2021

AccountAbility's AA1000AP standard: A framework for integrating sustainability into organisations

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10.1108/SAMPJ-05-2020-0166
Farooq, M. B., Zaman, R., & Nadeem, M. (2021). AccountAbility's AA1000AP standard: A framework for integrating sustainability into organisations. *Sustainability Accounting, Management and Policy Journal*. Advance online publication. https://doi.org/10.1108/SAMPJ-05-2020-0166

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Please cite as:
Farooq, M., Zaman, R. and Nadeem, M. (Forthcoming), " AccountAbility's AA1000AP standard: A framework for integrating sustainability into organisations" Sustainability Accounting, Management and Policy Journal.

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JEL Code: M41

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Acknowledgement:
The authors would like to thank the reviewers of Academy of Management (AOM) Annual Meeting – 2019 Boston USA, participants of 23rd New Zealand Finance colloquium (NZFC) hosted at Lincoln University New Zealand and the participants of the 8th New Zealand Sustainability Accounting Research Symposium 2018, organised by Department of Accounting, University of Otago and Annual Postgraduate Conference (2018), Lincoln University for their helpful comments/suggestions.

Compliance with Ethical Standards

We confirm that the interview instruments of this research were reviewed and approved by the Lincoln University Human Ethics Committee, New Zealand.

Abstract

Purpose: This study evaluates corporate sustainability integration by evaluating corporate practices against the sustainability principles of inclusivity, materiality, responsiveness and impact outlined in AccountAbility's AA1000 Accountability Principles (AA1000AP) standard.

Research Design/Methodology: Data comprise 12 semi-structured interviews with senior managers of listed New Zealand companies. Findings are evaluated against AccountAbility's principles of inclusivity, materiality, responsiveness and impact, which are based on a normative view of stakeholder theory.

Findings: In terms of inclusivity, stakeholder engagement is primarily monologic and is directed more towards traditional stakeholder groups. However, social media, which is gaining popularity, has the potential to facilitate greater dialogic stakeholder engagement. While most companies undertake a materiality assessment (with varying degrees of rigor) to support sustainability reporting, only some use it to drive planning and decision making. Companies demonstrate responsiveness to stakeholder concerns through corporate governance and sustainability initiatives. Companies are monitoring and measuring their impact on stakeholders using sustainability key performance indicators (KPIs). However, measuring traditional metrics is easier than measuring areas such as the community. In rare instances, the executive's remuneration is linked to these sustainability KPIs.

Practical Implication: The study findings offer useful examples of the integration of sustainability into corporate processes and systems. Practitioners may find the insights useful in understanding how sustainability is currently being integrated into corporate practices by best practice New Zealand companies. Regulators may consider incorporating AA1000AP into their corporate governance guidelines. Finally, academics may find the study useful for teaching business and accounting courses and to guide the next generation of business managers.

Originality: First, the study brings together four streams of research on how sustainability reports are prepared (inclusivity, materiality, responsiveness and impact) in a single study. Second, the findings offer novel insights by evaluating corporate sustainability against the requirements of a standard that has received little academic attention.

Keywords: Corporate governance; Corporate sustainability; Accountability; Stakeholder theory; Qualitative research; Semi-structured interviews

1.0 Introduction

In the last two decades, the world has witnessed many large-scale corporate scandals which have raised significant concerns for the unsustainable nature of corporate practices. For example, in 2015 Volkswagen (VW) was found guilty of environmental law violations and received a penalty of USD 30 billion (Schwartz & Bryan, 2017), and British Petroleum (BP) was penalised USD 18.7 billion for the 2010 oil spill on the coast of Mexico (Robertson et al., 2015). These incidents have led to stakeholder demands for companies to reform and integrate sustainability into their practices and ultimately promote corporate accountability.

To assist companies, various global organisations have developed sustainability standards of varying scope. The Global Reporting Initiative (GRI) and more recently the International Integrated Reporting Council (IIRC) are amongst some of the more commonly known across the globe (D'Aquila, 2018; KPMG, 2017). The GRI standards assist companies in communicating their sustainability performance to stakeholders through sustainability reporting,[1] while the IIRC framework (IR Framework) promotes what they refer to as integrated reporting.[2] Corporate non-financial reporting is now globally established, with 93% of the world's largest 250 corporations communicating their non-financial performance to stakeholders (KPMG, 2017). The GRI remains the most popular, with 89% of reporters amongst the world's largest 250 corporations referring to the GRI standards and/or guidelines, i.e. G3 and G4. Integrated reporting is also rapidly gaining in popularity, with approximately 14% of the world's largest 250 companies referring to their reports as integrated reports.

The limitation of these standards is that they focus on corporate disclosure (D'Aquila (2018)[3] and not the broader implementation or assessment of sustainability within corporate practices (Gray, 2010). This does not mean that the adoption of sustainability/GRI standards and integrated reporting/IR Framework fail to stimulate internal corporate change. However, the GRI and IR Framework are specialist reporting standards, i.e. they are primarily designed to guide reporters on how best to communicate their non-financial performance to stakeholders.

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[1] These is no consensus on how best to define sustainability. The GRI describes sustainability reporting as the process of communicating information on organisations' social, economic and environmental performance to stakeholders (GRI, 2013).

[2] The IIRC describes an integrated report as "an integrated report is a concise communication about how an organization's strategy, governance, performance and prospects, in the context of its external environment, lead to the creation of value over the short, medium and long term".(International Integrated Reporting Council, 2013, p. 33)

3 The Carbon Disclosure Project, a UK-based body, offers entities a rating and reporting system to assist in providing investors and environmental stakeholders with climate change, water and carbon data (Aquila, 2018).

Consequently, there is a need to consider alternative options to guide companies in integrating sustainability into their operations and supporting corporate accountability to stakeholders.

To this end, we focus on AccountAbility, an international sustainability consultancy, based in the UK (Beckett & Jonker, 2002). AccountAbility has issued three standards: AA1000 Accountability Principles Standard (AA1000AP) standard, AA1000 Stakeholder Engagement Standard (AA1000SES) and AA1000 Assurance Standard (AA1000AS).[4] Of these three standards, the accounting literature has focused primarily on AA1000AS and its application to the field of sustainability assurance (Farooq & De Villiers, 2019a; O'Dwyer & Owen, 2005). Little, if any, attention has been directed at the other two. We argue that AA1000AP and AA1000SES offer a useful framework for achieving organisational accountability to stakeholders and, in doing so, promote sustainability. Given that accounting is an exercise in accountability, the potential of these standards to guide corporate sustainability merits further attention. Also, the GRI standards, the IR Framework and AccountAbility's AA1000AP standard can be used in combination (Adams & Simnett, 2011).

The rise in sustainability reporting has been mirrored by a rise in academic research examining who the reporters are and why they report (Adams, 2002; Bebbington et al., 2009; Bellringer et al., 2011; De Villiers & Marques, 2016; De Villiers & Van Staden, 2011); what information is disclosed, i.e. the contents of sustainability reports (Adams, 2004; Adams et al., 1995; Adams & Kuasirikun, 2000; Bellringer et al., 2011; Boiral, 2013; Bouten et al., 2011; Busco et al., 2018; Deegan, 1996; Neu et al., 1998; Patten, 2002); and how sustainability reports are prepared (Farooq & De Villiers, 2019b; Herzig & Schaltegger, 2006; O'Dwyer, 2002; Owen, 2008).[5] Since the arrival of integrated reporting, researchers have begun to explore the determinants of integrated reporting (García-Sánchez et al., 2013; Jensen & Berg, 2012); the contents of integrated reports (Stacchezzini et al., 2016); barriers to the implementation of integrated reporting (Dumay et al., 2017); guidance on implementing integrated reporting (Abeysekera, 2013; Adams & Simnett, 2011); and how integrated reporting potentially drives integrated thinking, organisational change and sustainability embeddedness (Feng et al., 2017; Guthrie et al., 2017; Le Roux & Pretorius, 2019; Stubbs & Higgins, 2014).

Studies that explore how sustainability reports are prepared can be organised into four streams: the first explores the identification and engagement of stakeholders (Adams & Frost, 2006; Kaur & Lodhia, 2018; Owen et al., 2001; Unerman, 2007); the second focuses on the role of

[4] Visit the AccountAbility website for the standards' details: https://www.accountability.org/standards/

[5] See Deegan (2002) for a more comprehensive list of research questions in this area.

materiality assessment in sustainability accounting and reporting (Edgley, 2014; Unerman & Zappettini, 2014; Whitehead, 2017); the third emphasises organisational responses to material sustainability issues (Bouten et al., 2011; De Villiers & Van Staden, 2011; Farooq & De Villiers, 2019b; Van Staden & Hooks, 2007); and the fourth focuses on the monitoring and measurement of organisational impacts (Costa & Pesci, 2016; Farooq & De Villiers, 2019a; Schaltegger et al., 2006; Schaltegger & Wagner, 2006). While these studies offer useful insights into corporate sustainability, they focus on the above-identified streams and thus are limited in capturing a holistic view of corporate sustainability.[6] In this regard, the recent literature review by Maas et al. (2016) also suggests that various concepts in sustainability accounting literature (i.e. performance assessment, stakeholder engagement, management control and reporting) are explored in an individualised or isolated manner. Consequently, there remains a need to adopt a holistic approach in existing sustainability scholarship (Morioka & de Carvalho, 2016). Similarly, academic efforts by Le Roux and Pretorius (2019), Feng et al. (2017), Guthrie et al. (2017) and Stubbs and Higgins (2014), on the how side of integrated reporting, offer useful insights into the role played by integrated reporting in stimulating integrated thinking, organisational change and sustainability embeddedness. However, there remains a need for greater research examining the integration of sustainability into corporate practices (Le Roux & Pretorius, 2019). Further, as far as we are aware, there is little, if any, academic effort directed at comparing corporate sustainability integration against the requirements of AccountAbility's AA1000AP standard.

Therefore, this study addresses this research gap by examining the following question: How, and to what extent, do New Zealand listed companies integrate sustainability within their corporate practices? To address this question, this paper follows the AA1000AP standard. The data comprise semi-structured interviews with senior managers based in New Zealand listed companies. The AA1000AP standard emphasises the four principles of inclusivity, materiality, responsiveness and impact, which are based on the tenets of stakeholder theory, particularly the normative branch of stakeholder theory. Thus, we use the normative branch of stakeholder theory to frame our findings. The AA1000AP standard provides organisations with guidance on how to integrate sustainability and promote corporate accountability to stakeholders.

In terms of inclusivity, we find that New Zealand companies primarily engage with ccommercial stakeholders, as managers explain that they are less confident in engaging with

[6] An approach that encourages companies to consider the relationship between various segments, i.e. finance, accounting, manufacturing, etc.

other stakeholders. Stakeholder engagement mechanisms are selected based on the targeted stakeholder group. However, the use of stakeholder councils was less evident. While stakeholder engagement is primarily monologic in nature, social media (e.g. Facebook, Twitter and LinkedIn) have the potential to facilitate greater dialogic stakeholder engagement. In terms of materiality, we note that the materiality assessment (including stakeholder engagement) is the first step in the corporate reporting process. In some instances, senior managers participate in the assessment, thereby generating greater internal support for the exercise. In some entities, the results of the materiality assessment inform corporate sustainability efforts and broader corporate planning and decision making. The adoption of international standards encourages reporters to undertake a rigorous materiality assessment. Corporate responsiveness to stakeholder concerns include (1) strengthening corporate governance arrangements and (2) undertaking specific sustainability activities/initiatives targeting internal and external stakeholders. Finally, in terms of inclusivity, we find that reporters are attempting to monitor and measure the impact of their operations on stakeholders using sustainability key performance indicators (KPIs). However, managers explain that it is easier to measure performance in some areas than others, such as community. The linking of executives' remuneration with sustainability KPIs was rare.

The contributions of this study are threefold. At a practical level, the findings are beneficial to practitioners, regulators and academics. Practitioners may find the insights useful in understanding how sustainability is currently being integrated into corporate practices by best practice New Zealand companies. Regulatory agencies (e.g. stock exchanges) may consider incorporating AA1000AP into their corporate governance guidelines. Academics will find the study useful for teaching business and accounting courses and for guiding the next generation of business managers. At an academic level, the study offers novel insights by evaluating corporate sustainability against the requirements of a standard that has received little academic attention. The study also places sustainability reporting within a broad corporate sustainability context, thereby contributing to the literature examining corporate sustainability practices and promoting corporate accountability to stakeholders (Gray, 2010; Morioka & de Carvalho, 2016).

The remainder of the paper is organised as follows: We first present a review of literature starting with the definition and the main theoretical lens for our study, i.e. integrated stakeholder theory; second, we outline the methodology; third, we present the study findings;

and, finally, we conclude by discussing the study contributions, along with possible avenues for future research.

2.0 Literature Review

In this paper, we follow AccountAbility and define sustainability as "engaging those who influence and impact the organisation; identifying, prioritising and managing material topics, and being accountable for organisational impacts" (AccountAbility, 2018, p. 06). AccountAbility has issued three standards: AA1000 Accountability Principles (AA1000AP) standard, AA1000 Stakeholder Engagement Standard (AA1000SES) and AA1000 Assurance Standard (AA1000AS). Among all three, AA1000AP provides the practical set of internationally accepted standards to companies interested in integrating corporate sustainability within their business processes (AccountAbility, 2018). The AA1000AP standard identifies four principles that organisations should adopt to become sustainable:

2.1 The principle of inclusivity

The AA1000AP standard describes inclusivity as "…actively identifying stakeholders and enabling their participation in establishing an organisation's material sustainability topics and developing a strategic response to them. An inclusive organisation accepts its accountability to those on whom it has an impact and to those who have an impact on it" (AccountAbility, 2018, p. 17). Inclusivity is achieved by identifying stakeholders, their concerns and the nature of the impact of operations on stakeholders. This entails a formalised commitment from boards to be held accountable to stakeholders and to ensure that stakeholder engagement processes are integrated into all levels of the organisation and within all policies and processes (including the materiality assessment). Boards will also need to set the scope of their stakeholder engagement and ensure the company has the necessary resources to effectively undertake stakeholder engagement.

The literature reveals that many organisations exhibit little interest, if any, in stakeholder engagement (Kaur & Lodhia, 2014). When stakeholders are engaged, the aim has more to do with stakeholder management than genuine corporate accountability (Adams, 2002; Adams & Frost, 2006, 2008; Belal & Owen, 2007; Cooper & Owen, 2007; O'Connor & Spangenberg, 2008; Unerman, 2007). Similarly, corporate practices such as sustainability reporting are designed primarily to inform stakeholders as opposed to opening up a two-way dialogue between the reporter and its stakeholders (Adams, 2002; Adams & Frost, 2006; Unerman, 2007). Thus, stakeholder engagement in its current form acts as a smokescreen for providers of capital who remain uninterested in any significant move towards sustainable development. Thus, corporate practices are a far cry from AccountAbility's aims of promoting corporate accountability.

From an integrated reporting perspective, Le Roux and Pretorius (2019) observe that integrated reporting encouraged corporate managers to consider a broader range of stakeholders in their planning and decision making. Further, integrated reports were a useful tool for communicating the corporate business model to stakeholders. However, Le Roux and Pretorius (2019) do not shed light on the specific mechanisms used reporters in engaging with their stakeholders. Similarly, Feng et al. (2017) find that integrated reporting allowed managers to better engage with their internal stakeholders. Guthrie et al. (2017) narrate that engagement with internal managers was necessary to overcome resistance to participate in the integrated reporting process. However, Stubbs and Higgins (2014) do not find a shift in corporate values from business-centred to environmental-centred.

In terms of the specific stakeholder engagement processes, researchers find considerable variation and room for improvement (Adams, 2002). The specific mechanisms used include feedback forms, letters/emails, surveys, phone calls (Adams, 2002), focus groups and internet-based discussion boards/forums (Adams & Frost, 2006, 2008; Unerman & Bennett, 2004). These engagement mechanisms assist companies in gaining stakeholder feedback on their practices and disclosures (Adams, 2002; Unerman & Bennett, 2004). Others have preferred more informal engagement mechanisms, e.g. verbal communication undertaken on an ad hoc basis (Williams, 2015). While some have installed board committees, their experiences show that these committees were largely ineffective and subsequently disbanded and replaced with simple surveys.

The challenges of stakeholder engagement include difficulties in engaging with geographically dispersed stakeholders with conflicting interests (O'Connor & Spangenberg, 2008), low response rates to surveys (Greco et al., 2015), low interest in corporate sustainability reports (Farooq & De Villiers, 2019b), limited understanding amongst stakeholders of the nature and purpose of the exercise (Chiba et al., 2018; Milne et al., 2009) and the difficulties associated with collecting and analysing data (Dey, 2007).

2.2 The principle of materiality

The principle of materiality states that "materiality relates to identifying and prioritising the most relevant sustainability topics, taking into account the effect each topic has on an organisation and its stakeholders. A material topic is a topic that will substantively influence and impact the assessments, decisions, actions and performance of an organisation and/or its stakeholders in the short, medium and/or long term" (AccountAbility, 2018, p. 20). AA1000AP emphasises that boards are required to integrate materiality assessment as part of wider sustainability processes and to ensure companies have sufficient resources and competencies (Farooq et al., 2018) to perform materiality assessment. Despite this emphasis, there is a dearth of literature on how organisations carry out their materiality assessment (Unerman & Zappettini, 2014). Studies have offered insights around the issues reporters face when selecting topics (particularly bad news) for inclusion in their sustainability reports (Adams, 2002; Adams & McNicholas, 2007; Bellringer et al., 2011; Buhr, 1998; O'Dwyer, 2002; Solomon & Lewis, 2002). While managers perceive reporting on bad news as necessary to give credibility to their disclosures, information around bad news is kept minimal to avoid potential legal and reputation risks (Adams, 2002). Further, organisational culture – culture of secrecy (Solomon and Lewis (2002), scope and purpose of the sustainability report (Bellringer et al., 2011), managerial perceptions towards sustainability reporting, the degree of involvement of the PR function – all shape the quantity and quality of sustainability reports (Adams, 2002; O'Dwyer, 2002). The materiality assessment is a key stage in the reporting process (Farooq & De Villiers, 2019b) in which material issues are prioritised (Farooq & De Villiers, 2019b; Whitehead, 2017), as the results of the assessment drive the selection of topics for disclosure (O'Connor & Spangenberg, 2008; Owen et al., 2000). Importantly, stakeholder engagement forms a key part of the materiality assessment (Farooq & De Villiers, 2019b). However, from AccountAbility's perspective, the exercise is used to drive not only sustainability reporting but also broader corporate policies, practices and programs. Similarly, the materiality assessment forms a critical first step in preparing an integrated report (Guthrie et al., 2017; Stubbs & Higgins, 2014). The results of the materiality assessment subsequently influence managers' attitudes towards the various capitals reported on (Feng et al., 2017); that is, some capital were seen as more important than others.

2.3 The principle of responsiveness

AccountAbility states that "responsiveness is an organisation's timely and relevant reaction to material sustainability topics and their related impacts. Responsiveness is realised through decisions, actions, and performance, as well as communication with stakeholders" (AccountAbility, 2018, p. 23). Sustainability is an evolving concept which lacks a single definition. Thus, different corporate sustainability initiatives are presented in different groupings (Carroll, 1999; Van Marrewijk, 2003). For example, political, ethical, instrumental and integrated sustainability initiatives (Garriga & Melé, 2004) or environmental, community relations, diversity, employee relations and human rights–related issues (Frost et al., 2005; Hawn & Ioannou, 2016).

Generally, there is a broad consensus that sustainability initiatives can be divided into: implicit and explicit sustainability initiatives (Matten & Moon, 2008). Implicit sustainability initiatives include organisational policies, procedures, codes and practices deemed useful for the welfare of internal stakeholders and that fall within the boundaries of organisations, such as employees (Matten & Moon, 2008; Stubbs & Higgins, 2014). In contrast, explicit sustainability initiatives are typically associated with volunteerism and philanthropic work directed towards the environment and society, which helps to strengthen a company's legitimacy and reputation amongst external stakeholders (Dobbs & Van Staden. 2016). External stakeholders typically lie outside organisational boundaries and include the society at large, governments, customers, suppliers, creditors and shareholders (Hawn & Ioannou, 2016). Companies use different types of mechanisms to respond to sustainability concerns (Hawn & Ioannou, 2016; Van Staden & Hooks, 2007). For instance, on the one hand, scholars have found that companies respond to stakeholders' demands by altering their corporate governance systems or integration of sustainability within the governance structure (Busco et al., 2005). On the other hand, some studies suggest companies undertake sustainability initiatives to satisfy stakeholders' concerns (Van Staden & Hooks, 2007). Le Roux and Pretorius (2019) find that integrated reporting encourages senior managers to introduce structures and processes which promote better connecting of functions, thereby fostering integrated thinking and embedding of sustainability. Similarly, Guthrie et al. (2017) find that in some cases integrated reporting was used to drive sustainability into core activities. However, Stubbs and Higgins (2014) note that integrated reporting contributes to incremental organisational change as opposed to radical or transformative change; rather, the change represented an extension of existing sustainability reporting processes and no innovation in disclosure practices were observed.

2.4 The principle of impact

The principle of impact "…the effect of behaviour, performance and/or outcomes, on the part of individuals or an organisation, on the economy, the environment, society, stakeholders or the organisation itself. Material topics have potential direct and indirect impacts – which may be positive or negative, intended or unintended, expected or realised, and short, medium or long term" (AccountAbility, 2018, p. 26). "Impact can encompass a range of environmental, social and governance topics and can be measured on a local, regional or global level" and can be measured quantitatively, qualitatively and attributed a financial value (AccountAbility, 2018, p. 27).

The literature has highlighted the challenges companies face in measuring/accounting for the impact of their operations on society, the economy and the environment (Burritt & Schaltegger, 2010; Passetti et al., 2014; Schaltegger et al., 2006; Whitehead, 2017). Despite this, companies are attempting to measure their performance through sustainability KPIs, into corporate strategic planning, performance measurement and risk management processes (Adams & Frost, 2006, 2008).[7] However, considerable variation in the development and integration of sustainability KPIs is observed (Adams & Frost, 2008). For example, while some companies adopt formalised mechanisms and structures in the development and implementation of these KPIs, others rely on more informal processes for monitoring and promoting sustainability. Although informal approaches become less practical as an organisation grows in size. Importantly, while some organisations demonstrate stakeholder inclusion (particularly external stakeholders) in setting sustainability KPIs, others do not. In some instances, sustainability committees are allocated responsibility for setting up the monitoring of corporate performance against sustainability KPIs (Adams & Frost, 2008). However, these committees are often headed by the executive as opposed to non-executive directors.

In terms of setting such KPIs, researchers have found that this is a challenging exercise, especially for larger companies (e.g. multinational corporations) where cultural differences influence perceptions of what is considered sustainable and how to measure progress against KPIs (Burritt & Schaltegger, 2010; Schaltegger et al., 2006). If multinational corporations adopt different KPIs for each country/region, they may appear to be encouraging greater stakeholder inclusivity. However, on the downside, disparate KPIs create challenges in comparability and consistency. Alternatively, using a single set of KPIs will give rise to unsuitable or irrelevant KPIs for some subsidiaries (Herzig & Schaltegger, 2006; Schaltegger & Wagner, 2006). Some reporters, however, do not use sustainability KPIs to track their progress (Adams, 2013). This is often a consequence of a lack of leadership, a lack of interdepartmental communication, a failure of reporting guidelines, a lack of a business case

[7] Organisations that adopt strategies designed to reduce their social and environmental impact may then communicate their improved performance to stakeholders via sustainability reports. For example, Borghei, Leung, & Guthrie (2016) investigate the environmental reporting (specifically greenhouse gas emissions) of Australian companies. Their study uses signalling theory to explain how companies used environmental reporting to communicate superior environmental performance (achieved through environmental impact reduction strategies) to stakeholders.

supporting sustainability and sustainability reporting and little conception of what best practice looks like. Importantly, organisations take time to transition to a state in which sustainability information is used to support planning and decision making (Buhr, 2002; Greco et al., 2015; Williams et al., 2011). From an integrated reporting perspective, Stubbs and Higgins (2014) find that managers identified the development of mechanisms to capture the value creation process necessary to support the preparation of their integrated reports. However, managers recognised that since integrated reporting was still in its infancy, such measurement systems were still developing as reporters experiment with different measures to support financial and non-financial strategic outcomes.

3.0 Stakeholder Theory

Stakeholder theory is based on the premise that organisations operate in a web of stakeholder relationships (Freeman & Moutchnik, 2013; Freeman, 1984). A stakeholder is described as "any group or individual who can affect or is affected by the achievement of the organisation's objectives" (Freeman, 1984, p. 46). The definition highlights the bi-directional nature of the relationship between organisations and their stakeholders (Deegan, 2002, 2013). Stakeholders' ability to pressure organisations into voluntarily publishing sustainability reports is well documented (Adams, 2002; O'Dwyer, 2005; O'Dwyer et al., 2005; Owen et al., 2000; Unerman & Bennett, 2004). For example, Deegan and Blomquist (2006) find that WWF Australia was successful in pressuring Australian mining companies to engage in environmental reporting. Deegan and Islam (2014) find that NGOs have the power to influence local companies that are part of global multinational corporations' supply chains (Deegan & Islam, 2014). Similarly, the media and NGOs individually or working in tandem can pressure organisations into changing their behaviour or at least explain, via sustainability disclosures, how their behaviour has changed (Adams & Whelan, 2009).

Stakeholders are often organised into internal and external stakeholders based on their proximity to the organisation. Internal stakeholders comprise employees, managers and directors. External stakeholders include customers, suppliers, the local community, social and environmental groups, lobbyists and the government. Due to the broad scope of stakeholder theory, researchers have adopted different views of the theory (Fontaine et al., 2006). However, different views or uses of stakeholder theory can be categorised into three distinct branches: the descriptive branch, managerial branch and normative branch (Donaldson & Preston, 1995). The descriptive branch focuses on understanding how companies are managed, with a particular focus on the identification of relevant stakeholder groups, their expectations and how companies respond to their demands. The instrumental branch adopts the perspective that stakeholders have an impact on management's ability to achieve corporate objectives. Consequently, it is in the company's best interests to understand and manage its stakeholders (i.e. stakeholder management). Finally, the normative branch adopts the view that it is morally and ethically right for companies to care about their stakeholders' interests. When applied to the corporate context, stakeholder theory argues that corporate accountability[8] is owed not just to the providers of capital (i.e. shareholders and lenders) but to a broad range of stakeholders (AccountAbility, 2018). Decisions made without any consideration of their impact on stakeholders are considered to be unethical (Fontaine et al., 2006).

This research adopts the normative branch of stakeholder theory; that is, companies 'should' consider the interests and concerns of their stakeholders. This branch is preferred because it is consistent with the principles of AA1000AP which emphasises stakeholder engagement through inclusivity (include stakeholders in planning and decision making), materiality (consider issues important to the company and its stakeholders), responsiveness (response to stakeholder concerns) and impact (consider the impact of operations on stakeholders) (Belal, 2002; Owen et al., 2000). AccountAbility's AA1000AP provides organisations with a useful framework for integrating sustainability into their operations and, in this way, demonstrating accountability to their stakeholders. Importantly, this framework allows researchers to evaluate the extent of corporate sustainability (AccountAbility, 2018; Belal, 2002).

Stakeholder engagement is a powerful tool that can promote corporate accountability on sustainability (Adams, 2002). Stakeholder engagement challenges organisations on their stance about sustainability and has the potential to reshape the status quo. True stakeholder engagement is based on a dialogic approach that has the potential "…to inform accountability relationships between stakeholders and entities …" (Bebbington et al., 2007, p. 357). In comparison, if a business case (i.e. instrumental view of stakeholder theory) is used, then this will lead to stakeholder management, with powerful stakeholder groups continuing to control the agenda (Belal, 2002; Carroll, 1999; Owen et al., 2001). Thus, instead of achieving stakeholder engagement and ultimately corporate accountability, the result will be stakeholder management, surface corporate sustainability and a preservation of the status quo. Stakeholder management results is the control and manipulation of the stakeholder "dialogue" processes

[8] Accountability involves "giving of an account" Adams (2004). Adams argues that organisations must accept their responsibility to society and thus must give an account, using sustainability reports, of their social and environmental performance to a broad range of stakeholders.

(Dey, 2007). However, in contrast to dialogic stakeholder engagement monological stakeholder engagement does not "…serve society well; they lead to outcomes that are thought to be 'bad', even by those in power. A loss of trust in organisations, governments and leaders is an outcome of past monologic approaches" (Bellringer et al., 2011, p. 373).

4.0 Research Methodology

Due to the exploratory nature of this research, we adopt an interpretive research methodology (Denzin & Lincoln, 2008; Farooq, 2018) aimed at the evaluation of sustainability integration within the corporate practices of New Zealand listed companies. Our data comprise semi-structured face-to-face interviews (Seidman et al., 2004) with managers working in listed companies based in New Zealand. The dominant managerial perception among New Zealand managers is that corporate sustainability is an ethical obligation and not a legal or contractual one (Zaman, 2018). Corporate accountability in such a context is based "on a principal-agent model, where a contract between the parties is perceived to exist, even though this is of an informal, morally-defined variety as regards some of the stakeholders with which the company interacts, compared with the more formal, and contractually-defined relationship it has with other stakeholders, particularly the owners" (Woodward et al., 2001, p. 387). Companies in New Zealand enjoy a relatively flexible corporate sustainability legislative structure similar to their Anglo-Saxon counterparts in Australia, the UK, the US and Canada (Reddy et al., 2010). However, considering the growing demands for corporate accountability around the world, the New Zealand Stock Exchange (NZX) revised its corporate governance best practice code in 2017, including a clause encouraging companies to engage in sustainability reporting, i.e. give an account of their sustainability performance to stakeholders. This is also likely to motivate listed entities to institutionalise sustainability reporting in corporate practices (Farooq & De Villiers, 2019b). Further, in New Zealand, the majority of studies have focused on sustainability reporting (Bebbington et al., 2009; De Silva & Forbes, 2016; Dobbs & Van Staden, 2016; Farooq & De Villiers, 2019b), and relatively less effort has been directed at understanding how sustainability is integrated into core corporate processes. In addition, despite heightened global awareness of sustainability, the NZX listed companies' commitment to sustainability has remained low (Dobbs & Van Staden, 2016) Therefore, the evaluation of sustainability integration merits scholarly attention.

4.1 Sample selection and data collection

We adopted 'purposive sampling'[9] in which we sought to locate managers working in listed companies that were actively engaged in promoting corporate sustainability (or at least claimed to be). We selected listed companies because these corporations, in comparison with smaller entities, face greater regulation around corporate governance and are expected to set an example which other entities can aspire to. In this regard, listed entities offer a good population for addressing the research aims. Second, we searched the GRI database to identify corporations that published sustainability reports which met the requirements of internationally recognized standards.[10] Such companies may be considered industry leaders in terms of adopting sustainability, or at least in their claims about adopting sustainability, and certainly ahead of peers not engaged in sustainability reporting (or preparing sustainability reports that conformed to recognised standards). This process resulted in the identification of 18 listed New Zealand companies meeting the pre-determined sampling criteria.

After finalising the sample, we then searched for managers/research participants and their necessary contact information. We developed a database of our sampled companies, which, given their listing status, offered publicly available information on their executives, including name, designation, LinkedIn profile and email address or phone number. We then contacted these executives via email or phone, inviting them to participate in our study. Once a manager agreed to participate, we sent an email outlining the scope and aims of the study, the rights of participants and a participant consent form.[11] Of the 18 companies, six declined the interview invitation on grounds such as internal restructuring, management re-shuffling and overall busyness. Finally, we were able to secure consent from 12 company managers who were willing to participate in the study. In light of experts' recommendations (Saunders, 2012; Saunders & Townsend, 2016), the number of interviewees appears reasonable regarding the topic of study (i.e. there are a limited number of NZX companies with formal sustainability programs) (Dobbs & Van Staden, 2016) and which meet the characteristics of the type of interviewees required to address the research objectives (i.e. management). Of note, there might be a possibility that poor sustainability performance motivated some of these companies

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[9] In purposive sampling, participants and key informants are selected either by key characteristics, such as knowledge, skills and demographics (Jason & Glenwick, 2016), or other attributes that are best suited to the study research questions for better understanding of the research phenomena. We adopted purposive sampling as a limited number of NZX listed companies have a formal sustainability program (Dobbs & Van Staden, 2016).

[10] KPMG (2017) notes that the most popular sustainability reporting standards used across the world are the GRI guidelines.

[11] Participants were informed through email and the consent form that the study had received ethical approval from the university's ethics committee.

to decline the interview request. This may produce interview selection bias in our sample. In order to determine whether companies' sustainability score has anything to do with their decision to participate in the interview, we downloaded the sustainability performance score from the Bloomberg database and performed two statistical analyses: Pearson correlation and probit regression. We specifically regressed companies' sustainability score (captured from Bloomberg) on interview participation (measured as 1 if company 'i' participated in the interview, otherwise 0). The insignificant results (un-reported) of each test confirm that companies' sustainability score was not driving their intention to participate in our study.[12]

4.2 Interview protocol

The interview protocol was designed to help the interviewer[13] and to encourage participants to relax and talk freely (Hermanowicz, 2002). The protocol contained a welcome note, the interview purpose, interview format and a set of interview questions, supported by additional questions to enable interviewers to delve deeper and explore sub-themes (Charmaz & Belgrave, 2012). Of note, the set of questions involves (i) key stakeholder, (ii) stakeholder engagement, (iii) corporate sustainability issues identification, (iv) organisational response to stakeholder's concern and (v) KPI for corporate sustainability practices. These questions aligned with our use of stakeholder theory as a lens with which to frame our findings. After establishing the interview protocol, a pilot study was organised. Pilot interviews enabled us to identify ambiguities, difficulties and unnecessary questions and subsequently to discard or modify them. It also increased the validity of the research instruments by determining that the interview questions are appropriate (Van Teijlingen et al., 2001). To perform the pilot study, four organisations outside[14] the NZX listing requirement were identified and contacted using their details, identified via organisational websites. These interviewees revealed that the interview protocol questions were clear and sufficient. During the interviews, some degree of flexibility was given to the ordering of questions and the use of prompts. This flexibility allowed the interviewee to lead the interview conversation and the interviewer to structure the interview protocol accordingly (Jain & Jamali, 2016).

[12] We are thankful for one of the anonymous referees for suggesting such analysis.
[13] To avoid the bias arising from multiple interviewers, only one interviewer undertook all interviews.
[14] The current research used slightly different criteria for selecting the pilot study respondents as compared with the main study sample criteria, due to a lower number of actual respondent companies. We selected four organisations based on the GRI criteria, while relaxing the NZX listing requirement. These differences in the sampling procedure for the pilot study had two benefits: first, the study achieved the pilot study benefits without losing the actual sample, and second, this meant that the study was able to include unlisted companies' feedback and gain industrial insight into sustainability practices in New Zealand companies.

4.3 Interviews

The interviews were conducted face-to-face at the interviewees' company offices, located in three New Zealand cities – Auckland, Wellington and Christchurch – between February and August 2017.[15] The interviewees were well informed, and the majority of them were in executive management positions, such as chief financial officer (CFO), company secretary, executive general manager, head of government relations and corporate social responsibility (CSR) and general manager of sustainability. The average interview time was 47 minutes, with a minimum time of 39 minutes and a maximum time of 62 minutes. Table 1 provides a summary of the interviews conducted.

Table 1 Summary of interviewees and description of interview characteristics

SN	Code	Designation	Reporting framework	Interview duration (hrs)
1	SM1	Head of Government Relations & Corporate Responsibility	GRI	0:54
2	SM2	Sustainability Manager	GRI	0: 42
3	SM3	Head of Sustainability	GRI	0:41
4	SM4	Executive General Manager	GRI	0: 50
5	SM5	Chief Operating Officer & CFO	GRI	0: 45
6	SM6	Governance & Sustainability Manager	GRI & IIRC	0: 40
7	SM7	Chief Financial Officer	GRI & IIRC	0:44
8	SM8	Sustainability Manager	GRI & IIRC	0: 41
9	SM9	General Manager Sustainability	GRI & IIRC	0:50
10	SM10	Company Secretary	GRI	0:38
11	SM11	Group Chief Financial Officer	GRI	1:02
12	SM12	Sustainability Manager	GRI & IIRC	0:52

[15] The revised NZX corporate governance code was introduced in May of 2017. The interviewees were aware of these changes, having been asked to comment on the proposed changes by the NZX. Further, the interviewees were asked to comment on the perceived implications of these changes.

4.4 Thematic analysis

We thematically analysed the transcripts (Gibbs, 2002) to identify the patterns of meanings (Braun & Clarke, 2006). The data (i.e. sentences and paragraphs) were coded by allocating names/labels, a process facilitated by the analysis software N-Vivo 11 (Bazeley & Jackson, 2013). N-Vivo aids code creation by recording transcripts, creating and editing code names, maintaining a code database, retrieving codes from the database, tracking codes to transcripts, collapsing multiple codes into desired codes and, finally, grouping the codes into categories/themes and subthemes (Bazeley & Jackson, 2013). The codes generated were organised into four broad themes aligned with AccountAbility's sustainability principles of inclusivity, materiality, responsiveness and impact.

5.0 Findings and Discussion

This section presents the findings from this study. The section addresses the research question: "How, and to what extent, do New Zealand listed companies integrate sustainability within their corporate practices?" The aim is to evaluate corporate sustainability against the requirements of AccountAbility's AA1000AP standard. The section is structured in four parts, corresponding with AccountAbility's four sustainability principles of inclusivity, materiality, responsiveness and impact.

5.1 AA1000AP standard: The principle of inclusivity

The study finds that New Zealand listed companies try to engage with a range of internal and external stakeholders (Le Roux & Pretorius, 2019), although this engagement is more frequent, sophisticated and in-depth with traditional stakeholder groups with whom the company maintains a commercial relationship (e.g. employees, customers, suppliers and investors) than other stakeholders (e.g. local communities, pressure groups, government). Guthrie et al. (2017) explain that engaging with internal stakeholders (employees and managers) is necessary because companies need to overcome resistance to participate in the reporting process. Building on the literature, we identify two additional reasons for this engagement.

First, companies are already engaging with certain stakeholders on issues relating to their day-to-day commercial operations. These companies have then taken this engagement further by communicating with stakeholders on sustainability-related issues. Second, these stakeholders have greater bargaining powers and boards appreciate the pressure their companies can face if they fail to comply with these stakeholders' demands (SM2 - GRI).

However, when describing their engagement with other stakeholder groups with whom the relationship is non-commercial, managers appear significantly less confident and describe their engagement with these stakeholders as being more complex and challenging to undertake. A manager further explained that this complexity arises due to the lack of a clear contract between the company and that stakeholder:

> "It's a bit tricky because, you know, the community is quite a bit amorphous contact" [SM7 - GRI & IIRC]

In comparison, the legal and commercial contracts companies have with customers, suppliers, lenders and investors are explicit and well established. In terms of engagement mechanisms, managers point out that they use a range of channels to communicate with their stakeholders. The selection of these engagement mechanisms depends on the type of stakeholder the company is interacting with and include both formal and informal engagement processes embedded in corporate operations (SM11 - GRI).

The existing literature has observed the use of stakeholder councils by Australian and New Zealand–based organisations (Kaur & Lodhia, 2018; Kaur & Lodhia, 2014). However, we find only limited instances of companies using this engagement mechanism. These stakeholder councils comprise of stakeholder representatives responsible for monitoring and providing feedback on the company's sustainability reporting and sustainability activities (SM3 - GRI).

In recent years, there has been a significant rise in the use of social media by companies as an effective medium to engage with their stakeholders and to provide them with information on the companies' sustainability performance (Kaplan & Haenlein, 2010). Studies have also shown that stakeholders are not reading traditional sustainability reports (Manetti & Bellucci, 2016). By expanding the range of stakeholders, the use of social media changes the nature of stakeholder engagement from the traditionally well-known but small group of stakeholders to more numerous and often anonymous groups of friends and followers (Manetti & Bellucci, 2016). Managers, recognizing this new wave of communication, translate this into an opportunity to improve their engagement with stakeholders:

> "…We use social media a lot because it's nice to put up little sustainability stories often and social media is a really quick way of doing that so we put stuff on Twitter, Facebook and LinkedIn quite often and that's just starting to increase it…" [SM8 - GRI & IIRC].

We also find that companies not only recognized this new wave of media but also re-structured their governance structure to integrate communication into their decision making. This includes creating new roles such as general manager communication (SM9 - GRI & IIRC). Further, we found that in one instance, the Chief Executive Officer (CEO) of a company regularly ran live streaming/virtual sessions on Facebook where stakeholders could directly question the sustainability practices of the company (SM8). Thus, social media offer companies a new emerging stakeholder engagement channel (Bellucci & Manetti, 2017; Manetti & Bellucci, 2016) grounded in a corporate stakeholder relationship perspective (Meintjes & Grobler, 2014) and two-way symmetrical communication (Bellucci & Manetti, 2017) that has the capacity to meet the shifting focus of corporate sustainability communication from 'informing' to 'engaging' diverse stakeholders (Manetti et al., 2017)

Thus, our findings are supported by the existing literature (Adams & Frost, 2006, 2008) which has documented the different modes of communication used by companies when engaging with stakeholders. Building on this literature, we find that the results of stakeholder engagement exercises are summarised in reports which are then sent to senior managers and the board of directors for review (SM4 - GRI). This indicates that senior managers and boards in New Zealand take an interest in understanding their stakeholders and their concerns. However, the study finds that the stakeholder engagement undertaken by New Zealand listed companies is mostly monologic and does not involve true dialogic communication. As one manager explains, the engagement is often more about informing than undertaking true dialogue:

> "… iwi community engagement, that's done through corporate affairs, but we have regular meetings, bi-monthly meetings with local iwi on the [sustainable] development side of things, we have regular sessions with local board members. And again, it's just keeping them up to date about what's happening …" [SM2 - GRI]

This is potentially due to a combination of not knowing how to (i.e. inexperience) as well as not wanting to (i.e. a lack of commitment) undertake a dialogic stakeholder engagement. This argument is reasonable and is supported by the existing literature (Bellucci et al., 2019; Brown, 2009). Whatever the reasons may be, monologic stakeholder engagement frustrates the ability of the sustainability agenda to achieve true corporate accountability (Burritt & Schaltegger, 2010). Further, dialogic stakeholder engagement informs companies about any potential or existing business externalities that may negatively affect the company's operations and carry costly reputational and legal implications (Bebbington et al., 2007; Bellucci et al., 2019). In comparison, with monologic stakeholder engagement, stakeholders abstain from recording their concerns/voices (Bebbington et al., 2007), and this increases the probability of negative externalities going unnoticed (Unerman et al., 2018). As a result, monologic stakeholder engagement is unlikely to result in a shift in corporate values from business-centred to environmental-centred (Stubbs & Higgins, 2014).

Importantly, the study finds that while some stakeholder groups (e.g. shareholders) have a representative on the board (SM1 - GRI), most of the other stakeholders do not. Thus, stakeholder groups generally do not participate in corporate decision making in New Zealand, and so an important feature of AccountAbility's principle of inclusivity is missing. The study finds evidence that in some companies, at least, there is engagement at the highest level with stakeholders on matters of sustainability:

> "We will have meetings between our CEO and the CEO of [Maori community], we will go on the Marai visit as an executive, for example, to report to the [local Maouri council]. We will consult with iwi group representatives on environmental matters. We contribute to iwi environmental efforts" [SM7 - GRI & IIRC]

These findings are supported by the existing literature which has also noted the lack of direct involvement of senior managers and boards in stakeholder engagement (Dienes et al., 2016; Frost et al., 2012; Kaur & Lodhia, 2017). We find that in most companies, it is the lower- to mid-tier managers that directly engage with stakeholders on matters relating to sustainability. These are usually sustainability managers or teams responsible for managing the companies' sustainability issues:

> "…we have a community engagement team so that's part of our sustainability team… [SM3 - GRI]

Overall, these results suggest a variegated stakeholder engagement amongst reporters (i.e. including GRI and GRI & IIRC), with influential stakeholders receiving a preferential treatment. These results are against the true spirit of normative stakeholder theory where the equity principle remained at the heart of stakeholder management as described by Donaldson and Preston (1995): ".. interests of all stakeholders are of intrinsic value...each group of stakeholder's merits consideration for its own sake and not merely because of its ability to further the interests of some other group…" (p. 67). By limiting engagement primarily to traditional commercial stakeholders, companies are unlikely to be able to effectively integrate sustainability into their systems and processes.

5.2 AA1000AP standard: The principle of materiality

Materiality is a key concept in the GRI standards and in the IR Framework. Consequently, most companies in the study were undertaking a materiality assessment to support their sustainability or integrated reporting. These results are consistent with previous studies examining sustainability reporting (Farooq & De Villiers, 2019b; Whitehead, 2017) and integrated reporting (Feng et al., 2017; Guthrie et al., 2017; Le Roux & Pretorius, 2019; Stubbs & Higgins, 2014). We find that stakeholder engagement is viewed as a key component of the materiality assessment exercise; that is, the results of the stakeholder engagement are used to identify and prioritise issues into those which are material and those which are not, as the following quotes indicate:

> "We do our annual materiality review …. We bring in a representative group of all our key stakeholder groups, that's kind of a diverse group and we ask them to workshop through some of these issues, and that's how we do it …." [SM3 - GRI]

> "We use stakeholder input to understand what are things that are overall material to us as a company…" [SM6 - GRI & IIRC]

However, we find that how the materiality assessment is undertaken varies, with some companies describing having undertaken a more sophisticated process than others (SM3 - GRI). This observation is supported in the literature where companies are found to gradually transition to more sophisticated materiality assessment techniques (Farooq & De Villiers, 2019b; Whitehead, 2017). These findings contribute to the scant literature on materiality in sustainability reporting (Unerman & Zappettini, 2014). Building on the existing literature, we find that the involvement of senior managers and boards in the materiality assessment process varies. As the following quote indicates, in some companies the CEO and board chair involve themselves in the process:

> "The equity analyst and our chief financial officer and our CEO meet with them on a fairly regular basis, so does our chairman. … they have various forums that they do meet with once in a month, and their equity analyst is also involved in the materiality process ..." [SM9 - GRI & IIRC]

Top leadership involvement in the materiality assessment process signals the gravity of the exercise to other managers and employees within the company. The leadership sets the overall tone for corporate sustainability, and their involvement in the process promotes greater commitment and rigor (Farooq & De Villiers, 2019b). However, despite the importance of senior managers and board involvement, we find that this was not prevalent in most of the sample companies.

Also, as observed in section 5.1, the extent of stakeholder engagement varies, as do the specific mechanisms used to engage with stakeholders. The following quote provides an example of a company which undertakes an extensive engagement exercise, in which both internal and external stakeholders are involved:

> "one of the things that we do as part of our reporting is a materiality and stakeholder engagement process. So, in that process, last year, for example, we talked to forty different stakeholders; twenty internal, twenty externals roughly, … what issues did they feel were material that we needed to address and respond to …" [SM9 - GRI & IIRC]

The study finds that some companies are using the results of their stakeholder engagement and materiality assessment to feed into their sustainability efforts and broader corporate planning and decision making. Thus, some companies are achieving greater integration of their sustainability processes with other core/traditional business processes. The following two quotes provide examples:

> "We do an annual materiality review where we bring in stakeholders and we ask them to go through a process where they help us prioritize issues, sustainability issues and we use that to inform both the work program of our sustainability team and the priorities of our community investment program" [SM3 - GRI]

Thus, we find that often when companies begin their sustainability reporting journey and when they start to use internationally recognised standards (e.g. the GRI standards), they begin to learn new tools and techniques which they can then take and integrate with their broader operations:

> "the stakeholder consultation exercise we did, we followed the usual GRI type approach, looking at what's material to the business, what's the material to our stakeholder comping up with that listed material issues and giving them a priority. So that covered everything from customer experience, sustainable transports in terms of transport to and from around the airport, energy and carbon water minimisation, waste minimisation, community and Iwi engagement, sustainable designing construction which also leads to a kind of procurement. For employees work location of choice and safety" [SM2 - GRI].

These findings provide evidence that internationally recognised standards (as well as sustainability reporting as a practice) do influence the integration of sustainability within organisations and should be endorsed by regulatory bodies. From a normative stakeholder theory perspective, companies should undertake a robust materiality assessment (including stakeholder engagement) to identify issues material to the company and its stakeholders. Subsequently, the result of the materiality assessment should be used to drive corporate reporting, sustainability efforts and broader corporate planning and decision making, i.e. integrating sustainability into corporate operations. Companies that fail to do so will acquire a poor understanding of their material/relevant issues. Consequently, any time and resources spent by such companies on sustainability are likely to be ineffective in promoting sustainability, i.e. ineffective in integrating sustainability into corporate operations.

5.3 AA1000AP standard: The principle of responsiveness

Le Roux and Pretorius (2019) find that integrated reporting encouraged senior managers to introduce structures and processes to better connect functions, thereby promoting integrated thinking and embedding of sustainability. Similarly, Guthrie, Manes-Rosi and Orelli (2017) find that in some cases integrated reporting was used to drive sustainability into core activities. However, Stubbs and Higgins (2014) note that integrated reporting contributes to incremental organisational change as opposed to radical or transformative change; rather, the change represented an extension of existing sustainability reporting processes and no innovation in disclosure practices was observed. Building on the existing literature, this study finds that some companies have begun to respond to issues identified through their stakeholder engagement and materiality assessment. The response, per AA1000AP, should be reflected in corporate governance and sustainability initiatives.

5.3.1 Corporate governance and responsiveness

Corporate governance is defined as "a structure of rights and responsibilities among parties with a stake in the company" (Aoki, 2010, p. 11). Corporate governance systems dictate the degree to which companies are open to integrating sustainability and ultimately corporate accountability. Some argue that this is only possible to achieve after a complete overhaul of the existing governance system because making minor tweaks would be futile (Bebbington et al., 2007). Others support more traditional recommendations on corporate governance best practices as a solution to the problem (Belal & Owen, 2007; Dienes et al., 2016). Thus, in terms of responsiveness, we find three types of corporate governance initiatives adopted by the sample companies and directed at implementing corporate sustainability: (i) specialist board committees, (ii) dedicated top management teams and (iii) organisational codes.

First, specialist board committees, such as sustainability committees, provide the board with an opportunity to delegate certain tasks which are the boards' responsibility, but for which board members lack the time and expertise to manage directly (Amran et al., 2014). Thus, the creation of specialist sub-board committees is often preferred by boards. This provides additional oversight of executives and managers, such as the sustainability manager. Such a committee also reduces the uncertainty and lack of information among stakeholders and also indicates the company's commitment to sustainability and corporate accountability to stakeholders (Mackenzie, 2007; Zaman, et al., 2020), thereby enhancing the company's legitimacy (Birnbaum, 1984). The following quote explains:

> "…there is a board committee which is safety and sustainability that generally spends, you know, a big chunk of hits time on sustainability matters" [SM7 - GRI & IIRC].

However, despite the advantages of creating a specialist sustainability committee, we find that many companies simply prefer to allocate sustainability-related tasks to non-specialist committees, such as the risk, health, safety, security, environment and compliance committees:

> "… Currently, we do not have a separate CSR/sustainability committee …" [SM12 - GRI & IIRC]"

Second, although the creation of a specialised board committee reflects the highest commitment to corporate accountability, some companies have instead chosen to adopt an alternative approach, in which a dedicated top/senior manager or team (composed of senior executives) is used to oversee companies' sustainability-related tasks (Zaman, et al., 2020). This dedicated executive (or team) is responsible for coordinating the daily sustainability activities and implementing company-wide sustainability initiatives (SM2 - GRI). However, the study finds that often companies that do invest in establishing sustainability-related corporate governance structures (whether specialist committees or dedicated top management teams) will use them in a limited capacity for overseeing the companies' sustainability reporting.

Finally, some managers referred to their corporate codes of conduct, which they perceived as useful in driving sustainability behaviours within the company:

…we do have a code of conduct that requires [company] - people to carry out their duties with honesty, integrity, due diligence and in the best interest of the company. It applies to all concerned including directors, executives, employees, consultants and contractors. This code also encourages disclosing the ethical breaches in [company] workplaces and we all have to sign it up… [SM12 - GRI & IIRC]".

However, not only did these appear to be simply generic and designed primarily for promoting good commercial practices, the existing literature also finds that such codes are more symbolic in nature and have only a limited impact in promoting sustainability within a company (Jamali et al., 2008). In accordance with stakeholder theory, a genuine accountability to stakeholder demands a more inclusive and integrated response from management to embrace sustainability at the heart of their business structure rather than use of symbolic codes for impression management.

5.3.2 Responsiveness through sustainability activities

Research has shown that organisational relationships with stakeholders depend on how well organisations respond to stakeholder voices (Farooq & De Villiers, 2019b; Kaur & Lodhia, 2018). However, this is challenging, as organisations have multiple stakeholders with diverse and often conflicting interests and concerns. Corporate accountability, however, does not mean that organisations need to cater to the needs of all stakeholders (AccountAbility, 2018). The solution to this challenge is the materiality assessment, which helps organisations identify and prioritise issues, thereby sorting the material ones from those that are not.

This study classifies corporate responses to stakeholder concerns as comprising (i) internally focused sustainability activities (i.e. activities that are directed at satisfying the concerns of internal stakeholders) and (ii) externally focused sustainability activities (i.e. activities that are generally considered to satisfy external stakeholder concerns). The first includes employee award/recognition schemes, employee volunteer programs, getting fair labour accreditations, paying living wages, employee policy, health and safety policy, employee engagement surveys, employee training and development, provision of logistical support to employees and employee career development. These responses improve internal stakeholder commitment:

"…we offer meaningful employment [above market wage] and we encourage our staff to learn and develop more [Professional development opportunities] …. we run free bus services to pick them up from locations and bring them to our processing operations …" [SM9- GRI & IIRC]

The second includes sustainability responses such as volunteerism and philanthropy towards the environment and society. The existing literature has noted that these efforts help strengthen companies' legitimacy and reputation among external stakeholders (Brammer et al., 2007; Cornelius et al., 2008). The study finds that New Zealand companies' sustainability initiatives are generally targeted towards the four types of external stakeholders: community, environment, customers and suppliers. However, community and environmental-related sustainability practices remained most dominant among others.

The findings are interesting, as generally it is considered that companies operating in Anglo-Saxon-tradition countries, such as the US, Australia and New Zealand, emphasise externally focused sustainability initiatives (i.e. focusing on external stakeholders) rather than focusing on internal stakeholders (Dobbs & Van Staden, 2016; Maignan & Ralston, 2002; Matten & Moon, 2008). While companies operating in non-Anglo-Saxon-tradition countries, such as Japan and those in Europe, follow internally focused sustainability initiatives (Jackson & Apostolakou, 2010), these results suggest that even though listed companies dominated in externally focused sustainability initiatives, such as community and environment-related aspects, they still view internally focused sustainability initiatives as part of their normative compliance (Carroll, 1991).

5.4 AA1000AP standard: Principle of impact

The sample companies were selected based on their engagement in sustainability reporting. Consequently, all the companies in the sample were to some degree monitoring and measuring their sustainability performance, i.e. the impact of their activities on stakeholders (AA1000AP, 2018). The degree to which this was effectively done depends on the state of the company's stakeholder engagement and materiality assessment processes. Thus, companies that undertake comprehensive stakeholder engagement and materiality assessment exercises have a better understanding of their impacts. AccountAbility further recommends that these impacts can be measured qualitatively and quantitatively as well as being given monetary value (AA1000AP, 2018). However, a better understanding of impacts does not automatically translate into better reporting, as companies often avoid reporting on areas in which their performance is poor, i.e. negative impacts on material issues. The literature examining the relationship between sustainability reporting and sustainability performance is mostly critical of corporate disclosure which is labelled as an exercise in impression management rather than anything to do with stakeholder management (Dobbs & Van Staden, 2016). We find that when discussing the impact of their activities, the managers interviewed identified three practices they were engaged in. First, we find that some companies were attempting to measure their impacts using sustainability KPIs. Managers realised the importance of keeping track of their sustainability performance, as this may have costly legal and reputational impacts if performance is poor, i.e. where negative impacts arise:

> "… a negative brand perception impacts all your brands and then you need to recover out of it, so you need to bring out your sustainability practices that are measurable … It's the KPI, …" [SM4 - GRI]
> "If you're talking about waste, you pay less for waste disposal. If we are trying to using less packaging, that has a direct bottom-line impact… …" [SM5- GRI]

However, often these KPIs had already existed and were used as part of their traditional operations to monitor performance in areas such as health and safety (SM6 - GRI & IIRC). Thus, the creation of new dedicated KPIs is limited. Second, to assist with measuring their performance, companies were making use of international standards and guidelines, such as the Certified Emissions Measurement and Reduction Scheme (CEMARS):

> "… CEMARS for our greenhouse gas accounting, we also measure our fuel use on an intensity basis as per meter volume moved and then we measure our carbon both on an absolute and an authentic basis, so per parcel and per letter delivered all through the network…" [SM8 - GRI & IIRC]

However, managers stated that while some impacts are relatively easily measured, others are more difficult to account for:

> "…it's easy in terms of carbon and stuff like that… Health and Safety, are well-known metrics, but when you get to the community stuff, it's very tricky…" [SM12 - GRI & IIRC]

Finally, we find that some companies are linking their executive's remuneration with their sustainability KPIs:

> "To effectively implement sustainability, we have included non-financial performance in executives KPIs [….] CEO remuneration KPI includes both financial and non-financial performance and the target areas include shareholder value maximization, customer satisfaction, health and safety and employee engagement" [SM6 - GRI & IIRC].

This offers a powerful incentive to drive the integration of sustainability within corporate practices, as sustainability KPIs ensure there is an alignment of executives' and stakeholders' sustainability interests, thereby promoting a culture of corporate accountability (Deegan & Islam, 2012; Hong et al., 2016). Unfortunately, most companies in the sample were shareholder-centric and chose not to reward their managers for promoting corporate sustainability:

> "… we do not consider linking executive performance with sustainability […] don't think that can make much difference" [SM7 - GRI & IIRC]

These results contrast with the existing literature where early adopters of integrated reports were experimenting with different mechanisms to capture the value creation process (Stubbs and Higgins, 2014). From a normative stakeholder theory perspective, companies should evaluate the impact of their operations on stakeholders. This assessment provides important feedback to managers on the impact of their business operations as well as the impact of sustainability programs which should help managers evaluate and refine corporate sustainability integration efforts. The findings from this study compared with the existing literature and organised according to AccountAbility's principles are summarised in Table 2.

Table 2: Summary of findings from the study

	FINDINGS SUPPORTED FROM THE EXISTING LITERATURE	NEW INSIGHTS ARISING FROM THIS STUDY
INCLUSIVITY	Sustainability and integrated reporters do engage with stakeholders. However, the problem is that (1) this engagement is more frequent, sophisticated and in-depth with traditional commercial stakeholder groups (e.g. employees, customers and suppliers) than it is with other stakeholder groups (e.g. community), and (2) this engagement is primarily monologic in nature. Stakeholder engagement undertaken through a range of mechanisms which are selected based on the stakeholder group targeted. Companies using social media to engage with stakeholders and report on their sustainability performance.	Managers less confident in engaging with other stakeholders (e.g. community) which they describe as more complex and challenging to undertake. This complexity arises due to the lack of a clear contract between the company and that stakeholder. The use of stakeholder councils was not observed. Social media (e.g. Facebook, Twitter and LinkedIn) have the potential to promote greater dialogic stakeholder engagement.
MATERIALITY	The materiality assessment is a key first step in preparing both a sustainability and integrated report. Stakeholder engagement is a key component of the materiality assessment. However, the level of sophistication of the materiality assessment (including stakeholder engagement) varies. The involvement of senior management in the materiality assessment raises the profile of this exercise. Some companies are using the materiality assessment to drive broader corporate decision making and planning.	Despite the importance of senior managers and board involvement, we found that this was not prevalent in most of the sample companies. Consequently, the integration of the materiality assessment (and stakeholder engagement) into broader corporate planning and decision making is also negatively affected. The adoption of international standards stimulates corporate learning (e.g. the materiality assessment).

RESPONSIVENESS	Companies setup of structures and introduce processes to support sustainability and integrated reporting as well as the integration of sustainability into corporate practices. These include specialist board committees and senior management teams to management corporate reporting and sustainability integration. Such efforts are successful in stimulating incremental change.	Corporate responsiveness efforts to stakeholder concerns are organised into two categories: 1. Responsiveness through corporate governance mechanisms: these include (i) use of specialist boards specialist board committees, (ii) dedicated top management teams and (iii) organisational codes. However, corporate codes are generic and designed to promote commercial best practice. 2. Responsiveness through sustainability activities: these activities stem from the materiality assessment and (i) internally focused sustainability activities (i.e. targeting the concerns of internal stakeholders) and (ii) externally focused sustainability activities (i.e. focusing on external stakeholder concerns). Examples of internally and externally focused activities are provided.
IMPACT	Companies monitor and measure their sustainability performance. This is done through the use of sustainability KPIs to measure and monitor performance. Sustainability KPIs can be linked to executives' remuneration to align interests and embed sustainability into corporate practices.	The results of the materiality assessment assist reporters in identifying areas to monitor and measure. Thus, a rigorous materiality assessment will lead to better monitoring and measurement of sustainability performance. Sustainability KPIs are an extension of existing/traditional KPIs developed for business operations (e.g. health and safety). Thus, the development of new KPIs is limited. Reporters use certification schemes to monitor and measure sustainability performance. Most reporters did not link their sustainability KPIs to executives' remuneration.

6.0 Conclusion

This study addresses an important yet unexplored research question: How, and to what extent, do New Zealand listed companies integrate sustainability within their corporate practices? The aim of the study is to evaluate the corporate sustainability practices of listed New Zealand companies against the requirements of AccountAbility's AA1000AP standard. This standard identifies four sustainability principles – inclusivity, materiality, responsiveness and impact – which organisations must adhere to in order to integrate sustainability within their structures, processes and practices. AccountAbility's standard is based on a normative view of stakeholder theory where organisations are accountable to their stakeholders.

In terms of inclusivity, the study finds that New Zealand listed companies were attempting to engage with their stakeholders on sustainability. Although the frequency, sophistication and depth of this engagement varied, with companies focusing more on engagement with traditional commercial stakeholders (customers, suppliers, investors and lenders) who are more powerful than others. There is also considerable variation in the specific mechanisms used to engage with stakeholders. The use of social media (e.g. Facebook, Twitter and LinkedIn) is gaining popularity and has the potential to improve corporate stakeholder engagement. We find that New Zealand listed companies generally do not involve stakeholders in their decision-making processes (the exception being shareholders). Thus, stakeholder participation, a key characteristic of the AA1000AP principle of inclusivity, is missing. Further, we find that the majority of New Zealand listed companies adopt a monologic approach to stakeholder engagement, with very few, if any, using a dialogic approach.

In terms of materiality, the study finds that companies are undertaking a materiality assessment that is used to support their sustainability reporting. The participation of senior managers and boards in this exercise varies. Stakeholder engagement is an important part of this exercise, and some companies will engage with a broad range of internal and external stakeholders to identify their material issues. In some companies, the insights from the materiality assessment are also used to drive corporate sustainability efforts. Others use the results of their materiality assessment to drive corporate planning and decision making. Importantly, this behaviour is driven by internationally recognised sustainability standards, and this provides evidence to support regulation around the adoption of these standards by companies.

The study finds that New Zealand listed companies respond to their stakeholders' concerns through corporate governance and sustainability initiatives. In terms of corporate governance, companies create specialist sustainability committees, assign dedicated top management teams to address sustainability issues and rely on organisational codes of conduct. The creation of sub-board committees in a few companies indicates that there is some commitment to corporate sustainability at the highest corporate governance level. However, most companies preferred to use dedicated top/senior managers or teams (composed of senior executives) to oversee the companies' sustainability-related tasks. The majority of companies referred to their organisational codes as evidence of their behavioural response to stakeholder concerns, although the effectiveness of these codes in inducing changes in corporate behaviour is viewed with scepticism in the literature (see, Cowton & Thompson, 2000). In terms of sustainability initiatives, this study finds that companies also respond to stakeholder concerns by undertaking internally focused sustainability activities as well as externally focused sustainability activities.

The study finds that all the companies were to some extent monitoring and measuring the impact of their actions on stakeholders (AA1000AP, 2018). However, this monitoring and measurement depend on the effectiveness of a company's stakeholder engagement and materiality assessment processes. The study finds that companies measure their impacts using sustainability KPIs and will use international standards and guidelines (e.g. the Certified Emissions Measurement and Reduction Scheme). However, measuring well-known metrics (e.g. such as carbon emissions and health and safety) is easier than measuring areas such as community impact. Finally, a few companies are linking their executives' remuneration with their sustainability KPIs.

The paper contributes to the literature in several ways. First, the study brings together four streams of research: stakeholder engagement (Bebbington et al., 2007; Bellucci et al., 2019; Unerman, 2007), materiality assessment (Unerman & Zappettini, 2014; Whitehead, 2017), organisational response to material sustainability issues (Bouten et al., 2011b; De Villiers & Van Staden, 2011; Van Staden & Hooks, 2007) and the monitoring and measurement of organisational impacts (Costa & Pesci, 2016; Schaltegger et al., 2006; Schaltegger & Wagner, 2006). In this way, the study contributes to the sustainability integration literature by examining how corporate sustainability can be integrated into organisational structures, processes and practices.

Second, although there is a widespread literature that either adopts the IR Framework or uses GRI reporting principles to examine corporate sustainability (Kılıç & Kuzey, 2018; Maas et al., 2016), there is also an even amount of literature that questions the limitations associated with these frameworks in promoting sustainability integration (Brown & Dillard, 2014; Cheng et al., 2014; Dumay et al., 2017; Flower, 2015; Fonseca et al., 2014; Thomson, 2015). We believe that our purposeful deviation from the traditional frameworks to the AccountAbility standard (i.e. AA1000AP standard) in evaluating corporate sustainability integration is a step forward in sustainability accounting scholarship. This standard offers organisations a useful tool to both guide and evaluate the integration of sustainability and corporate accountability to stakeholders. These findings have implications for companies based in other countries (particularly those in Anglo-Saxon-tradition countries).

At a practical level, the findings are beneficial to practitioners, regulators and academics. Practitioners may find the insights useful in understanding how sustainability is currently being integrated into corporate practices by best practice New Zealand companies. Further, the study findings shed light on the potential of AA1000AP to improve corporate sustainability integration, and the examples of best practice provided in this study will prove useful to managers. Regulators, including stock exchanges, may consider incorporating AA1000AP into their corporate governance guidelines. Academics will find the study useful for teaching business and accounting courses and to guide the next generation of business managers. At an academic level, the study offers novel insights by evaluating corporate sustainability against the requirements of a standard that has received little academic attention. The study also places sustainability reporting within a broad corporate sustainability context, thereby contributing to scholarly efforts in integrating sustainability into corporate practices by promoting corporate accountability to stakeholders.

This study is limited to interviewing corporate managers of the best practice companies listed in the GRI database. Further, the findings of this study are based on the claims of managers regarding their corporate sustainability practices. Future studies could engage with a broader range of stakeholders by selecting a sample of companies from outside the GRI database in order to identify and understand the tensions involved in managing corporate sustainability across different stakeholder groups. Researchers could utilise surveys to compare corporate sustainability across countries and jurisdictions. Researchers could compare managers’ claims (through interviews and surveys) against actual sustainability performance (identified through databases) using a mixed methods approach. Finally, researchers are encouraged to use novel theories and concepts to explore corporate sustainability practices.

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