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SUSTAINABILITY REPORTING BY SMALL AND MIDSIZE COMPANIES – METHODS, NATURE AND EXTENT OF REPORTING

Marianne L. James, California State University, Los Angeles

ABSTRACT

Organizations of all types and across many industries implement sustainability programs that help preserve precious resources, minimize the organizations' negative impact on the environment and multiple stakeholders, and tend to reduce costs in the long-run. Organizations communicate information about their sustainability programs utilizing various methods and levels of detail. During the past decade, an increasing number of companies have started to publish formal sustainability reports; this trend continues to grow. Recent research studies investigating sustainability reporting focus on large global entities. While many small and midsize companies have implemented extensive sustainability programs, little is known about their sustainability reporting practices.

This study investigates the methods, nature, and extent of sustainability reporting by small and midsize companies to stakeholders such as investors, customers, employees, and other interested individuals and organizations. The study focuses on the small and medium-size companies identified by FORTUNE's 2013 annual survey as the 'Best Companies to Work For.'

The study found that 44% of the medium-size and six percent of the small companies in the sample issued formal comprehensive sustainability reports, most of them in a stand-alone format. Companies that issued a formal sustainability report tended to provide the greatest amount of quantitative information. Fifty percent of the companies that issued formal sustainability reports were computer-technology companies. In addition, the majority of the formally reporting companies utilized the guidelines of the Global Reporting Initiative (GRI). Overall, companies that applied the GRI guidelines tended to report more quantitative information than those that did not apply the GRI guidelines.

Although most of companies published some selected information about their sustainability-related efforts, nearly half of the medium-size and 84% of the small companies did not publish a significant amount of quantitative sustainability-related information. Moreover, those companies that published selected information tended to focus primarily on positive results and the information was largely qualitative in nature. The study found that while small and midsize companies tend to communicate information about a wide spectrum of economic, environmental, and social related sustainability efforts and some publish formal reports, comparability among companies is difficult. Information users and preparers could greatly benefit by consistent, comparable reporting of the comprehensive effect of organizations' activities on multiple current and future stakeholders.

The results from this study provide important insights about sustainability reporting by small and midsize companies that may be useful to standard-setters as well as information providers and information users. As the global sustainability-reporting trend continues, formal reporting may assist small and midsize companies to continue to create value and to enhance their comparability and competitiveness with other entities.

INTRODUCTION

Organizations of all types and sizes and across many industries have implemented sustainability-related programs. Public and private for-profit companies, governmental units, and not-for-profit entities have embraced activities and programs that preserve and protect limited resources and enhance the well-being of multiple stakeholders. Examples of sustainability-related programs and practices are numerous and include purchasing of energy efficient equipment; reducing waste and increasing recycling; reducing harmful emissions; investing in renewable energy; manufacturing and purchasing products that preserve natural resources such as water, air, and minerals; supporting product design that incorporates efficient use of resources while minimizing the negative impact on the environment; constructing new or converting existing buildings consistent with the criteria set forth by the US Green Building Council; and encouraging and supporting carpooling and telecommuting.

During the last decade, the majority of large global companies have started formal reporting of the details and results of their sustainability programs. In the U.S. and many other nations, sustainability reporting is essentially voluntary. Recent studies investigate the method, nature, and extent of sustainability reporting by large multinational companies. Relatively little is known about sustainability reporting by small and midsize companies. In addition, many of the small companies tend to be privately held and may not issue reports that are publicly available. This study investigates sustainability reporting by small and midsize companies. The sample selected represents the companies that in 2013 were ranked by FORTUNE as the "Best Companies to Work For" and were classified by the survey as medium-size and small companies.

The study finds that less than half of the companies issued a formal sustainability report; although, some of the companies provided comprehensive web-site only information. Many of the formally reporting companies utilized the reporting guidelines of the Global Reporting Initiative (GRI). The companies reported information about a wide of spectrum of sustainability-related issues concerning economic sustainability, and a wide range of environmental and social issues. While the majority of the companies that did not issue formal publicly available sustainability reports provided selected information on their websites, the nature and extent of the information provided varied considerably and tended to be qualitative in nature.

The study results suggest that consistent comparable information about organizations' sustainability would be useful to internal and external information users. The findings of this study may provide important insights that may be useful to standard-setters and information providers.

BACKGROUND LITERATURE

In 1987, the Brundtland Commission defined sustainable development as a "development that meets the needs of the present without compromising the ability of future generations to meet their own needs" (United Nations, Brundlandt Commission, 1987, 41). The term sustainability generally relates to a company's ability to create value in the long-run. While the term "sustainability" frequently is associated with environmental issues; today, most organizations apply it in a broader sense to include the wellbeing of their employees, the community in which they operate, and other stakeholders.

Although sustainability-related activities vary considerably among organizations, a recent survey of 178 executives involved with corporate sustainability initiatives revealed that environmental and social initiatives represented the two most common types of sustainability programs (Ballou, et al., 2012). Specifically, 84.8% of the survey participants reported that their sustainability programs included environmental initiatives and 70.2% reported that their sustainability programs included social initiatives (Ballou, et al., 2012).

The trend to incorporate sustainability into an organization's operations and strategies transcends public and private companies; governmental units; and colleges and universities. Some universities have already implemented extensive sustainability-oriented programs and have made a significant commitment to sustainability-related research. For example, in 2009, California State University, Los Angeles established the *Centers for Energy and Sustainability*, which also is supported by the National Science Foundation and focuses on sustainable energy research (CSULA, n.d.). Another example is Florida International University's *Go Green* initiative, which includes a nature preserve educational program, green office efforts, and sustainability training (FIU, n.d.) In addition, some universities, such as Humboldt State University, have integrated sustainability throughout their curriculum (HSU, n.d.).

Many for-profit organizations encourage their customers to support environmental and social sustainability effort; for example, some offer incentives for switching to paperless account statements, plant trees on customers' behalf, and match customers' and clients' charitable contributions. Utility companies, such as Southern California Edison (n.d.) and Florida Power & Light Company (n.d.), provide incentives to customers to reduce the amount of energy consumed and reward customers for replacing energy-inefficient major appliances with energy-efficient ones.

While decision makers tend to realize that sustainability programs are extremely important to the wellbeing of current and future generations, cost savings also tend to provide important considerations for implementing sustainability programs. A survey of executives at large companies found that of the 274 survey respondents, 74% identified cutting costs and 68% identified shareholder expectations among the determining factors for their companies' sustainability agendas during the next two years (Ernst and Young & GreenBiz Group, 2011).

Sustainability Reporting Trend

Most companies communicate information about their sustainability efforts to their stakeholders as part of advertisements, product packaging, public relations announcements, and promotions on company websites; some may even publicize them on corporate vehicles. For example, when AT&T started adding alternative-fuel vehicles to its fleet, it also added a "Green Technology" insignia on its vehicles (ATT, 2008).

Traditionally, companies and their financial statement users focused on reporting of financial/economic results; however, during the past few decades, sustainability reporting has become an important aspect of external reporting by many companies. While some companies refer to sustainability reports as corporate social responsibility (CSR), corporate stewardship, or environmental, social, governance (ESG) reports, a recent survey (KPMG, 2013) found that currently, 43% of the largest companies in 41 countries utilized the term "sustainability report."

Studies suggest that increasingly, financial statement preparers and users recognize the value-content and importance of non-financial information. For example, a PricewaterhouseCoopers (2002) survey showed that Chief Financial Officers (CFOs) and managing directors identified non-financial performance measures as more important than financial performance measures in determining long-term creation of investor value. A recent study (Holder-Webb et al., 2009) suggests that non-financial measures provide investors with a better understanding of corporate performance.

Consistent with these findings, reporting of non-financial information relating to organizations' creation of value has increased significantly during the past decade and recent studies suggest that formal sustainability reporting is globally continuing to gain momentum. For example, a study by Ernst & Young and Boston College Center of Corporate Citizenship (2013) revealed that 95% of the global 250 companies and 53% of the S&P 500 companies are currently issuing sustainability reports; in comparison, in 1990, only a few companies issued formal reports (EY & Boston College Center for Corporate Citizenship, 2013).

A recent survey (KPMG, 2013) investigated global reporting practices among the 100 largest companies in 41 countries. The study of the 4,100 largest companies (100 from each of the 41 countries) revealed that in the Americas, 86% of the U.S. based companies, 79% of the Canadian based companies, and 88% of Brazilian based companies reported on sustainability during the 2012/13 reporting period. In Europe, the countries with the highest reporting rates were in the U.K, with 100% of the largest companies reporting; in France, with 94% of the companies reporting; and in Denmark with 91% of the companies reporting on sustainability. In Asia Pacific, the countries with highest reporting rates were in Japan, with 99% of the companies reporting; in China, with 59% of the companies reporting; and in Australia, with 57% of the companies reporting. In the Middle East and Africa, large companies were reporting on sustainability in only three countries; these were, South Africa, with 97% of the companies reporting; Nigeria, with 68% companies reporting; and Israel, with 18% of the companies reporting (KPMG, 2013).

In the U.S. and in many other nations, reporting currently is still voluntary. However, the NASDAQ OMX a global financial exchange company, which includes the NASDAQ U.S. stock exchange, strongly encourages sustainability reporting (NASDAQ OMX, n.d.). Furthermore, the Ceres Institute recently recommended that other major U.S. stock exchanges require that companies disclose information about ten sustainability-related categories; these are governance and ethical oversight, environmental impact, government relations, climate change, diversity, employee relations, human rights, impact of products and services and integrity, supply chain, and community relations (Ceres, 2014).

While largely voluntary, sustainability reporting is motivated at least in part by investor expectations. Investors tend to expect, support, and reward responsible corporate behavior. According to the US SIF (also referred to as the Forum of Sustainable and Responsible Investment), $3 trillion dollars are currently invested in sustainability and corporate responsibility-related funds (US SIF, 2012).

Integrated Reporting

Currently, many companies that formally report on sustainability issue a separate report that is not part of their annual report; this is especially the case for U.S. companies. However, a trend toward integrating annual financial and sustainability reporting has recently emerged. This is referred to as "Integrated Reporting." Some also refer to it as the "Triple Bottom Line," a term which stands for "People, Profit, Planet" and was coined in 1994 by John Elkington, founder of the British consulting firm "SustainAbility (The Economist, 2009).

Among U.S. based companies, integrated reporting is relatively uncommon; a 2013 report by the Investor Responsibility Research Center Institute found that only seven of the S&P 500 companies issued an integrated report (IRRCI, 2013). In some countries, reporting rules and regulations already strongly encourage or even require integrated reporting by listed companies. For instance, companies listed on the Johannesburg Stock Exchange must comply with the South African Code of Corporate Governance (King III), which requires that these companies issue an integrated report (IIRC, 2013). In Denmark, consistent with the Danish Financial Statements Act, large public companies must provide information on their corporate social responsibility-related activities in their annual report (CSRgov, n.d.). Furthermore, Brazil's BM&FBOVESPA exchange adopted a "report-or-explain" approach in 2012 (PwC, 2012), requiring that companies report sustainability-related information in their annual report or explain why they are not reporting. In France, article 225 of a 2010 law referred to as 'Grenelle II' requires that listed companies include sustainability-related information in their annual report, in essence publish an integrated report (PwC, 2012, France). While a few countries require integrated reporting, in the U.S. and in many other nations, sustainability and integrated reporting continues to be voluntary and the nature, extent and quality of reporting varies considerably.

Reporting Standards and Guidelines

The perpetual efforts of the Global Reporting Initiative (GRI) to develop and update their global sustainability reporting guidelines support a continuing global trend toward formal sustainability reporting. Currently, about 63% of the S&P 500 companies that issue formal sustainability reports utilize the guidelines provided by the GRI (E&Y & Boston College, 2013). Recent efforts by the U.S.-based Sustainability Accounting Standards Board (SASB), which is developing industry-specific sustainability reporting standards (SASB, n.d.) may further enhance this formal reporting trend and lead to more comparable reports.

In addition, the International Integrated Reporting Council (IIRC), which was established in 2010 under the Prince of Wales' *Accounting for Sustainability Project* (Accounting for Sustainability, n.d.) continues to support the emerging trend toward integrated reporting and provide the necessary framework for high-quality and comparable reporting. On December 9, 2013, after a global consultation period, the IIRC issued its first framework for integrated reporting (IIRC, 2013). On December 13, 2013, HRH the Prince of Wales' Accounting for Sustainability (A4S) Initiative established a Chief Financial Officer Leadership Network. The purpose of the Network is to share successful strategies and to "focus on the role CFOs play in integrating environmental and social issues into financial decision making." (Accounting for Sustainability, 2013, A4S CFP Leadership).

The IIRC's efforts have gained the support of key organizations. For example, the American Institute of Certified Public Accountants (AICPA) expressly welcomed the issuance of the framework (AICPA, 2013). The AICPA is also a member of the A4S Accounting Bodies Network, which helps promote accounting for sustainability and supports use of integrated reporting (Accounting for Sustainability, n.d., Accounting Bodies Network).

Small and Midsize Companies

While currently, a significant percentage of large U.S.-based and global companies issue formal sustainability reports, small and midsize companies are less likely to formally report on their sustainability efforts. In addition, many small and midsize companies are private entities that are not required to issue annual reports, although many of them choose to issue financial statements for various reason such as to comply with lender requirements. Nevertheless, because of their frequently close relationship with their customers and clients, small and midsize companies may especially benefit from formally reporting of their sustainability efforts. This is particularly true for the increasing number of small and midsize entities that provide sustainability-related goods and services to their clients and customers to support their sustainability efforts.

Benefits of Sustainability and Integrated Reporting

Companies that voluntarily report on their sustainability efforts tend to derive multiple benefits. These include investor and customer goodwill; cost savings; enhanced understanding of the comprehensive impact of the companies' activities on multiple stakeholders; and a better understanding of the interrelationships among various departments, resources, and the external as well as internal environment. Integrating financial and sustainability information may further maximize the long-run benefits. Mervyn King, Chairman of the IIRC, links integrated reporting with 'integrated thinking.' (King, 2013). According to Mr. King, "integrated thinking' deals with value creation short, medium and long term and the integrated report tells the story of this value creation in clear, concise and understandable language" (King, 2013, 5). Thus, companies of all types and sizes may benefit from communicating their sustainability efforts through formal reporting, either in a standalone or in an integrated report.

PURPOSE OF RESEARCH STUDY

Research studies that investigate organizations' formal reporting of sustainability-related activities typically focus on large global companies that issue publicly available formal sustainability reports. Although, many small and midsize companies have implemented extensive sustainability-related projects, little information is known about their sustainability reporting practices.

Yet, small and midsize companies vitally contribute to the economy; enhance and influence the wellbeing of their clients, customers, and community in which they operate; and consume and preserve precious resources. In addition, small and midsize companies tend to have an especially close relationship with their stakeholders. Thus, information about their sustainability-related activities is very important to multiple stakeholders.

The objective of this research study was to determine the methods, nature, and extent of sustainability reporting by small and midsize companies to stakeholders such as investors, customers, employees, and other interested individuals and organizations.

RESEARCH METHODOLOGY

To accomplish the objective of this study and to address the lack of readily available comparable information, internet-based research was utilized. The methodology, including sample section, data collection, and analysis are described below.

Sample Selection

This study focused on highly regarded companies that serve as role models and trend setters within the business community and their industry and are recognized for their strong commitment to socially responsible practices. Specifically, the sample consisted of small and midsize companies recognized by FORTUNE’s annual survey as the “Best companies to work for,” which includes 31 small and 29 medium-size companies for the year 2013 (Fortune, 2013). These companies were selected because companies with a strong commitment to their employees’ wellbeing may also show a strong commitment to other sustainability-related activities. The FORTUNE survey defines small companies as those with less than 2,500 employees and medium-size companies as those that have between 2,500 and 9,999 employees.

Data Collection

Data was collected for each of the sample companies utilizing the following systematic approach: First, company-specific websites were reviewed to determine whether a company issued a formal sustainability or integrated report. The most current available reports were downloaded for detailed review. For most companies, the most current reports were those for the 2012/13 fiscal period. In addition, publicly available annual financial reports or 10-K SEC filings were downloaded. Next, companies’ sustainability-related links or WebPages were reviewed and available information downloaded or printed for further review. In addition, internet-based searches for keywords and variations of keywords, such as “sustainability,” “corporate social responsibility,” “corporate responsibility reporting,” “environment,” “green,” “corporate stewardship,” “community involvement,” ESG (environmental, social, governance),” and other related terms were utilized to collect additional information about companies’ sustainability-related activities.

Data Analysis

The data collected using internet-based research was analyzed in detail. Based on these analyses, the companies were grouped into the following eight reporting categories:

- Companies issuing formal standalone sustainability reports
- Companies issuing integrated reports
- Formally reporting companies that utilized the GRI framework
- Companies issuing annual reports
- Companies disclosing qualitative and quantitative information on their web-sites only
- Companies without significant amount of sustainability disclosures (includes companies that made only selected primarily qualitative disclosures)
- Niche companies (companies that provide goods or services that support their customers’ sustainability efforts) making significant sustainability-related disclosures
- Niche companies without significant sustainability-related disclosures

Based on extensive analysis, the nature, type, and extent of sustainability-related information reported were determined and common reporting trends and related characteristics identified. For companies that issued a formal sustainability report, the reports were analyzed with reference to the specific reporting guidelines utilized.

For GRI-referenced reports, the application level (A, B, or C), the type and number of performance indicators for which information was presented for each major sustainability-related area, as well as the existence and manner of report verification (i.e., GRI verification, external third-party verification, self-reporting) were determined. For formal non-GRI referenced reports, the specific reporting guidelines referenced (if any) were noted and the issues and scope for which quantitative and qualitative information was reported identified. For companies that did not issue formal sustainability reports, their web-site information, annual reports, and news announcements were reviewed to determine the scope and level of detail that was reported. For all companies in the sample, the most frequently reported issues were identifies. The results were evaluated and summarized.

RESULTS

Detailed analysis of the data collected for the sample companies is summarized below.

Reporting Categories

Based on the analysis of the sample companies' most current sustainability reports, corporate websites, annual reports, and general internet-based information, the companies were grouped into eight reporting categories. Since sample companies could be assigned to several groups, the total percentages exceeded 100%. The related results are presented in Table 1 and briefly discussed below.

Table 1
CLASSIFICATION OF COMPANIES BY REPORTING CATEGORY

Reporting Categories	Medium Companies N = 29 Percentage (number)	Small Companies N = 31 Percentage (number)
Issuing formal standalone sustainability report	41 (12)	6 (2)
Issuing integrated report	3 (1)	0 (0)
Formal reporting companies utilizing the GRI guidelines	62* (8)	100* (2)
Issuing annual report	69 (20)	33 (10)
Disclosing significant amount of quantitative and or qualitative information on website only	7 (2)	10 (3)
Without significant sustainability reporting	49 (14)	84 (26)
Niche company with moderate or significant information on own sustainability	10 (3)	3 (1)
Niche company disclosing very little about own sustainability	7 (2)	33 (10)

* Percentage is based on 13 medium-size and two small companies that issued formal sustainability reports.

Based on the eight categories, 41% of the medium-size and six percent of the small companies issued formal standalone sustainability reports. Only three percent of the medium-size companies and none of the small companies issued an integrated report that combined in one report complete financial statements and extensive sustainability-related information. The company that issued an integrated report was NovoNordisk (2013), a Danish-based pharmaceutical company. Integrated reporting is consistent with the Danish Financial Statements Act's requirements for large companies. Some of the companies that issued formal sustainability reports also made a significant amount of information available on their sustainability-related websites.

Sixty-two percent of the medium-size and 100% of the small companies that issued formal sustainability or integrated reports utilized the G3 or G3.1 GRI guidelines. Specifically, seven of the twelve medium-size companies that issued standalone sustainability reports and the one medium-size company that issued an integrated report, as well as both small companies that issued standalone sustainability reports utilized the GRI guidelines. Of those ten companies, four reported consistent with application levels A or A+, three consistent with levels B or B+, and three consistent with levels C or C+. Detailed information about GRI report application levels and scope of reported information is shown in the following section.

Some of the companies that utilized the GRI guidelines also provided disclosures consistent with other guidelines such as ISO Environmental Management Standards, which relate to environmental issues (ISO, n.d.) and the UN Global Compact, which sets guidelines for reporting on ten universally accepted principles relating to human rights, labor, environment, and anti-corruption (UNGC, n.d.).

An additional seven percent of the medium-size and ten percent of the small companies disclosed a considerable amount of selected quantitative and/or qualitative information on their websites only, without providing hard-copy or down-loadable comprehensive reports. Sixty-nine percent of the medium-size and 33% of the small companies issued publicly available annual/10-K reports; many of the small companies were privately held and not required to issue publicly available reports.

Analysis of the companies' annual and 10-K reports showed that while some of them made selected sustainability-related disclosures that related to environmental and social issues the majority did not do so. Moreover, those that made sustainability-related disclosures tended to focus on specific risk factors, such as environmental issues, litigation, and regulatory requirements. An exception was one of the medium-size companies (Roche); its 2012 annual report included more than 30 pages related to responsible business; people; community involvement; and safety, security, health and environment (Roche, 2013).

The majority of the companies made some selected qualitative disclosures on their websites. Such disclosures typically described positive achievements such as donations to community causes, LEEDS certifications, and awards and recognitions. Some companies emphasized their commitment to sustainability, to ethical conduct, conservations, etc. However, 49% of the medium-size and 84% of the small companies did not make significant comprehensive quantitative sustainability disclosures that would facilitate comparability among companies.

Seventeen percent of the medium-size companies and 36% of the small companies provided sustainability-related goods or services to clients. Of those five medium-size and eleven small companies, 60% of the medium-size and only nine percent of the small companies reported a substantial amount of information about their own sustainability-related activities.

Overall, the scope of reported information varied among companies. Some companies provided four-year comparisons, some focused primarily on current year results; and some provided information about long-term sustainability related goals. For example, in addition to providing detailed current year and comparative years' data, one company also provided projected information till the year 2025.

Characteristics of Formally Reporting Companies – Industry

Of the twelve medium-size and two small-size companies that issued formal standalone sustainability reports, six of them (50%) operate in computer-technology related industries – software, hardware, and data storage; two develop and sell toys and games; two manufacture and/or distribute automotives; one provides infra-structure; and one is a pharmaceutical company. In addition, the company that issued an integrated report also is a pharmaceutical company.

Of the two medium-size and three small companies that reported a significant amount of quantitative and qualitative information on their websites only, one provides data storage to clients, one provides lodging, one specializes in department and home searches, and two are in the oil and gas industry.

Commonly Reported Sustainability-Related Issues – GRI Reporting Companies

Based on extensive analysis, the nature, type, and extent of information reported were determined and common reporting trends identified. Overall, companies that issued formal sustainability reports and especially those that applied the GRI framework tended to report information about a broader array of issues and disclosed a greater amount of information than those companies that did not issue formal sustainability reports.

Eight (62%) of the medium-size and both (100%) of the small companies that issued formal sustainability reports utilized the GRI's G3 or G3.1 guidelines. Three application levels are available to choose from – A, B, and C. Application level A requires additional disclosures in all reporting categories and level C requires the least amount of detail. Consistent with the GRI G3 and G3.1 guidelines, the sample companies that utilized the GRI guidelines under either of the three application levels reported information on the following issues:

- Profiles disclosures: (a) strategy and analysis, which consists of statements made by the company's most senior management and includes qualitative disclosures about issues such as key events, failures, and strategic priorities; (b) organizational profile, which includes qualitative information such primary brands, countries of operation, markets served, legal form of organization and quantitative information about the scale of operation in terms of number of employees, net revenue, and number of operations; (c) report perimeters, such as reporting date and cycle, and reporting boundaries. This information is qualitative. Application level B required reporting on all profile disclosures, while level C required reporting on selected disclosures (GRI, FAQs, n.d.).
- Corporate governance, commitments and engagements: includes qualitative information about the organizations governance structure, the basis for identifying stakeholder groups, and materiality; and quantitative information on governance, including personnel information by gender, age, and minority group representation.
- Information about their performance relating to three areas: economic, environmental, and social. In addition, companies that reported consistent with GRI application levels A and B were required to provide information about labor practices and decent work, human rights, society, and product responsibility, which are subcategories of the "social" category. Companies that reported consistent with application level C were required to provide information on a minimum of ten (10) performance indicators, one from each of

the three main categories; application level B required reporting on a minimum of 20 performance indicators; and application level A required reporting on all 63 core performance indicators as well as some sector-specific supplement indicators (GRI, 2011).

Of the eight medium-size companies that reported consistent with the GRI guidelines, three prepared their sustainability reports consistent with application levels A+ or A, which required that they provide information on 63 core performance indicators as well as some sector-specific supplemental indicators, or explained why they were unable to report on a particular indicator. The plus indicates that the reports were externally audited; while its absence means that a company self-assessed the application level. Two of the eight companies prepared their reports consistent with application level B; both of them self-verified. Three of the GRI-consistent reporting companies reported under application levels C or C+. Four of the medium size companies were externally audited.

One of the small-size companies prepared its audited sustainability report consistent with application level A+ and another small company consistent with application level B+. While both companies were classified as "small" in the FORTUNE's "Best Companies to Work For" ratings, they were subsidiaries of or associated with larger global organizations.

Since GRI guidelines for application levels B and C currently provide a considerable degree of flexibility, among sample companies, the number and types of performance indicators for which the companies provide full or partial information varied considerably even within specific application levels. For instance, while application level B requires reporting of at least 20 performance indicators, two of the B-level reporting companies reported on a total of 45 (eight economic, 15 environmental, ten labor practices, three society, and nine product responsibility related) and 28 (two economic, thirteen environmental, seven labor, three human rights, one society, and two product responsibility related), respectively.

Similarly, application level C companies reported information about more than the minimum required ten performance indicators. For example, one of the medium-size companies reported information about 32 performance indicators related to the following categories – two economic, 13 environmental, six labor practices and decent work, five social performance, two customer privacy, and four philanthropy and community engagement. Another C level company reported information about 28 performance indicators – four related to economic performance, 15 environmental, and nine labor practices related. Another C level reporting company provides information on 23 environmental performance indicators in its citizenship report; in addition, the company provided information on nine economic, three human rights, four social, and two product related performance indicators; however, some of the information what reported outside the citizenship (sustainability) report with the location indicated in the company's GRI index.

Commonly Reported Economic Indicators

Commonly reported economic performance indicators presented in the sample companies' GRI-based reports included the following sustainability-related issues:

- Direct economic value generated and distributed (e.g., revenues, operating costs, employee compensation, donations and other community investments)
- Employee coverage under defined benefit pension plans
- Financial implications, risks and opportunities for the company's activities due to climate change
- Policies, practices and proportion of spending related to local suppliers

All of the companies that prepared formal sustainability reports utilizing the GRI framework reported their direct economic value generated; although, some of the companies referred to annual reports for the location of the information.

Commonly Reported Environmental Indicators

Commonly reported environmental performance indicators presented in GRI-based reports included the following sustainability-related issues:

- Materials related: percentage of materials used that are recycled
- Energy related: direct energy consumption; energy saved through efficiency, renewable energy, and other initiatives
- Water related: consumption; percentage of water recycled and reused
- Emissions related: direct and indirect greenhouse emissions; initiatives to reduce greenhouse emissions
- Waste and recycling-related information: total waste by type, disposal methods, significant spills
- Product and services related: initiatives to reduce impact of products and services
- Compliance with environmental regulations and fines related to environmental issues

All companies that utilized the GRI framework consistent with any of the three application levels reported information about their direct energy consumption, energy saved due to conservation and efficiency, total direct and indirect greenhouse gas emissions by weight; and total weight of waste by type and disposal method.

Commonly Reported Social - Labor Practice Indicators

Social performance indicators consisted of four sub-categories – labor-related, human rights, society, and product responsibility. While some of the companies did not report on labor indictors, most of them did. Commonly reported labor practice related performance indicators included:

- Total work force by employment type, employee contract, and region
- Employee turn-over by age, gender and region
- Benefits provided to full-time employees
- Percentage covered by bargaining agreement
- Training by gender and employee category
- Life-long learning programs
- Occupational related injury rates, fatalities, and absentees

Even though C level reporting companies are not required to report their performance on labor practices, two of the companies chose to report on various labor-related performance indicators. Both companies reported information about their total workforce by employment type, employment contract, region, and gender; new hires and employee turnover by age, gender and region; benefits provided to part and full time employees; injury rates, occupational related deceases, fatalities, and absentees by gender and region; and programs for skills management and lifelong learning.

Commonly Reported Social - Society Indicators

Commonly reported society-related indicators addressed issues related to companies' and employees' community engagement; humanitarian efforts; and anti-corruption policies, legal actions, and compliance with policies.

Commonly Reported Social -- Product Responsibility Including Privacy

The companies that reported consistent with application level A were required to report information related to nine (9) aspects of product responsibility. In addition, some of the B-level reporting companies also provided information on product responsibility. For example, one of the B-level companies reported on all nine indicators and another reported on two indicators; in addition, two of the C application level reporting companies reported on two product responsibility indicators. The two most frequently reported indicators related to product life cycle as related to health and safety, customer satisfaction, and customer complaints with respect to data security and information privacy; and monetary value of fines related to non-compliance with laws and regulations.

Information Commonly Reported by Companies Issuing Non-GRI Sustainability Reports

Five of the medium-size companies that issued formal sustainability reports did not utilize the GRI framework. The scope, nature and type of information reported by those companies varied significantly. Some of their reports were quite detailed, addressing environmental, social, and governance issues; and included current year as well as comparative year information regarding issues such as energy saved through use of energy efficient equipment, reduction in water use, reduction in CO_2 emissions, the results of recycling efforts, donations to specific not-for-profit organizations, and the composition of personnel. Some of the reports provided a significant amount of quantitative information focusing primarily on specific areas, such as environmental issues or community and employee wellbeing; others were primarily qualitative and descriptive in nature and tended to focus on areas that the company excelled at.

Non-GRI companies consistently reported information about:

- Employee-related issues and benefits and wellness programs
- Corporate awards and distinctions
- Community engagement and donations
- Their commitment to reducing greenhouse gas emissions; related programs and initiatives
- Water usage and management
- Corporate governance
- Ethical principles

Some of this information tended to be reported outside the sustainability report. In addition, some of the reports referred to the Dow Jones Sustainability Index and the Carbon Disclosure Project. While the nature, type and extent of information provided in Non-GRI referenced reports varied considerably, some of the companies provided a wealth of information about issues that frequently are reported under the GRI guidelines. However, more variability existed among the reports and in some cases companies issued reports at varying intervals. For example, one of the companies issued a detailed sustainability 80+ page report in 2010 followed by its most current report consisting of a 25-page update in 2011. The company provided four-year comparative information that addresses issues such as its economic performance; product related performance, such as number of violations, factory seal, and sourcing; environment, such as greenhouse gas emission, energy consumption, CO_2 emissions, water consumption, and waste; employee-related performance, such as diversity, ethnicity and minorities, training, unionization; community-related performance, such as financial support, donations, employee volunteer hours; and awards and recognition.

Another company issued a 16-page report focuses on greenhouse gas emissions, green reduction, electricity use, water use, waste, supply chain, employee engagement; products; and sustainability reporting. Another entity issues a report exceeding 40 pages report that focuses on carbon foot print, environmental initiatives, and security and privacy.

Information Commonly Reported by Companies without Formal Sustainability Reports

The scope, nature and type of information reported by companies that did not issue formal sustainability reports and instead reported information only on their company website varied significantly. While a few companies disclosed significant qualitative information especially on CO_2 emissions and water usage, most companies tended to provide primarily descriptive qualitative information. Reported information tended to be on selected areas and selected aspects within those areas. Overall, companies tended to focus heavily on their positive achievements related to selected sustainability-related issues.

Commonly reported information disclosed by those companies related to:

- Community involvement and philanthropic activities, both with respect to the company and its employees; public health and education.
- Awards and designations achieved by the company (e.g., LEEDS certification, industry recognition, etc.)
- References to company's code of ethics
- Employee wellness programs
- Climate change, and especially CO_2 emissions information
- Recycling efforts
- Waste management
- Water usage

Some of the companies did not provide quantitative sustainability-related information; a number of them were health-care oriented organizations. While some of these organizations disclosed information about their community involvement including community health education and health screening programs, they generally did not provide information about environmentally-oriented issues such as waste disposal, energy use and conservation.

SUMMARY AND IMPLICATIONS

Sustainability reporting varied significantly among the small and medium-size sample companies. Less than half of the medium-size and only two of the small companies issued formal sustainability or integrated reports; of these, 62% of the medium-size and all of the small companies utilized the GRI framework. With respect to utilization of the GRI framework, the findings of this study are consistent with those of other studies that focus on large companies.

Companies that utilized the GRI reporting guidelines tended to report a greater amount of detailed quantitative information than those companies that did not utilize the global reporting guidelines. Overall, formally reporting companies tended to provide more detailed information than companies that did not issue a formal report. In addition, the use of the GRI framework and the associated GRI indexing system enhanced the comparability among the reports. However, even among GRI-referenced reports, significant variations were noted since companies may choose from among three application levels and, within a particular application level, may choose from among a number of performance indicators.

Companies that disclosed only selected information on their websites and did not issue formal reports tended to focus on specific issues and emphasize positive results; in some cases, reporting appeared to be largely promotional in nature. Furthermore, while 60% of the GRI-referenced reports were audited, non-GRI referenced sustainability information typically was unaudited. Consistent with the spirit of sustainability, several of the formal reports were available solely in a down-loadable format; some were structured as website links.

In addition, a considerable percentage of the companies did not make significant quantitative disclosures about their sustainability-related activities. Some non-GRI reporting companies provide sustainability-related information in various information sources, which may make it more cumbersome for stakeholders seeking comprehensive knowledge. Integrated reporting could help address this issue and benefit not only information users, but also information preparers.

Limitations

The relatively small sample size limits testing for statistically significant variables that may influence sustainability reporting. Furthermore, some of the private companies did not issue annual reports, which limits testing for related financial measures. In addition, the sample selected deals with companies that are highly rated by employees, which may increase the likelihood of companies reporting about their related sustainability efforts. The study should be repeated with a larger sample from a diverse population of companies.

Implications

Because of the variability in reporting, comparability among companies is difficult. Consistent application of a common framework, such as the GRI or the currently being developed SASB standards may greatly enhance comparability and be beneficial to information users. Opportunities exist for companies to further enhance their reporting, for meeting the needs of their stakeholders, and for better understanding their own internal operations and their comprehensive effect on the external environment. Companies that provide sustainability-related goods or services may especially benefit from reporting about their own sustainability-related activities. Furthermore, opportunities may exist for non-reporting companies that voluntary report detailed and comprehensive information about their sustainability-related activities.

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