

Chapter 85

Integrated Sustainability Reports: Historical Survey, Theoretical Proposals and Best Practices

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ABSTRACT

Disclosure of corporate social and environmental sustainability, resumed in ‘sustainability reports’, have occupied most of the attention of accounting thought and practice over the last few decades. Evaluation of ecological footprint and social sensitiveness is becoming relevant also for the investors. The chapter presents institutional disclosure concerning social, environmental, and integrated (financial, social and environmental) issues in a threefold perspective. The first is a historical one: after some definitions the birth and development of sustainability reports are presented to the reader. The second is a theoretical one: a paradigm or framework is developed for including what various experiences and literature have supplied until nowadays. The third is an empirical one presenting the main sustainability scoring criteria mostly used today, and an empirical survey on the car industry. Some concluding notes follow from the comparison of the aforementioned perspectives.

INTRODUCTION¹

For many decades the accounting has expanded its content, focusing beyond the narrow field of financial information and considering the social and environmental information. The increased focus on non-financial information is paradoxically started by big company, typically focused on creating shareholder value (Tinker, 1984).

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The need for information required by stakeholders (not only shareholders and equity investors) concerned the issue of sustainable development in the second half of the twentieth century. Initially, corporate sustainability has been interpreted as social sustainability against the unacceptable exploitation of workers and social disintegration. Then, corporate sustainability has also been considered as environmental sustainability, so as ecological sustainability for the production of goods and services, to preserve the rapid consumption of non-renewable resources and to reduce the impact of pollution caused by production processes (Mintz, 2014).

The reasons for this need for information are multiple and often conflicting, but they all stem from the opportunity to involve stakeholders in their business to converge corporate goals with stakeholder objectives. Therefore, the first academic studies on this subject were included in the field concerning the stakeholder theory (Freeman, 1984; Freeman & Evan, 1988). Specifically, the need to provide information to the stakeholders is derived from a new social sensitivity towards the issue of sustainability, which is interpreted as: strategy for creating sustainable value added (Figge & Hahn, 2004); social commitment of the company to safeguard the rights of the community (Vallance et al., 2011); request of ethics by the community (van Marrewijk, 2003; Di Giandomenico, 2008); a result of an expansion of the stakeholders (Dawkins, 2003); possibility to ensure human development (Anand & Sen, 2000). Today the communication of information reaches social and environmental objectives that coincide with the goals of investors and management, at least in the most advanced companies and in the advanced countries.

The social and environmental disclosure is traditionally divided into two parts. This distinction is derived from a difference between the two 'new' areas of reporting. Social accounting concerns the reporting of the impact of business on human and social aspects, which can be both economic and non-economic (e.g. value added distribution, employment, social well-being created), instead environmental accounting concerns the reporting of the consequences and any benefits of the business on the ecological environment (e.g. protection of environmental balance, environmental sustainability, use of energy resources) (Gray et al., 1996; Unerman, 2000; Adams, 2004). According to the most recent literature and best practices, the chapter also argue the issue of integrated reporting, which considers financial, social and environmental information, focusing corporate communication towards value creation over time (Busco et al., 2013). Recent literature (Guthrie & Yongvanich, 2006) also highlighted the need to coordinate the Balanced Scorecard, Intellectual Capital and social and environmental reporting to provide more complete account of the management and performance of a corporation.

The expansion of the disclosure from a traditional conception (financial accounting) to a social concept (social accounting) is not simply a generalization of the focus of reporting to other variables. This perspective considers only the formal aspects of the phenomenon. Material aspects depend instead by political and philosophical changes that have encouraged the diffusion of Corporate Social Responsibility (CSR). The principles and structure of CSR have been defined in previous decades, but the latest developments of the debate concerned the implementation of the CSR on corporate performance (Carroll, 1991, 1998, 2000). The empirical literature on CSR has studied many aspects of this issue: e.g. the market reaction to social responsibility disclosures (Patten, 1990) or correlations between CSR and financial performance (McWilliams & Siegel, 2000). Other contributions (Margolis & Walsh, 2001), criticizing the previous studies based on correlations between CSR and financial performance, supported redirecting the empirical analysis of the most useful aspects to guide corporate social initiatives.

CSR begins when the classical economic paradigm (liberalism) is abandoned. According to the liberal paradigm, social welfare is maximized when the selfishness of individuals and competition of businesses are greatest. This paradigm has greatly influenced the development of economics and accounting, thus

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