assess possible labor practices impacts. Assessments may be fed by internal audits and grievance mechanisms. After the assessment is finished and the impacts are identified it is expected by the company to disclose all the actions that were taken to address the issue and particularize the intentions behind these actions (to remedy, mitigate or prevent the impact). Those actions may call for a revision of the company's procurement practices and supplier contracts that are in place, or even the termination of a contract. Also the company is called to explain the end goals and objectives of any actions taken and disclose any incentives or rewards offered to suppliers for their contribution on preventing, mitigating or remedying any issues that were raised. The company is asked to disclose the elements of auditing practices that are used to assess suppliers including the type (e.g. internal or external audit) frequency (e.g. annually, quarterly), their scope, type and system and name the parts of the supply chain that were assessed with that method. Audits on the matter can be carried out by the company or a second party. Finally the company should put into consideration any negative impacts that may occur due to the termination of a contract with the supplier and provide mitigation measures. The aspect of supplier environmental assessment includes two indicators: LA14 and LA15 that are shown below in picture 2 (GRI G4 implementation manual).

G4-LA14

**PERCENTAGE OF NEW SUPPLIERS THAT WERE SCREENED USING LABOR PRACTICES CRITERIA**

a. Report the percentage of new suppliers that were screened using labor practices criteria.

G4-LA15

**SIGNIFICANT ACTUAL AND POTENTIAL NEGATIVE IMPACTS FOR LABOR PRACTICES IN THE SUPPLY CHAIN AND ACTIONS TAKEN**

- a. Report the number of suppliers subject to impact assessments for labor practices.
- b. Report the number of suppliers identified as having significant actual and potential negative impacts for labor practices.
- c. Report the significant actual and potential negative impacts for labor practices identified in the supply chain.
- d. Report the percentage of suppliers identified as having significant actual and potential negative impacts for labor practices with which improvements were agreed upon as a result of assessment.
- e. Report the percentage of suppliers identified as having significant actual and potential negative impacts for labor practices with which relationships were terminated as a result of assessment, and why.

*Picture 2 Supplier assessment for labor practices indicators LA14 & LA15*

### Supplier human rights assessment

The DMA on the supplier assessment for human rights asks for the description of the systems that are put in place by the company in order to assess new suppliers with the use of human rights criteria. The report must include all human rights criteria that were used, and they can relate to:

- Child labor
- Discrimination
- Forced or compulsory labor
- Freedom of association and collective bargaining
- Indigenous rights
- Security practices

In the report any processes that were used (e.g. due diligence) to examine possible and/or tangible impacts on labor practices by actions taking place in the supply chain should be made clear. The company should disclose the identification and prioritization methods that are used in order to assess possible labor practices impacts. Assessments may be fed by internal audits and grievance mechanisms. After the assessment is finished and the impacts are identified, it is expected to disclose all the actions that were taken by the company to address the issue and particularize on the intentions behind

these actions (remedy, mitigate or prevent the impact). Those actions may call for changing the performance expectations, training management and workers, capacity building or even the termination of a suppliers' contract. Also the company is called to explain the end goals and objectives of any actions taken and disclose any incentives or rewards offered to suppliers for their contribution on preventing, mitigating or remedying any issues that were raised. The company is asked to disclose the elements of auditing practices that are used to assess suppliers including the type (e.g. internal or external audit), frequency (e.g. annually, quarterly), their scope and system, and name the parts of the supply chain that were assessed with that method. Audits on the matter can be carried out by the company or a second party. Finally the company should put into consideration any negative impacts that may occur due to the termination of a contract with the supplier over human rights issues and provide mitigation measures. The aspect of human rights assessment includes two indicators: HR10 and HR11 that are shown below in picture 3 (GRI G4 implementation manual).

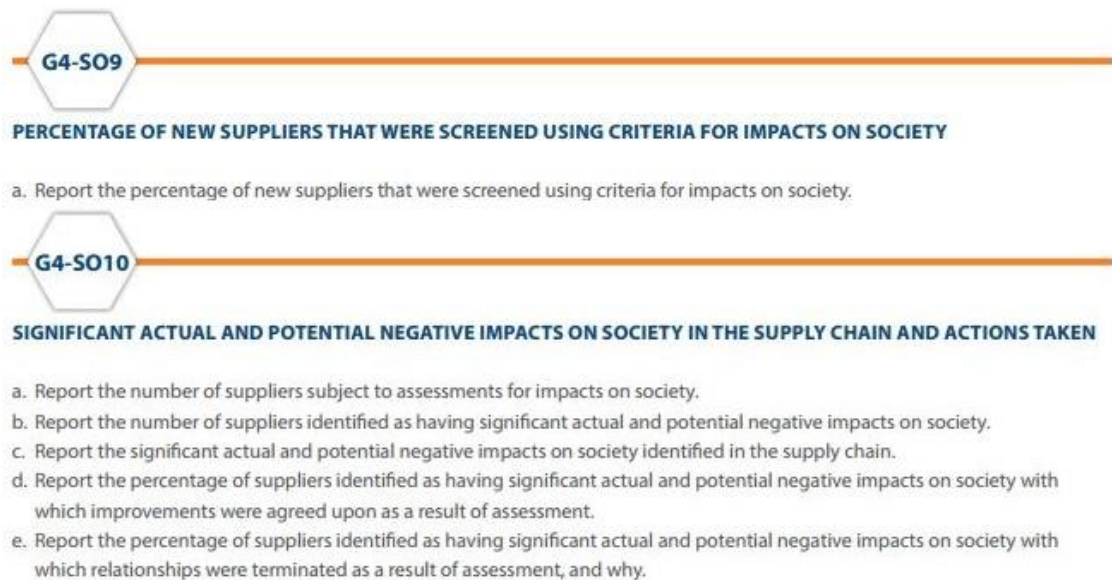


*Picture 3 Supplier human rights assessment indicators HR10 & HR11*

### Supplier assessment for impacts on society

The aspect of supplier assessment for impacts on society asks for the depiction of the scheme that is put in place by the company to examine all suppliers. An accurate recitation of all the criteria that are used is required. Those criteria should include all aspects

present in the sub-category (relations with the local communities, compliance with national laws, presence of grievance mechanism, practices to discourage corruption, corporate public policies etc. Possible impacts on society must be identified and all actions taken in order to remedy, mitigate or prevent those impacts must be disclosed. Those actions could be the alternation of procurement practices, further training of workers and management, renegotiation of contract or even the termination of the cooperation. The evaluation of the supply chain can be conducted through audits and other mechanisms that can be undertaken by a third party. The company is called to explain the end goals and objectives of any actions taken and disclose any incentives or rewards offered to suppliers for their contribution on preventing, mitigating or remedying any issues that were raised. All elements of auditing practices must be disclosed such as type, scope, frequency and system. Negative impacts resulting from the termination of a contract after the assessment should also be taken into consideration and the company is asked to present mitigation measures. The aspect of assessment for impacts on society includes two indicators to report: SO09 SO10 that are shown below in picture 4 (GRI G4 implementation manual).



Picture 4 Supplier assessment for impacts on society indicators SO9 & SO10

## **Methodology**

The course taken was the evaluation of aforementioned aspects in company reports that abide to GRI G4 guidelines. GRI G4 guidelines were chosen as the first condition given that they are the most up-to-date and demanding at the time being and also companies that chose to report on these guidelines are expected to present an elevated commitment in their efforts towards sustainability. Another condition was that all companies should be based in the UK. That condition was chosen based on the fact that UK companies are also European companies that abide to the European commission's strict guidelines and can reflect trends that are in place in Europe. Also companies in UK were among the first to implement GRI's guidelines in CSR reports, thus having experience on non-financial reporting. The third condition was the year all the reports were published. 2015 was chosen as the year of reference, given that reports for the current year at the time of the evaluation (2016) were not published yet. By implementing only the second and third conditions there were 275 reports available. Although an assessment based on 275 reports might have been more detailed, the problem at hand was that the vast majority of the reports wasn't even based on some form of guidelines making the data incomparable. Then many of them were based on older GRI guidelines that at the time of the assessment were rendered obsolete by GRI. Thus resulting in GRI G4 guidelines being the first and most important condition of the assessment. Reports that met all the conditions were a total 48. All reports were available in the GRI's sustainability disclosure database. Type of company (e.g. small, multinational, large) and sector of company (e.g. mining operations, media, constructing) were not excluding conditions as finding out their way of managing supply chains regardless of type and sector they are in was deemed important for the study.

The methodology that is implemented was introduced by The Centre for Environmental Policy and Strategic Environmental Management of the University of the Aegean as published in the Journal of Cleaner Production, volume 18, issue 5 pages 426 to 438 (Skouloudis et al., 2010). It is a methodology made to assess reports of Greek companies that abode GRI's G2 guidelines back in 2002. Since the main reporting philosophy hasn't changed the same methodology can easily be implemented in G4 guidelines.

The assessment analysis is basically a numerical scoring system. Each aspect that was examined consists of three parts: the DMA and two indicators. Each part was scored with points ranging from zero (0) to four (4). When a DMA or an indicator wasn't mentioned at all in the report no points were given, even if materiality analysis on the report deemed the aspect not being important for the corporations' operations. Disclosures that were found to be very brief, vague or even misleading at a certain grade were given one (1) point. Statements that provided more details and were formulated in a clearer and understandable way were given two (2) points. Thorough but deemed incomplete in regard to the implementation manual disclosures received three (3) points and the maximum of four (4) points were given when the disclosure was truly meticulous, systematic and covered all that was asked by the implementation manual. Maximum possible scoring for any aspect was twelve (12) as all aspects include one DMA and two indicators, and maximum overall possible scoring was forty-eight (48).

Although there are other scoring systems available (Skouloudis et al., 2009), they were deemed too complex for the purpose of this dissertation as they required multiple criteria and much more time and effort to be implemented. The advantages of the methodology that was chosen were the simplicity of the results (any reader can understand a scaling from 0 to 4), the comparability of the results, the time that was needed to process the results, and the fact that the same methodology has already been utilized to assess sustainability reports of Greek companies. Having the same methodology implemented in sustainability reports deriving from two EU countries, such as the UK and Greece, would make comparability between the two sets of data very easy for further research.

As discussed previously, there were forty-eight (48) corporations and organizations listed in total in the database whose reports met the conditions, however three of them were excluded from the assessment (DeBeers, SAB Miller and Total Eco Management Limited) resulting in forty-five (45) reports that were assessed. The first one (DeBeers) claimed to have reported on all aspects that were to be assessed in a supporting document that wasn't available at the time. SAB Miller was listed in the database with another name and data wasn't comparable and finally the report by Total Eco Management Limited was not available in the database as a whole.

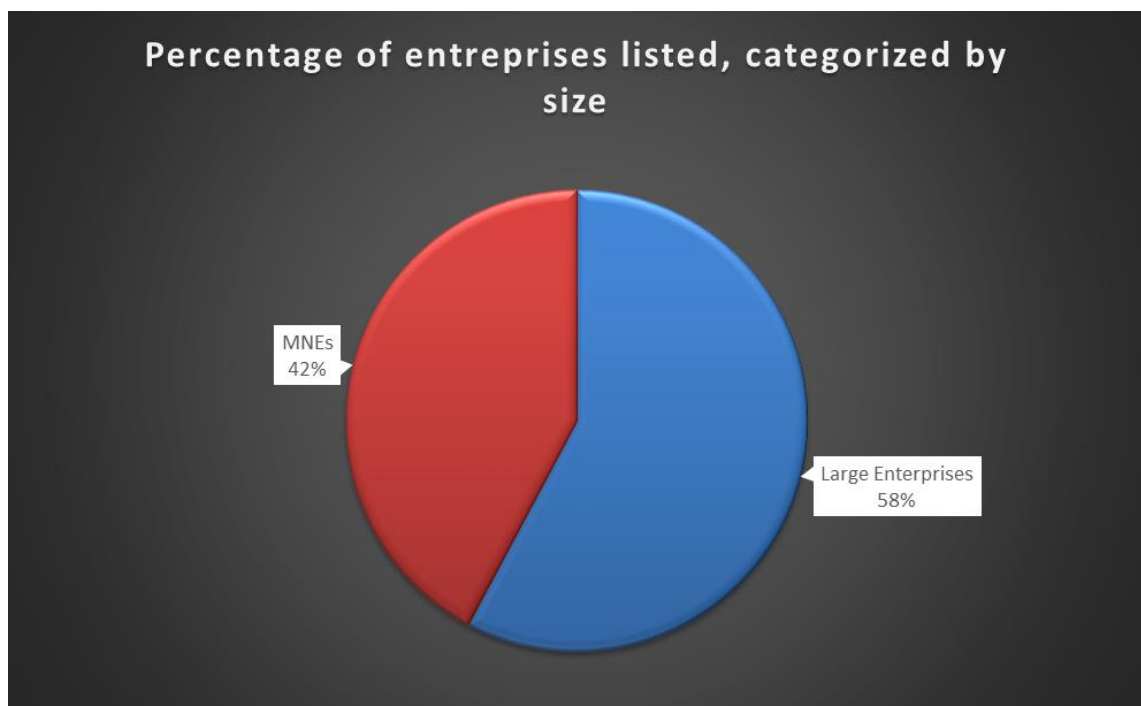


## Findings

Corporations and organizations listed in the database were divided into three categories based on their size of operations:

- SMEs or small-medium enterprises categorized as having a headcount smaller than 250 workers, a turnover smaller or equal to 50 million Euros or a balance sheet total smaller or equal to 43 million Euros.
- Large enterprises categorized as having a headcount larger or equal to 250 workers, a turnover bigger than 50 million Euros or a balance sheet total bigger than 43 million Euros.
- MNEs or multinational enterprises categorized as having a headcount larger or equal to 250 workers and multinational presence, a turnover bigger than 50 million Euros or a balance sheet total bigger than 43 million Euros.

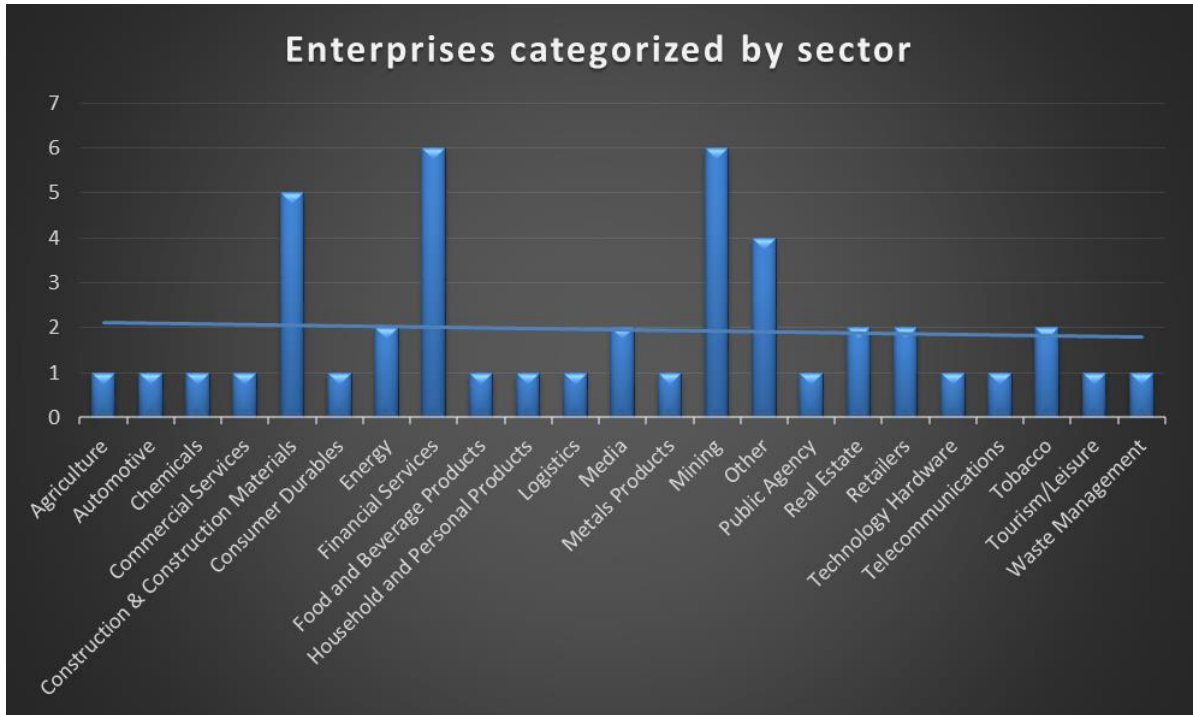
Out of 45 enterprises listed, twenty-six (26) or 58% were categorized as “large” and nineteen (19) or 42% as MNEs as shown below in graph 1. There were no SMEs listed.



*Graph 1 MNE and large companies by percentage*

There was a plethora of different sectors that those forty-five (45) enterprises categorized into. A total twenty-one (21) different sectors as it is displayed in the graph 2 below. The average of enterprises by sector was 1.96, maximum 6 and minimum 1. The

sectors with the most entries were financial services and mining (6), followed by construction and construction materials (5) and other (4). Five sectors were represented by two companies (energy, media, real estate, retailers and tobacco) and all the rest sectors were represented by one company.



Graph 2 Enterprises examined, categorized by sector

The sector that had the best supplier environmental assessment performance was retailers (14 points) then followed food and beverages (10 points). Household and personal products and tobacco sectors had the third best environmental performance (9 points). Best scoring on supplier assessment on labor practices was that same for retailers and food and beverages sectors (10), household and personal products scored 9 points and came second in that aspect and third came the tobacco sector (8 points). Regarding the human rights aspect, first in scoring was the sector of food and beverages (12 points), second the mining sector (11 points) and third came the sector of household and personal products (9 points). Finally for the impacts on society aspect the construction and construction materials sector had the best scoring (9 points) second was the food and beverages sector (8 points) and third the retailers sector (5 points). All scoring by sector and aspect can be found in table 2 below.

Sector	Environmental Aspect	Labor Practices Aspect	Human Rights Aspect	Impacts on Society Aspect
Agriculture	0	0	0	0
Automotive	1	1	1	0
Chemicals	1	0	1	0
Commercial Services	0	1	0	0
Construction & Construction Materials	7	7	6	9
Consumer Durables	2	2	2	0
Energy	6	7	7	3
Financial Services	1	1	1	0
Food and Beverage Products	10	10	12	8
Household and Personal Products	9	9	9	0
Logistics	3	0	0	3
Media	0	0	0	0
Metal Products	2	2	2	1
Mining	7	4	11	2
Other	3	2	1	2
Public Agency	0	0	0	0
Real Estate	3	2	3	2
Retailers	14	10	5	5
Technology Hardware	2	1	1	0
Telecommunications	6	5	1	1
Tobacco	9	8	6	0
Tourism/Leisure	0	0	0	0
Waste Management	0	0	0	0

Table 2 Sector scoring presented by aspect

Another interesting finding is the scoring on different aspects based on the company's size. Multinational corporations seem to be scoring continuously over national based large corporations as shown in table 3. Although MNE sized companies are outnumbered, they score better in all aspects, in total points and on average too.

Size	Environmental Aspect	Labor Practices Aspect	Human Rights Aspect	Society Aspect	Total points
<b>LARGE</b>	31	26	29	16	102
<b>MNE</b>	54	46	39	19	158
<b>Average Large</b>	1	1	1	1	---
<b>Average MNE</b>	3	2	2	1	---

*Table 3 Aspect scoring presented by size*

Finally, all scoring for individual DMAs, indicators, aspects and total scoring is concentrated in an all-inclusive table. In the first column the names of the companies are organized in alphabetical order. In the second column the size of the company is presented, followed by the sector the company belongs. Each aspect assessed is then divided in four columns. In the first column of each aspect there is the scoring for the respective DMA disclosure followed by scoring for the two indicators of said aspect. The final and fourth column of each aspect is the summation of the three previous scores resulting in the aspect total points. For example: EN DMA is the score of the company at hand regarding the environmental DMA disclosure, EN32 and EN33 are the scores that the company got for each indicator and EN Aspect Points is the summation of the points that the company got for disclosing the environmental DMA and indicators. Each aspect is color-coded as such: environmental supplier assessment aspect-green, labor practices supplier assessment aspect-orange, human rights supplier assessment aspect-yellow, impacts on society supplier assessment aspect-grey. Table 4 presented in the following 3 pages is the all-inclusive table of the assessment findings containing all 45 companies that were assessed for the purposes of this dissertation.

Name	Size	Sector	DMA EN	EN 32	EN 33	EN Aspect points	DMA LA	LA 14	LA 15	LA Aspect points	DMA HR	HR 10	HR 11	HR Aspect points	DMA SO	SO 09	SO 10	SO Aspect points	Total points
<b>Amec Foster Wheeler</b>	Large	Construction	2	0	0	2	2	0	0	2	2	0	0	2	3	0	0	3	9
<b>Anglo American</b>	Large	Mining	1	0	0	1	1	0	2	3	2	1	0	3	0	0	0	0	7
<b>Arcelor Mittal UK</b>	MNE	Metal Products	1	1	0	2	1	1	0	2	1	1	0	2	1	0	0	1	7
<b>ARM Holdings</b>	Large	Technology Hardware	1	0	0	1	1	0	0	1	1	0	0	1	0	0	0	0	3
<b>Barclays</b>	Large	Financial Services	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>BP</b>	Large	Energy	0	0	0	0	1	0	0	1	1	0	0	1	0	0	0	0	2
<b>British Land</b>	Large	Real Estate	1	1	0	2	1	1	0	2	1	2	0	3	1	1	0	2	9
<b>British American Tobacco</b>	MNE	Tobacco	0	4	3	7	0	4	2	6	0	4	0	4	0	0	0	0	17
<b>BT Group</b>	Large	Telecommunications	2	2	2	6	1	2	2	5	1	0	0	1	1	0	0	1	13
<b>Canary Wharf Group</b>	Large	Real Estate	0	1	0	1	0	0	0	0	0	0	0	0	0	0	0	0	1
<b>Carillion</b>	MNE	Construction	1	0	0	1	1	1	0	2	1	2	0	3	1	2	0	3	9
<b>Croda</b>	Large	Chemicals	1	0	0	1	0	0	0	0	1	0	0	1	0	0	0	0	2
<b>Deloitte LLP</b>	MNE	Commercial Services	0	0	0	0	1	0	0	1	0	0	0	0	0	0	0	0	1
<b>Diageo</b>	MNE	Food and Beverage Products	3	4	3	10	3	4	3	10	3	4	4	11	3	4	0	7	38
<b>ERM Europe Limited</b>	Large	Other	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Foster + Partners</b>	Large	Other	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

Name	Size	Sector	DMA EN	EN 32	EN 33	EN Aspect points	DMA LA	LA 14	LA 15	LA Aspect points	DMA HR	HR 10	HR 11	HR Aspect points	DMA SO	SO 09	SO 10	SO Aspect points	Total points
Imperial Tobacco	Large	Tobacco	1	1	0	2	1	1	0	2	1	1	0	2	0	0	0	0	6
Jaguar Land Rover	MNE	Automotive	1	0	0	1	1	0	0	1	1	0	0	1	0	0	0	0	3
James Finlay Limited	MNE	Other	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Kingfisher	MNE	Retailers	1	3	3	7	2	1	0	3	1	0	0	1	1	0	0	1	12
Lafarge Cement UK	MNE	Construction Materials	1	0	0	1	1	0	0	1	1	0	0	1	1	0	0	1	4
Legal and General Group PLC	MNE	Financial Services	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Liberty Global	MNE	Media	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Lloyds Banking Group PLC	Large	Financial Services	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
London Fire Brigade	Large	Public Agency	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Lonmin	Large	Mining	0	0	0	0	0	1	0	1	3	0	0	3	1	1	0	2	6
Marks and Spencer	MNE	Retailers	3	2	2	7	3	2	2	7	2	1	1	4	2	1	1	4	22
Morgan Sindall Group	Large	Construction	2	0	0	2	2	0	0	2	0	0	0	0	2	0	0	2	6
Polymetal	MNE	Mining	1	2	0	3	0	0	0	0	0	0	0	0	0	0	0	0	3
Polyus Gold International Limited	Large	Mining	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Premier Oil	Large	Energy	2	2	2	6	2	2	2	6	2	2	2	6	2	1	0	3	21

Name	Size	Sector	DMA EN	EN 32	EN 33	EN Aspect points	DMA LA	LA 14	LA 15	LA Aspect points	DMA HR	HR 10	HR 11	HR Aspect points	DMA SO	SO 09	SO 10	SO Aspect points	Total points
<b>Provident Financial</b>	Large	Financial Services	1	0	0	1	1	0	0	1	1	0	0	1	0	0	0	0	3
<b>R.E.A.</b>	MNE	Agriculture	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Rangold Resources Limited</b>	Large	Mining	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Reckitt Benckiser</b>	MNE	House and Personal Products	3	3	3	9	3	3	3	9	3	3	3	9	0	0	0	0	27
<b>Rexam PLC</b>	MNE	Consumer Durables	1	1	0	2	1	1	0	2	1	1	0	2	0	0	0	0	6
<b>Rider Levett Bucknall UK LTD</b>	MNE	Construction	0	1	0	1	0	0	0	0	0	0	0	0	0	0	0	0	1
<b>Royal Bank of Scotland Group (RBS)</b>	Large	Financial Services	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Royal Mail Group</b>	Large	Logistics	1	0	2	3	0	0	0	0	0	0	0	0	1	0	2	3	6
<b>Santander</b>	Large	Financial Services	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>SITA</b>	Large	Waste Management	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>SKY</b>	MNE	Media	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Thomas Cook Group</b>	Large	Tourism/Leisure	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Vedanta Resources</b>	Large	Mining	2	1	0	3	0	0	0	0	3	2	0	5	0	0	0	0	8
<b>WPP</b>	MNE	Other	0	1	2	3	1	1	0	2	0	1	0	1	1	1	0	2	8

Table 4All-inclusive scoring for each company in this assessment

## Discussion-Conclusions

As discussed, research was developed on the basis of UK companies and organizations that reported on their operations using the GRI G4 guidelines. Previous chapters established the significance of the supply chain and acknowledged several problems regarding CSR reporting in general, as well as criticism towards the corporate approach to sustainability in the supply chain.

What must be taken carefully into consideration is the fact that all the companies and organizations that were examined were either “large” or “MNE”. By that some useful conclusions can be extracted. Given that each one of them is expected by definition to have *at least* 250 workers to be considered large or multinational then the grand total comes up to 11.250 workers minimum and their combined supply chains might be even bigger. Yet, 16 out of 45 (35.56%) companies and organizations that were included in this evaluation deemed that the assessment of their supply chain is not a material issue to them or chose to do a “core” report leaving out the aspects that were examined here. Some of those companies have a very intense operations type (e.g. mining and waste management) and their supply chain span across many countries, some of them developing ones.

What is more important is the absence of small and medium (SMEs) from the assessment. A report published by the UK’s Department of Trade and Industry in 2002 made some significant breakthroughs concerning the reasons that SMEs find it difficult to engage in CSR reporting. The relationships that SMEs form with society are very different from those of large companies or MNEs. This must be taken into consideration by consultants that usually tend to implement CSR frameworks that are meant for large businesses, and ultimately compromising the reporting effort. SMEs interact socially with their immediate environment in a more informal way and don’t see the benefits of implementing more formal and complex ways such as CSR reporting. In most cases SMEs tend to be more fixed to their internal operations and any action they take is targeted towards their employees. Perhaps the most discouraging factors for SMEs to implement CSR reporting is the fear of bureaucracy, cost and time needed (Castka et al., 2004).



Several companies had very “condensed” and small reports in regard to their size. Someone might expect a large multinational corporation with hundreds of workers to be able to collect data and publish all-inclusive reports, but what was noticed instead was several reports spanning from 20 to 40 pages length. The use of the reports as a communication tool was easily noticed too: numerous reports had lots of pictures taking up the space of more useful disclosures about company strategies. Driven by colorful pictures portraying the ever-happy and content workers of the company, the reader may form a false positive opinion about the company. The NGO ChristianAid proclaimed that CSR is nothing more than a façade used by corporations in order to avoid following stricter laws (ChristianAid, 2004). Large or multinational companies that publish 20 page long reports, disclosing the bare minimum strengthens this position.

Even the corporations that included supply chain assessment in their materiality usually disclosed the bare minimum concerning the DMAs or the indicators. Many reports would have a very large portion taken up by financial aspects of the company and internal operations and little could be found about supply chain assessment. In many cases a single page contained all DMAs and indicators regarding environmental assessment, labor practices assessment, human rights assessment or concerning impacts on society.

Another problem was that some reports referred to DMAs and indicators as being fully covered in a 5 to 10 lines paragraph. In addition to that, the use of vague and generic statements seems to be a recurring problem as it has been previously acknowledged in the research made by Skouloudis (Skouloudis et al., 2009). Some reports even presented percentages that did not help the reader to get the information needed. For example, the indicator EN32 asks for the percentage of new suppliers that were assessed taking into consideration environmental criteria and disclosed in the report was that 70% of *all* suppliers were assessed using environmental criteria.

A large portion of companies are trying to cover the aspects using only the indicators and have nothing in regard with the DMAs. Indicators are a good supplement to better assess the DMAs, but DMAs are essential. Having just the percentage of suppliers that were assessed doesn't help a lot if the criteria on which the assessment was based is unavailable. In some reports there would be a footnote stating that the DMAs are available on the company site, being part of the company's' code of conduct, but that is not

helpful either as the sustainability report is supposed to be an *all-inclusive* document that someone would read to obtain a clear understanding of the management strategies and goals towards sustainability.

Several companies used the “code of conduct excuse” expressed by Sethi (Sethi, 2002) on all supplier assessment aspects. An indicator or DMA would be referred to as “fully covered” in the index and the disclosure would be that all suppliers have signed the code of conduct issued by the company. In most cases that is not useful as in the code of conduct there is extensive use of vague expressions and generic statements.

A bizarre finding was that some reports give the impression that were written first, and the publishers tried to find what indicators they may cover later. An example of that were some DMAs that were referenced in the indexes as being disclosed in 3 or 4 different pages that were not even continuous with each other. In that form some DMAs were totally fragmented and in some cases did not make sense. Supplier environmental criteria were supposed to be covered by the same disclosures as internal environmental assessment criteria and that simply does not make sense. Ways of internal monitoring a company in a developed country cannot be the same as the ones implemented to monitor operations of a supplier in a developing country half way across the globe.

In general, scores were following a degrading path starting from the environmental assessment aspect to the impacts on society aspect. It sees that environmental criteria, being the most easily measurable, were the ones that companies put most of their effort in disclosing. On the other hand the qualitative aspects of impacts on society seem to be hard to grasp and report and in addition to that, reporting poorly on these aspects would probably damage the image of the company

There were two reports that were worth mentioning separately from the rest. Those of Marks & Spencer and Diageo. Marks & Spencer reported on DMAs in a very unorthodox way. What they did in regard with supply chain assessment is that they presented separate criteria for each supply chain. As an example, there was a paragraph concerning textile suppliers, another concerning outsourcing factories, another concerning thread suppliers etc. Also they presented separate percentages on new suppliers that were screened separating them once again by type. The report form Diageo was formatted

like an index table from top to bottom. It included many information, percentages and disclosures but each aspect would not take more than 10 to 15 lines. It was the only one that was formatted in that way and it certainly is easier to read but it resembles more a technical essay and less of a sustainability report.

Further research on the matter would call for the inclusion of SME deriving data and a larger sample. A comparison between Greek and UK based companies would be feasible, given that the same methodology has been implemented by Skouloudis (Skouloudis et al., 2009) to assess the reports of Greek companies and both countries share EU based legislation. If the research was conducted over a longer period of time, statistical analysis would be a useful tool for understanding the changing trends in CSR reporting.

In conclusion, the overall score of the reports that were assessed was low. Many companies don't seem to be ready to report about their supply chains as thorough as they report about their internal operations. Codes of conduct are used in many ways as an excuse, using vague statements in the disclosures trying to present a good company image, presenting misleading percentages regarding the indicators that ask for straight forward numbers or even go in circles around a certain aspect not answering it in full.

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