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GRI and the camouflaging of corporate unsustainability

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Abstract

Sustainable development or sustainability concept has become increasingly relevant in corporate executive's agenda after Brundtland Report was launched in 1987. Social and environmental accounting and reporting plays a relevant role in this context to analyse sustainability performance of the organizations. The Global Reporting Initiative (GRI) sustainability reporting guidelines were developed as a way of helping organizations to report on their environmental, social and economic performance and to increase their accountability. However, evidence from practice seems to show a different reality. Some organizations that label themselves as GRI reporters do not behave in a responsible way concerning sustainability question, like gas emissions, social equity or human rights.

The objective of this paper is to look at the sustainable development approach adopted by the GRI guidelines and its potential impact on corporate reporting and subsequently the business appropriation of the concept. The strong/weak sustainability concept and questions proposed by Gray are used to develop this analysis.

Keywords: Sustainable development; Social and environmental accounting and reporting; Sustainability reporting; Global Reporting Initiative

1. Introduction

Under the traditional businesses approach, ecological and social issues are ignored in management objectives because they are not visible or do not have a significant financial impact. After the Brundtland Report in 1987, sustainable development (SD) was a concept implemented by corporations and business organizations (e.g. CERES). Although some companies are considering embracing SD or sustainability[1] at a strategic level, as they see clear synergies between value

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[1] Sustainability and sustainable development are used interchangeably. Bebbington and Gray (2001) note that sustainability could be considered a state, and SD a process by which human activity moves towards sustainability.

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creation and attempts to contribute to SD, the evidence also points to a different reality where this issue "may be marginalized or moved off to agendas unrelated to the firms' core business" (Dunphy, Griffiths, & Benn, 2003, p. 111).

Social and environmental accounting and reporting (SEAR) has been a relevant subject in the academic literature (Gray, Owen, & Adams, 1996). The Triple Bottom Line notion derived from the definition of the sustainable development in the Brundtland Report, has added economic development to SEAR (Elkington, 1999). Under this approach, known as Triple Bottom Line Reporting, the Global Reporting Initiative (GRI) sustainability reporting guidelines were first developed with the aim of assisting "reporting organisations and their stakeholders in articulating and understanding contributions of the reporting organisation to sustainable development" (GRI, 2002, introduction).

Preliminary evidence from practice seems to show that these guidelines are used in a biased way. Some organizations that label themselves as GRI reporters do not behave in a responsible way with respect to social equity (for example, health care companies in South Africa) or human rights (for example, some oil companies in developing countries).[2]

The evidence could be explained as a wrong interpretation (conscious or unconscious) of the concept of SD, or it could be argued that something is failing when transmitting the idea of sustainability from the guidelines. The concept of SD is reduced to simply giving basic information on the indicators that comprise the Triple Bottom Line (TBL), which unfailingly leads to a gap between corporate performance and corporate impacts. Thus, GRI guidelines could be considered as an administrative reform that it is insufficient to enable new accountability relationships (Larrinaga, Moneva, Llena, Carrasco, & Correa, 2002; Owen, Gray, & Bebbington, 1997).

The aim of this paper is to look at sustainability within the GRI guidelines and try to find out what is missing (if anything) in the GRI guidelines and consequently, what conception of SD is being constructed and diffused. The first guidelines were published in June 2000 as a pilot document for very few companies. After their analysis and a multi-stakeholder process, a second version was presented at the Johannesburg Summit (August 2002). Many things have changed between the first version of the guidelines and the second—the number of environmental, social and economic indicators, the conceptualization of these indicators and the consideration of integrative indicators. The evolution of the guidelines suggests a concept of SD which appears to fail in the integration of the three pillars (economic, environmental and social). Furthermore, it requires a reflection on the origins of the concept of SD.[3] By reviewing the origins of the SD concept and contrasting the latest version of the GRI guidelines (2002) some explanations can be found for a better understanding of the concept.

Possible explanations could be tied to the criticism that SD is a vague concept (Atapattu, 2002; Bebbington, 2001) or to the criticism that the conceptions and the use of the concept of SD are environmentally biased (see Bebbington, 2001; Bebbington & Gray, 2000). However, the shift from the original conception within Agenda 21[4] – that set a two-part division between the socio-economic and the biophysical spheres – to the current three pillars of sustainable development could provide an explanation of what is going on. This shift as Upton (2002) remarks, can lead

[2] See Manheim (2004), Edwards and Gaventa (2001) and Mobiot (1999).

[3] At present, GRI is developing the third generation of the guidelines (G3) and the first draft which will be released in mid-2006. One of the main G3 goals is to increase and progress the robustness of the GRI reporting framework.

[4] The Agenda 21 is the major action plan endorsed by the Rio Summit 1992. It has been widely taken as a mechanism for the implementation of sustainable development and the integration of economic growth with environmental responsibility.

to a world where everything is tradable and emptying SD of content by seeking to extend it to everything.

In such a disconcerting state of affairs, the concepts of *weak* and *strong* sustainability (Bebbington, 2001; Bebbington & Thomson, 1996) suggest essential elements to assess the organizational behaviour and progress towards sustainability. Additionally, these concepts can fit for the practical purpose of making an appraisal of the conceptual position adopted – or elaborated along with the ongoing process of development – by the GRI guidelines concerning SD/sustainability. This article extends prior research, particularly, in two significant ways. First, revisiting the main topics of controversy around SD to get a better understanding of the concept of SD handled in the GRI guidelines. Second, providing some arguments to discuss and interpret the current immobilization related to the integration of the three pillars of sustainability, using the theoretical distinction between administrative and institutional reforms.

We proceed as follows. The next section illustrates the controversy around the concept of SD and explores the role that financial accounting can/cannot play in the building process of SD, scrutinizing the contribution of social and environmental reporting for this purpose. The third section addresses the particular case of corporate social reporting (CSR) and the TBL approach adopted in the GRI guidelines. The fourth section assesses the concept of SD/sustainability handled in the GRI guidelines, analysing the conceptual framework of the guidelines and the performance indicators. Finally, we discuss and draw conclusions on the concept of SD/sustainability constructed and developed by the GRI. For illustrative purposes, the paper extracts information from some GRI reporters.

2. Sustainable development and corporate reporting

Recent years have been witness to the coming to prominence of expressions such as sustainability or sustainable development, which have become important issues within the political and organizational agenda. Undoubtedly, the publication of the Brundtland Report in 1987 and the subsequent Summits of Rio and Johannesburg supported by the United Nations have helped to bring about the development of a shared consciousness about the need to reflect deeply on the ways society can contribute to social welfare without threatening survival of the earth. It is possible to find many definitions of SD in the academic literature and in institutional documents, but the most widely accepted is that proposed in the Brundtland Report: "Development that meets the needs of the present without compromising the ability of future generations to meet their own needs".

However, as Eden (2000, p. 111) indicates, the only thing about sustainability that academics seem to agree upon is that there is no clear meaning or definition and this is part of the problem and part of the attraction for policy-makers and lobbying groups (Springett, 2003): sustainability can be made to mean what one would like it to mean.

For example, the Novo Nordisk Annual Report states that SD "is about preserving the planet while improving the quality of life for its current and future inhabitants" (Annual Report 2004).

A different approach to the concept is pointed out by the oil company Shell: "Contributing to sustainable development for us means, above all, helping to meet the global energy challenge by responding to society's rapidly-growing need for energy and petrochemicals in environmentally and socially responsible ways" (Shell Report 2004).

Finally, the letter of the CEO of the BBVA bank declares: "A policy focused on contributing to the development of those societies in which BBVA is present and which to a large degree responds to ethical criteria of a general nature, (. . .) it also constitutes a medium to long-term approach to

the reinforcement of the Group's financial robustness. It is a strategic investment that generates reciprocal value: for society and for the company" (BBVA Social report 2004).

Thus, around the SD concept some controversies have emerged: the apparent contradiction between sustainable and development (Dias De Avila-Pires, Mior, Porto Aguiar, & De Mello Schlemper, 2000; Meadowcroft, 1997), the possible environmentally biased approach (Springett, 2003) and the non-integrated TBL approach (Elkington, 1999). For all these reasons, when tackling in any study about SD/sustainability, it is necessary to adopt a clear attitude on the following questions (Gray, Bebbington, & Walters, 1993):

- Sustainability for what?
- Sustainability for whom?
- Sustainability in what way?
- Sustainability for how long?
- Sustainability at what level of resolution?

After discussing evidences of appropriation and simplification reflected in the GRI guidelines, in part four of the paper we summarize the position adopted by present approach made by GRI with respect to these questions.

2.1. The concepts of strong and weak sustainability

As the Brundtland Report points out, SD is not a state of fixed harmony, but a process of change whereby the exploitation of resources, the direction of investment and changes to institutions correspond to the needs of both the present and the future. This flexible approach suggests a conception of SD as a continuum of possible meanings going from the "weak" position to the "strong" position (Bailey & Clarke, 1998; Bebbington, 2001; Bebbington & Thomson, 1996). As Bebbington states:

> The "weak" sustainability position does not question the present mode of economic development and views SD as being compatible with some modified version of "business as usual". In contrast, the "strong" sustainability position throws this assumption into doubt and seeks to redefine the ends which human population (especially in the West) should seek. In particular, there is the suggestion that, once basic needs are meet, increased material consumption may not constitute "development" (Bebbington, 2001, p. 139).

Bebbington (2001) proposes a guide that offers standards and criteria to outline – for a definite set of key aspects – the positions of this continuum of sustainability. These criteria do not dictate predetermined judgements, but provide us with arguments for this emerging debate in which business, institutions and society are involved. The debate is affected and conditioned "by a wide array of factors including education, culture, values, attitudes and ethics" (Bebbington & Thomson, 1996, p. 14). The key questions, which frame the sustainability debate, are the following:

a. Focus of the pursuit of sustainability and the impetus for change.
b. View of nature–human interaction.
c. What do we wish to sustain?
d. The gap between the present and a sustainable future.
e. Extent of change required.

f. Nature of the process of getting to a sustainable path.
g. Relevance of eco-justice concerns. Who is to be sustained?
h. Sustainable in what way?

In spite of the fact that this wide-scale approach is grounded in subjective perceptions, it has been designed to offer an inclusive map so that business and society can define and design improvement strategies based on sustainable practices. The questions listed above can be used as a guideline for companies, institutions, consumers, lobbies, etc. to rethink and reflect on the contribution they can make to sustainability. These key questions have been taken into account in this research to assess the contribution of the GRI methodology to SD.

2.2. *Sustainable development, accounting and reporting*

As SD implications have embedded themselves in the research agenda during recent decades, accounting literature has responded by generating a notable number of publications that tackle this phenomenon from a wide variety of approaches (Lehman, 2002). This concern within the accounting arena is the corporate response to the challenge that companies affected by pragmatic implications of SD are facing (GRI, 2002), the substantial increase in regulation in this field (Buhr, 1998; Deegan & Rankin, 1997), and the pressures exerted by different constituencies such as employees, consumers, NGOs and other stakeholders (Tilt, 1994).

Accounting has been traditionally considered as a tool for the identification, measurement and communication of economic information (IASB, 1988). However, the implementation of social and environmental factors – additionally to the strictly financial ones – in the course of the economic activity of the enterprise broaden the scope of accounting as well as the field of action for the stakeholders (Gray et al., 1996). The concept of shareholder has been replaced by the concept of stakeholder, which is broader than the former and involves specific interests.

Accounting for social and environmental factors is revealed as a tool that permits evaluation of how accounting faces the challenge emerging from the SD agenda. The research works on SD carried out in the accounting arena explore the possibilities of the discipline based on the ability of accounting practices to provoke definite changes in organizations towards more sustainable patterns (Larrinaga & Bebbington, 2001; Larrinaga, Carrasco, Caro, Correa, & Páez, 2001; Owen et al., 1997). Links between SD and accounting were explored in the corporate social reporting framework (Adams, Hill, & Roberts, 1995; Deegan & Gordon, 1996; Gray, Javad, Power, & Sinclair, 2001; Gray, Owen, & Maunders, 1988; Guthrie & Parker, 1990).

Corporate social reporting is "an attempt to provide additional accounts which will capture some of the externalities and, by doing so, to encourage behaviour which will ameliorate the consequences of western economic life" (Gray et al., 1996, p. 2). The essence of CSR can be found in the nature of the social contract established between society and its members (Gray et al., 1988; Shocker & Sethy, 1973). As a consequence of the contract, the information flows between society and its members respond to legal reasons, to ethical determining factors, values hierarchy or societal principles. Whereas information flows generated as a consequence of legal rights are easily identifiable, information flows linked to "philosophical rights" – constantly changing and evolving according to the own development of the society – are not. It is in this context, where the meaning of the term "accountability" can be better understood. *Accountability* can be defined as "the right to receive information and the duty to supply it" (Gray, 1992, p. 413).

Thus, accountability involves the responsibility to undertake certain actions and the responsibility to provide an account of those actions. The core of accounting for social and environmental factors—which involves the communication of information concerning the impact of an entity and its activities on society (Boyce, 2000; Gray et al., 1996) lies in this broad conception of accounting.

However, it is necessary to point out the existence of confronted opinions by assessing the possibilities of CSR. As opposed to those who show up the power of information disclosure policies (Arnold & Hamond, 1994; Elkington, 1994; Gray, 1992), there are those who build up arguments totally contrary emphasizing the weakness of the reforms proposed by the current social and environmental accounting pattern, grounded on solutions involved in a system which is the cause of the deep environmental crisis and where accounting has often "contributed to perpetuate social inequality and exploitation" (Everett & Neu, 2000, p. 5). The contributions supporting this argument maintain that SEAR can be used for opposite purposes to those it was conceived for, becoming an element legitimizing the status-quo[5] and acting as a barrier to change. SEAR is built up from a definite point of view and represents an element justifying the position of the company within this conflict. Without deep institutional changes conferring relevance to these new accounting practices, the struggle will be in vain (Power, 1992).

The role of CSR is a controversial matter which neither solves (nor to attempt to solves) all the issues concerning SD. Although both CSR and accounting for SD hold elements in common (social and environmental impacts of corporate activity), they are spheres with their own identity (Bebbington, 2001). CSR is restricted to accounting for events, and moreover, SD requires to "rethink how society organises and conducts itself" (Bebbington, 2001, p. 144). Thus, CSR is focused on a closed entity whereas SD attempts to range over the whole society without targeting a specific organization. In the final analysis, CSR fits better with the notion of *accountability* defined above, has a more reduced scope – acting inside the organization – and does not involve value judgements whereas SD involves value judgements concerning the world as it is and as it should be.

2.3. Global Reporting Initiative and Triple Bottom Line reporting

The GRI is the most relevant institution in the sustainability reporting context. Nowadays, more than 700 reporters from 43 countries are publishing a sustainability report based on GRI sustainability guidelines.[6]

The GRI is the result of a project of the Coalition for Environmentally Responsible Economies with the United Nations Environmental Program which published the first sustainability reporting guidelines in June 2000. Immediately afterwards, the GRI created the Measurement and the Revision Working Groups to assist in revising these guidelines. This revision process had three basic aims: to broaden the stakeholder base of the guidelines, to improve the sustainability reporting and to advance its usefulness and credibility.

A second version of the guidelines was published in August 2002 at the beginning of the Johannesburg Summit. The main objective pursued by this new version of the guidelines is "to assist reporting organizations and their stakeholders in articulating and understanding contributions of the reporting organizations to sustainable development" (GRI, 2002, p. 1).

[5] Simply providing additional information to *stakeholders* without inquiring in a critical way into business impacts to the environment (Lehman, 1999, p. 218).

[6] These data were extracted from the GRI web page in August 2005 (www.globalreporting.org).

The first problem observed is the lack of an explicit definition or reference to a definition of SD. Although the guidelines contain a glossary that includes a lot of words and expressions, there is no interpretation of sustainable development or sustainability.[7]

An indirect reference and interpretation can be found in the Introduction of the Guidelines (p. 2) when making a description of the trends, which is a measurement of progress toward sustainable development. The guidelines accept that "sustainable development has become widely adopted as a foundation of public policy and organizational strategy". Thus, the GRI has taken a new turn into the strategic behaviour of the organizations, considering information on sustainability as an element for measurement, equal to financial reporting for economic–financial resources.

Further on, the guidelines make more explicit its sustainability interpretation – a TBL approach – when indicating that:

> The GRI *Guidelines* organise "sustainability reporting" in terms of economic, environmental, and social performance (also known as the "triple bottom line"). This structure has been chosen because it reflects what is currently the most widely accepted approach to defining sustainability (Part A: Using the Guidelines, p. 9).

Evidently, as expressly recognised in the document itself, this definition offers important shortcomings because the subject is very complex and its arrangement into three dimensions can be considered as excessively simplified. In this sense, some aspects have to be taken into account:

a) According to the guide for TBL reporting published by the Association of Australia's Senior Finance Executives from the Nation's Business Enterprises, TBL reporting refers to the publication of economic, environmental and social information in an integrated manner that reflects the activities and outcomes across these three dimensions of company's performance (GROUP100, 2003, p. 14). However, this integration is absent in business practice as well as in most guidelines GRI developed by business.
b) The concept of TBL does not mean that companies are required to maximize returns across three dimensions of performance, but financial performance is the primary consideration in assessing business success (GROUP100, 2003, p. 14). However, it is necessary to remark that the term "economic" is very often exchanged with "financial". Furthermore, the notion of economics behind SD cannot be diminished to financial growth. The GRI seems to adopt a financial approach when declares that "sustainability reporting may reduce volatility and uncertainty in share price for publicly traded enterprises" (GRI, 2002, p. 4).
c) The TBL structure is not a definitive one, as GRI engages to improve it, according to new consensus about what can better measure the performance of the organization concerning SD. This affirmation could mean that there does not exist an immutable concept of SD, whereas it could represent an important limitation: GRI establishes consensus as the basis for delimiting the concept of SD.

In this context, additional shortcomings to those referred in the guidelines are evidenced. Among them, it can be pointed out that, as the GRI success is measured according to the number of reporting organizations following the guidelines, business pressures will represent a key aspect for the consensus about the meaning of SD (Newton, 2004; Springett, 2003).

[7] Preliminary GRI guidelines versions and drafts did not include a definition of sustainability, given that it would differ for each industry, each company or each section.

3. GRI sustainability reporting framework

Part B "Reporting Principles" of the guidelines is devoted to the "principles and practices that promote rigorous reporting and underlie" their application. Report content is tackled in Part C and it is divided into five sections: vision and strategy, profile, governance structure and management systems, GRI content index and performance indicators. The last section is the main contribution of GRI in the sense that it represents the basis for the conception of sustainability grounded on the TBL. Part B of the guidelines and the performance indicators section are analysed subsequently with the purpose of exploring the potential that the guidelines have to shape sustainable organizations.

The starting point of the sustainability reporting model proposed by GRI is the conceptual framework of the guidelines. Between the first version of the guidelines published in 2000 and the version published in 2002 some relevant differences can be appreciated. The new version of the guidelines moved away from the traditional financial accounting scheme supported by the FEE (2000) and based on the IASB conceptual framework for financial reporting (see Fig. 1).

The new scheme (see Fig. 2) establishes a set of principles "essential to producing a balanced and reasonable report on an organization's economic, environmental, and social performance" (GRI, 2002, Part B: Reporting Principles). This set was supported by the AA1000 Standard of the Institute of Social and Ethical Accountability (ISEA) which is strongly biased towards organizational interests (Owen, Swift, Humphrey, & Bowerman, 2000).

Reporting Principles also pursue to promote temporal comparisons and comparisons among different organizations and to grant credibility to stakeholder dialogue. Three principles are the basis of the new reporting framework: transparency, inclusiveness and auditability. The first two represent a starting point for the reporting process, and the transparency principle is the masterpiece of accountability: "We need to be transparent both to earn society's trust and improve how we do our business" (About Shell). The *principle of inclusiveness* places the stakeholder engagement

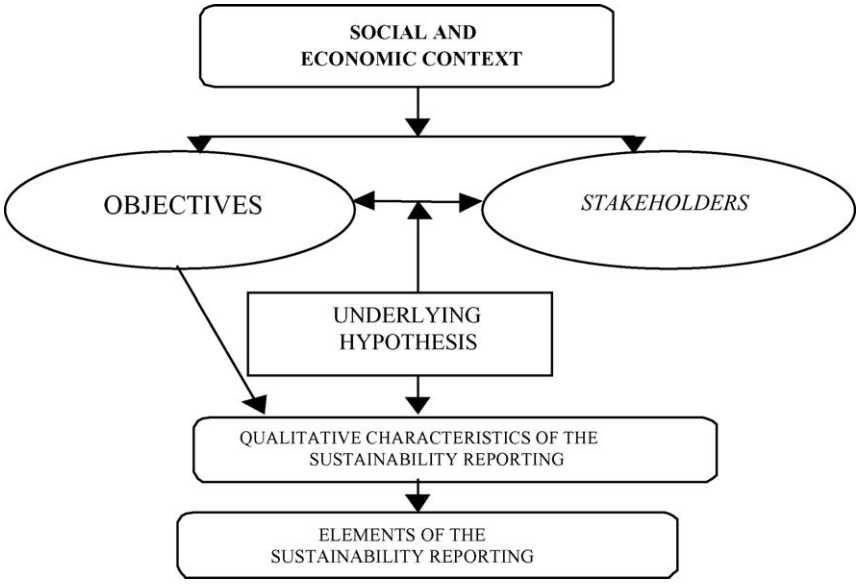

Fig. 1. Conceptual framework for environmental reporting.

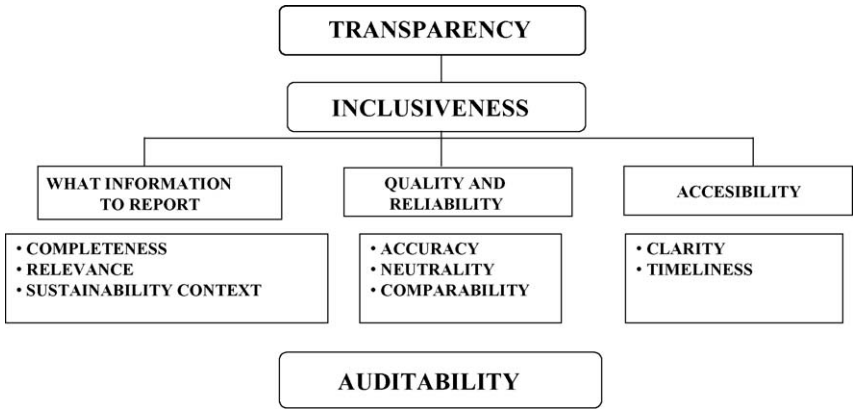

Fig. 2. GRI Reporting Principles.

as the key for a high quality sustainability report. In practice, it is very difficult to define for many reporting companies that have a wide range of potential stakeholders. As a consequence of that, company approaches to stakeholder dialogue are very different: BBVA focus its efforts on four stakeholders – shareholders (and investors), customers, employees and suppliers – but at present there are no detailed data about this process. On a different basis, Shell uses stakeholder dialogue to identify *the issues and the impacts that most affect business performance*. This process is more developed in Novo Nordisk, where its Annual Report is "primarily prepared for shareholders (. . .), is also read by current and prospective employees, business partners, NGOs and other stakeholders affected by our operations—a diverse audience with quite different information needs. The report covers the material issues identified during our engagements with stakeholders and research activities" (Annual Report 2004).

The third basic principle is *auditability*, which is based on the traditional accounting principle of verifiability. GRI recognises the need to develop external assurance as a way to increase the credibility of sustainability reports (GRI, 2002, Annex 4). Some standards/guidelines have been developed, however AA1000 Assurance Standard (Accountability) is the most widely accepted.[8] This standard is focused on data quality, avoiding the evaluation of the company's sustainability.

These three basic principles are accompanied by eight complementary principles organized into three categories: what information to report, quality and reliability and the accessibility of reported information. The main reference to sustainable development can be found in the sustainability context principle included in the "*what information to report*" *category*. This principle suggests that the organization "should seek to place its performance in the larger context of ecological, social, or other limits or constraints, where such context adds significant meaning to the reported information". Interpretations of this principle are usually related to the company's interests:

> "Environmental data cover the significant environmental impact of the organisation's activities at our production sites. Social data cover all employees. Economic data cover the Novo Nordisk Group. Engagements in joint ventures and contract licensees are not included in the report scope" (2004 Novo-Nordisk Annual Report, Scope of the report).

[8] Auditors prefer a general standard, like ISAE 3000 (FEE, 2004), and some national institutes have developed standards for external assurance (e.g. Netherlands and Germany).

> "The entities we include when reporting our performance vary between the different sections of The Shell Report" (2004 Shell report, Basis of reporting).

The elaboration of specified guidelines defining the reporting entity boundaries is a complex challenge and has become an absolute necessity. To define these boundaries, the GRI is developing a concept of operational dimension as well as the temporal dimension concept, regarding the reporting organization's stakeholders, in order to account for direct and indirect economic, environmental and social impacts of the reporting entity.[9] In that way, limiting information only to some part of the activity or the scope of the organizational activity implies hiding the real unsustainability of the organization (Bebbington, 2001).

The relation between the organization and its macro-level context is essential but, as the judges of the European Sustainability Reporting Awards (ESRA) suggested, it is a hardly analysed issue:

> "Companies that impact on stakeholders in developing countries should widen the scope of their report and include more information on their view of corporate social responsibility in these areas and the way they contribute to stakeholders in these developing countries (ESRA, Report of the judges, 2003).

Except for this principle, the remaining ones represent a mere interpretation of traditional financial accounting principles. The structure of the principles established in the 2002 guidelines has meant a mere reorganization of the pre-existing principles, maintaining most of the deficiencies of accounting principles within the SD framework. Thus, the completeness principle has provoked problems of information overload, because it is very difficult to identify the key issues (ESRA, Report of the Judges, 2003).

4. Sustainable development and performance indicators in the GRI guidelines

The informal application of the guidelines proposed (p. 14), which allows an incremental implementation of the guidelines (see Annex 3 of the guidelines), indicates a weak approach to sustainability. Incremental implementation of the guidelines means that a company can focus on one of the dimensions of sustainability, either the social or the environmental.[10] It also means that organizations can make "cherry-picking" with the data, and it can lead organizations to focus on those activities which provide better reputation to organizations (Bebbington, Larrinaga, & Moneva, 2004).

A usual way to define SD is how it is measured (Kates, Parris, & Leiserowitz, 2005), that is why the section devoted to performance indicators is the main point of interest for reporters. There is trend by organization to reproduce many of these indicators, because this situation is considered almost the most relevant requirement demanded by GRI to set up the "in accordance" reporters.

4.1. Analysis of the GRI performance indicators

The performance indicators section represents the TBL approach of the GRI, proposing three clusters—economic, environmental and social indicators. The unbalance between these three

[9] GRI Boundary Protocol, January 2005 (under Technical Advisory Committee consideration).

[10] "In sustainability reports, the environmental dimension tends to be the strongest and the economic dimension the weakest" (ESRA, Report of the judges, 2003).

Table 1
Performance indicators

Performance indicators (number)	Core indicators	Additional indicators	Total
Economic	10	3	13
Environmental	16	19	35
Social	24	25	49
Total	50	47	97

Table 2
Roles of accounting in the pursuit of sustainability

Improvement within current economic orthodoxy (reducing unsustainability/weak sustainability)	
Eco-efficiency issues	Eco-justice issues
- EMAS accounting	- Employee and employment reporting, information for collective bargaining
- Reworking investment appraisal methods	- Value-added statements
- Contingent liabilities, asset revaluations and other FR issues	- Bilan Social
- Tellus Institute methodology	- Community reporting
- Basic environmental reporting	- Stakeholder analysis
Recognition of the demands of sustainability (strong sustainability)	
Eco-efficiency issues	Eco-justice issues
- Sustainable cost calculation and reporting	- Full social reporting and social bookkeeping systems
- Full cost accounting	- External social audits
- Advanced environmental and sustainability reporting (including Life Cycle Assessment and okobilanz)—accountability and transparency	- Transparency on transfer pricing and resource acquisition issues

Source: Bebbington (2001).

dimensions underlying the approach to sustainability of the GRI guidelines is not only evidenced by the argument above but is also shown by the number of indicators included in the guidelines. In this sense, it can be observed a socially biased reporting given that more than 50% of the indicators are included in this category as it is illustrated in Table 1.[11]

Following the categories introduced by Bebbington (2001), Table 2, where "the eco-efficiency and eco-justice split is combined with the 'strong' and 'weak' continuum of Sustainable Development", we proceed to make an assessment of some crucial aspects of the performance indicators.

4.1.1. Integrated indicators

An inevitable criticism about the approach adopted by the GRI guidelines is the absence of proposals for integrated indicators,[12] which try to be justified by arguing the singularity of each organization. If we focus on the general assumption of sustainability proposed by the

[11] Initially, the GRI was seen as a relevant contributor to the change from environmental reports to sustainability reports (Sustainability and UNEP, 2000).

[12] Two types of integrated indicators are distinguished: the *systemic indicators*, those which "relate the activity of an organization to the larger economic, environmental and social systems of which it is part", and cross-cutting indicators, those that "relate two or more dimensions of economic, environmental, and social performance as a ratio" (GRI, 2002, p. 45).

GRI, a holistic and balanced view of the three dimensions is considered essential. The easiest way to reach it is to introduce indicators linking two pillars – cross-cutting indicators – such as eco-efficiency indicators (economic and environment relationship) and eco-justice indicators (social and environment relationship). In the absence of the later ones, companies will tend to provide those which are more controllable, the eco-efficiency ones (Bebbington, 2001).

Special attention has to be given to the absence of systemic indicators, which are linked to the concept of eco-effectiveness (Bebbington, 2001) and that they define the strong sustainability approach.

4.1.2. Economic pillar

Stormer (2003) indicates that although the mandate for business has dramatically changed, the conceptualization of business as more than a profit-maximizing system has not permeated the business system itself and activities performed by corporate culture continue to be justified in terms of neoclassical economic theory. Thus, the implementation of non-economic factors is viable only if it is considered economically by organizations.

When referring to the economic information, GROUP100's report (2003) points out that it goes beyond the traditional measures contained within the statutory financial reporting that is directed primarily towards shareholders and management. Economic information is provided to illustrate the economic relationships and impacts – direct and indirect – that the company has with its stakeholders and the communities in which it operates.

Economic indicators proposed by the GRI are based on the value added statement scheme. That is, they are focused "on the manner in which an organization affects the stakeholders with whom it has direct and indirect economic interactions" (GRI, 2002, p. 46). According to the contents and descriptions in the table above, this approach can be located within the eco-justice issues of the weak sustainability. Nevertheless, the shift between the 2000 version and the 2002 version of the guidelines has to be highlighted as only traditional financial indicators were used in the former. The GRI has not included full cost accounting models which could be more useful from the sustainability point of view and could offer a more integrated view (Bebbington, Gray, Hibbitt, & Kirk, 2001).

4.1.3. Environmental pillar

Environmental indicators are very influenced by the management system models (EMAS, ISO 14000, . . .) and exclude strong sustainable information like full cost accounting or other types of reporting relevant for the environment. The GRI scheme is based on consumption efficiency (materials, energy and water), influence on biodiversity and impact minimization (emissions, wastes and effluents, products and services). It has to be pointed out that there is no core indicator for suppliers, ruling out the possibility for Life Cycle Analysis, which undoubtedly provides a better measure of the compromise of the reporting organization to SD.

4.1.4. Social pillar

Finally, social indicators are categorised into different blocks with a weak relationship between them and with an over-presence of 'labour practices' (11 core indicators out of 17) and 'human rights' (7 core indicators out of 14). The other two remaining categories are society (3 core indicators out of 7) and product stewardship (3 core indicators out of 11). However, the aim of these indicators is closer to the weak sustainability approach proposed by Bebbington as no relevant issues like social audits are included.

Table 3
Contrasting the original meaning of SD to the GRI conception of SD

Original meaning of SD	Evidence of SD's appropriation and simplification
• Social welfare as the way forward • Integrated vision of economic development, environmental protection and social development	• Three pillars of SD (and a set of hidden integrated indicators) • Different options available for TBL reporting • Reporting progression: from brochures to the integration of economic, environmental and social performance information into a single report • Number of reporters vs. quality of disclosed information • Lack of definition of boundaries entity • No external verification

4.2. The SD concept and the GRI approach

In practice, the process has been inversely developed in the sense that too much effort has been concentrated on the development of a group of measures but not on other aspects like the awareness of the relevance of SD and sustainability or the understanding of key stakeholder requirements and expectations.

In general, the GRI guidelines allow a greater visibility of the company to be obtained (Bowen, 2000), essentially are used as a mere window-dressing (Kolk, 2003) as well as a control of the social and environmental issues so far as internal sphere is concerned (Hedberg & von Malmorg, 2003). However, this fact does not mean a reliable approximation to the concept of SD. Lamming, Faruk, and Cousins (1999) state that confusions surrounding scope, scale and time horizons have led to uncertainty and slow progress in applying sustainability principles.

One of the main criticism we can direct at the interpretation that the GRI makes of SD within the guidelines is the reductionism of SD to the three pillars and the eradication of an integrated view of SD. The fact of the different options available for TBL reporting – separate environment report, separate social report, separate community report, combined social and environmental report, full TBL report or inclusion of social and environmental information within annual reporting to shareholders – evidences the non-integrated view of the dimensions of sustainability and the appropriation of the concept and simplification carried out.

The table below tries to contrast the main ideas underlying the original concept of SD to the evidence of appropriation and simplification highlighted in the GRI guidelines (Table 3).

Using the questions proposed by Gray et al. (1993) and mentioned above, Table 4 shows the SD definition approach of the GRI guidelines.

Table 4
Definition of SD based on Gray et al. (1993) proposal

Question	GRI approach
Sustainability for what?	• Sustain business activities in better environmental and social context
Sustainability for whom?	• Organizational level
Sustainability in what way?	• TBL non-integrated approach
Sustainability for how long?	• Current reporting year
Sustainability at what level of resolution?	• Need for definition of boundaries • Need for external assurance standards

The concept of SD that underlies under the GRI guidelines presents some shortfalls and weaknesses that contribute to perceive SD in a simple manner limited to a disclosure of a collection of (non-integrated) indicators corresponding to the current year. So, the present approach of the GRI obscure the acquiring of a long-term integrated business view of sustainability. There is a need for change in order to develop an integrated and systemic view of business and the environment.

5. Final comments

Agreeing with Eden (2000), our argument here is that the understanding of the meaning of sustainable development, the three dimensions/pillars of sustainability (TBL) and their interactions has been changing as the concepts have been analysed, reinvented and operationalized for institutional purposes. The process of the development of the GRI guidelines has meant an opportunity for the different lobbies to further their own (environmental) agendas by appropriating these concepts (Larrinaga & Bebbington, 2001; Owen et al., 1997). More and more companies are adopting the GRI methodology to prepare their sustainability reports but, at the same time, the level of compromise with SD assumptions is low. As a consequence, the guidelines developed by the GRI are used as a new tool for legitimising management decisions and actions (Bebbington et al., 2004).

The acceptance of sustainability reports without restrictive conditions such as a clear definition of entity boundaries, the development/requirement of integrated indicators or the attachment of an independent verification statement leads to a relaxation of the basic aim, that is, sustainability. However, some relevant advances with respect to Bebbington's indications (2001) should be highlighted. The current version of the sustainability guidelines has improved the information on the economic aspects of the activity carried out by the reporting organization. The introduction of economic performance indicators based on the value added statement provides a different view of the organization.

In any case, in this globalization century, the difficulties inherent in any supranational regulatory process cannot be overlooked. The instruments developed to specify international actions are not as useful as expected, due to the collision with the sovereign claims of the affected countries which are unwilling to accept interferences from supranational institutions in internal affairs (Redclift, 1996) (see, for example, the implementation difficulties of the measures to reduce greenhouse emissions contained in the Kyoto protocol). However, for effective environmental management to be promoted, powerful international organizations have to be involved and their recommendations and guidelines for action have to be coordinated by a generally accepted authority. The GRI has a great international prestige and its reporting model is being used by a considerable number of companies, many of which have been targeted by the most active and critical NGOs.

It is not enough to provide a corporate social reporting model and trust that companies will by themselves adopt a responsible attitude. This administrative reform will require the monitoring and recording of data that relates to the extent to which an organization is acting (un)sustainably. This data will form the basis of information for both management and the external participants of the organization who should then be in a position to monitor and assess the organization's progress towards sustainability (Gray, 1996). In our opinion, some changes have to be undertaken in addition to the framework.

On one hand, a strong institutional support (reform) to organizations is required in order to avoid biased information and to progressively incorporate stronger sustainable reporting systems,

like full cost accounting, into their management models allowing the inclusion of some of the social and environmental externalities in the price of the products (Bebbington et al., 2001).[13]

Secondly, rules and processes of setting reporting boundaries, including how to disclose them should be defined. In the early years of the reporting, most organizations measured and reported on impacts based on the traditional boundary criteria used in financial reporting, that is, legal, ownership and direct control. But the sustainability context principle of the GRI (2002) encourages companies to report in a broad sense, expanding their reporting boundaries to better reflect the unique "footprint" of their organization and its activities (GRI, 2004). The expansion of the traditional boundaries will permit reporting performance to be closer to the corporate impacts, avoiding reporting practices based on limited sustainable impacts (i.e. licensed manufacturers, contracted suppliers, etc.)

Finally, this reporting framework must take on board the concepts of stewardship and accountability (Gray, 1996) in a broad sense (investors, stakeholders, society and future generations). This reporting framework involves a democratic approach which sees accountability in general and sustainability reporting in particular as part of the dialogue between a society and its organizations.

The concept of SD that underlies the GRI guidelines for business to approach sustainability reveals some problems:

- It runs the risk of losing sight of the big picture for sustainability (globalization, trade, north-south divergence . . .).
- It obscures the acquiring of an integrated view of business sustainability removing the development of integrated indicators as the way forward.
- It contributes to perceive the SD concept from a reductionism approach placing the three dimensions of sustainability at the same level and forgetting constituents interaction and participation.
- It promotes the construction of a set of indicators instead of instilling business with values to change their mentality so they can subscribe to the assumptions of SD.

However, we do not wish to conclude by relaying an apathetic and pessimistic view of the way forward to sustainability. Some arguments can be handled to enlighten the future, such as the construction of the economic pillar. What is more important is not the existence of a separate pillar provided with a set of economic indicators, but the fact that this economic information currently suggested in the GRI guidelines emerges from a shifting process using a traditional accounting measures scheme to a more sophisticated scheme which tends to illustrate the economic relationships and impacts – direct and indirect – that the company has with its stakeholders. To some extent, this is evidence of the integration of the different assumptions embedded in SD.

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[13] Gray (1996) mentions three major ways in which an organization could try to approximate reporting for sustainability in a fairly practicable and systematic way: The Inventory Approach, the Sustainable Cost Approach and the Resource Flow-through/Input–Output Approach. The first two are attempts to report about sustainability, while the last is an attempt to move towards sustainability.

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