INTERNATIONAL SUSTAINABILITY STANDARDS USED IN SUSTAINABILITY REPORTING

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ABSTRACT

Purpose

This study investigates the use of international sustainability standards in sustainability reports of South African listed companies.

Design/methodology/approach

Mixed methods research was used in two phases. In phase one, a critical analysis of the literature produced a list of international sustainability standards. In phase two, content analysis of sustainability reports of companies listed on the Johannesburg stock exchange were performed with the aim to identify international sustainability standards used in sustainability reports in South Africa.

Findings

Based on the literature review seventeen international sustainability standards were identified. Three standards were not used by any one of the participating companies (Core Labour Standard, Social Accountability 8000, Fair Labour Association); five standards were used in two or fewer industries (ISO 26000, Ethical Trading Initiative’s code of labour practice, Extractive Industries Transparency Initiative, Eco-Management and Audit Scheme, Principles for Responsible Investment reporting) and nine standards were used across a variety of industries. Of the initial list of seventeen standards, only nine standards are used by participants in a variety of industries.

Research limitations/implications

The study did not identify why, and how, international sustainability standards are used in the sustainability reporting process.

Practical implications

This research identified international sustainability standards that are used by South African companies across various industries. The list of nine international sustainability standards will assist in each stage of the sustainability reporting process and as a result guide the content of sustainability reports.

Originality/value

International sustainability standards are identified to guide South African companies in reporting on sustainability.

Keywords: sustainability standards, sustainability reports, sustainability reporting
Classification: Research paper

Introduction

A variety of internationally-accepted sustainability standards assist businesses with sustainability reporting (Carrots and Sticks, 2013:22; Ernst and Young, 2014:18-23; Fifka and Drabble, 2012:468; Vigneau, Humphreys and Moon, 2015:473). A ‘standard’ refers to “*a required or agreed level of quality or achievement*” and is used *“as a measure, norm, or model in comparative evaluations*” (Oxford, 2007:1009). Standards set out rules that apply to those who adopt them, are often not required by law, aim to hold businesses accountable for their actions, and thus attempt to create transparency (Rasche, 2009:194).

Reinecke, Manning and von Hagen (2012:791) recognise that the increase in international sustainability standards has resulted in ‘standard markets’ where standard organisations compete and collaborate for adoption. Vigneau *et al.* (2015:482) maintain that each standard fulfils a specific role and is intended to be used in collaboration with others. The authors recognised that the Global Reporting Initiative (GRI) was intended as a reporting standard, to be used alongside other sustainability standards, such as policy standards (UN Global Compact) and management standards (ISO14001, ISO 26000), however a change in intended use of the GRI occurred. The GRI, to the neglect of other standards, is used to assist with each stage of the sustainability reporting process (Vigneau *et al.* 2015:482). Furthermore, the selection and use of international sustainability standards are influenced by country-specific culture and socio-economic factors (Fifka and

Drabble, 2012:470; Fortanier, Kolk and Pinkse, 2011:668). Emerging markets have different cultural, socio-economic and regulative characteristics in comparison with 'Western' countries in which many of the most influential theories of business and management have been developed (Burgess and Steenkamp, 2006:342).

This paper first uses literature to create a list of international sustainability standards that can assist with investigating sustainability reporting in South Africa. Thereafter this list is used to evaluate the top 100 companies listed on the JSE based on market capitalisation using quantitative content analysis. The purpose of content-analysing sustainability reports is to identify the use of international sustainability standards by South African companies.

A definition of sustainability reporting

Sustainability reporting is largely voluntary in most countries and this has led to an abundance of labels such as Corporate Citizenship Report, Corporate Responsibility Report, Social Responsibility Report, Sustainable Development Report, Sustainable Value report and Sustainability Report (Eccles and Kruz, 2010:99, Hahn and Kuhnen, 2013:7). The proliferation of terminology has led to confusion and ambiguity (Eccles and Kruz, 2010:99). Farneti and Guthrie (2009:9) have noted that the term 'sustainability reporting' is increasingly being adopted by businesses and that other terms are less frequently used. Despite the increased use of the term 'sustainability reporting', there is no consensus on the meaning and definition, nor a common shared framework to adopt (Farneti and Guthrie, 2009:9).

An overview of sustainability reporting definitions is given in Table 1.

[**PLACE TABLE 1 ABOUT HERE**]

The sustainability reporting definitions identified in Table 1 all refer to three dimensions of the triple bottom line concept. However, the definition by the Global Reporting Initiative (GRI, 2013:85) is the only one that describes sustainability reporting as an encompassing *process* comprising of three stages, namely (i) goal setting, (ii) performance measurement and managing change towards a sustainable global economy and (iii) reporting in terms of three dimensions. This definition of sustainability reporting (consisting of three stages) corresponds with the taxonomy used by Vigneau *et al.* (2015:482) to classify international sustainability standards.

Vigneau *et al.* (2015:482) recognises that certain international sustainability standards have a policy focus, some have a comprehensive management focus, and others focus on reporting.

Furthermore, the Global Reporting Initiative (GRI, 2013:85) definition is the only one that refers to long-term profitability as one of the core dimensions to report on; however, the Global Reporting Initiative's (GRI, 2013) indicator framework uses economic performance and not profitability as a key pillar of sustainability: economic, environmental and social. Profitability and economic performance are not the same. Economic performance provides a broader approach than profitability, and includes information such as: product quality and cost, marketing and sales, interest rates, taxes, wars, natural disasters and antitrust laws (Parrino and Kidwell, 2009:14). As *financial reporting* [profit] *fails to adequately present the economic performance and business value of a firm*" (Yongvanich and Guthrie, 2006:310) economic performance will used as a key pillar in defining sustainability reporting for the purposes of this paper.

As the primary objective of this study is to investigate the use of international sustainability standards for sustainability reporting in South Africa, the phrase 'sustainability reporting' for the purposes of this study will be defined as a process consisting of three stages:

> 'a process that assists businesses in (i) setting policies, (ii) measuring performance and managing change towards a sustainable global economy – (iii) to report on the interrelationships between economic performance, social responsibility and environmental care'.

International sustainability reporting

Sustainability reporting is not standardised. There are many voluntary international sustainability standards with synergies and strengths that assist businesses with sustainability reporting (Carrots and Sticks, 2013:22), but growing social and environmental injustices, high profile corporate scandals and the global financial crises have resulted in pressure from a broad set of stakeholders for standardised mandatory sustainability reporting (Christensen, 2015; Ioannou and Serafeim, 2011:7). This has given rise to a voluntary versus mandatory sustainability reporting debate. According to Fifka and Drabble (2012:470) standardisation and universalism should not be a goal in sustainability reporting as it may lead businesses neglecting country-specific issues and demands. Standardisation is a dilemma because on the one hand it is beneficial in providing international competitive disclosure guidelines, and on the other hand an obstacle, as it may lead business to overlook the cultural context within a country. To address such a dilemma one should find a balance between the application of standards and the integration of culture specific issues in sustainability reporting practices.

Differences in sustainability reporting practices across countries have been noted in several studies (Adams, Hill and Roberts, 1998; Adams and Kuasirikun, 2000; Chen and Bouvain, 2009; Cormier, Gordon and Magnan, 2004; Fifka and Drabble, 2012; Guthrie and Parker, 1990; Hartman, Rubin and Dhanda, 2007; Kolk, 2003; Kolk, 2005; Kolk, 2008; Kolk, Walhain and van de Wateringen, 2001; Morhardt, 2010; Smith, Adhikari and Tondkar, 2005). Reporting on sustainability differs substantially between countries in respect of:

- the extent of reporting, the impact of cultural and socio-economic factors (Cormier *et al.,* 2004; Fifka and Drabble, 2012; Guthrie and Parker, 1990),
- the preparation of integrated reports (Fifka and Drabble 2012:456; KPMG, 2011:23) and
- the adherence to international sustainability standards that can serve as guidelines for the content reported (Fifka and Drabble, 2012:468).

Sustainability reporting in South Africa

In South Africa, sustainability reporting is not mandatory. Sustainability reporting practice is voluntary for small and medium-sized businesses which include private (non-listed) companies; but must be applied on an 'apply or explain' basis by companies listed on the Johannesburg Stock Exchange (JSE).

The JSE incorporated the King Report on Governance for South Africa 2009 (King Code) into its listing requirements. Only certain requirements of King III are mandatory, with the balance being adopted on an 'apply or explain' basis. Integrated reporting is not a mandatory principle and can therefore be applied on an 'apply or explain' basis. As a result companies holding a primary listing on the JSE are encouraged to integrate sustainability reporting with the company's financial reporting from 1 March 2010 or explain why they are not doing so (IoD, 2009:Principle 9.2). Companies holding a secondary listing on the JSE will be required to comply with the Listing Requirements of the exchange where it has its primary listing only and will therefore not be obliged to comply with the King Code's (IoD, 2009) guidance on integrated and sustainability reporting.

The King Report on Governance for South Africa 2009 (King III) recommends the integration of sustainability reporting and financial reporting, but is not prescriptive about the report format. An integrated report can take the form of a single report or dual report. If the report comprises multiple reports, reference should be made to the more detailed separate reports; the reports should be made available at the same time, and users should not be misled in thinking that the businesses compiles only one report (IoD, 2009:9.1 para 1; Hindley and Buys, 2012:1255). According to Hindley and Buys (2012:1256) sustainability reports of businesses in South Africa can take the form of: (i) a single fully integrated report, (ii) an integrated report supported by a separate more detailed sustainability report, (iii) separate stand-alone reports released on the same date or (iv) sustainability information not disclosed as part of the annual report, but disclosed separately on the web.

International sustainability standards

There are several international sustainability standards with complementaries, synergies and strengths that assist businesses with sustainability reporting (Carrots and Sticks, 2013:22). An extensive literature review (Table 2) identified many studies that researched and clarified the use of different international sustainability standards in the sustainability reporting process. Seventeen international sustainability standards were identified that need to be further explained namely (i) the Global Reporting Initiative, (ii) the International Integrated Reporting Council, (iii) United Nations Global Compact, (iv) OECD Guidelines for Multinational Enterprises, (v) ISO 26000, (vi) Carbon Disclosure Project, (vii) Greenhouse Gas Protocol corporate standard, (viii) Principles for Responsible Investment (PRI) reporting framework, (ix) Extractive Industries Transparency Initiative, (x) International Labour Organisation (ILO) tripartite declaration of principles concerning multinational enterprises and social policy, (xi) Core Labour Standards and the (xii) UN Guiding

Principles on Business and Human Rights as well as (xiii) SA 8000, (xiv) the FLA Workplace code, (xv) ETI Code of Labour Practice and (xvi) ISO 14000 and (xvii) EMAS.

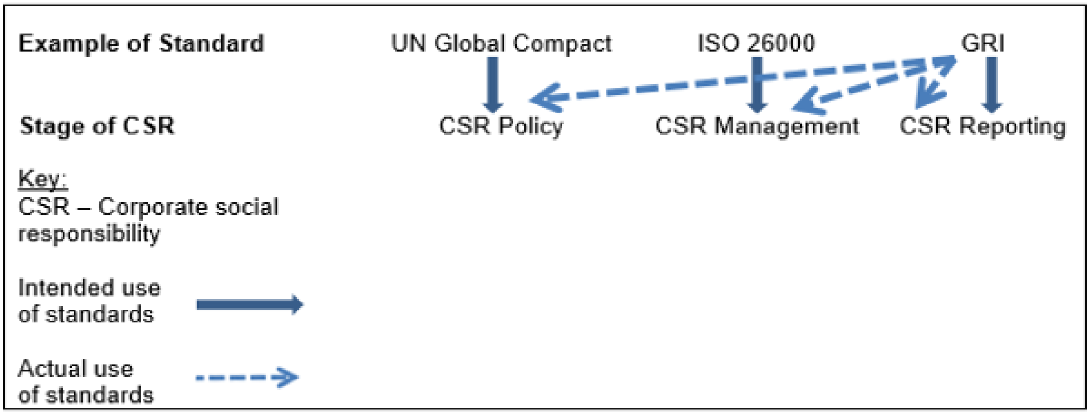
In Table 2 a brief summary of each of the 17 international sustainability standards, classified according to the three stages in the sustainability reporting process (policy, management and reporting) is provided.

[PLACE TABLE 2 ABOUT HERE]

Table 2 summarises the wave of international sustainability standards that have emerged, and in addition indicate the reference to studies that considered the effectiveness of international sustainability standards in stimulating businesses to step up sustainability reporting activities. Fortanier *et al*. (2011:691) found that the adoption of international sustainability standards increased the extent of reporting compared with businesses that have not adopted global standards.

Reinecke *et al*. (2012:791) recognise that the increase in international sustainability standards has resulted in 'standard markets' where standard organisations compete and collaborate for adoption. Vigneau *et al.* (2015:482) maintain that each standard fulfils a specific role and is intended to be used in collaboration with others. The authors warn that reliance on one standard only, such as the Global Reporting Initiative, is not desirable. The Global Reporting Initiative was intended as a reporting standard, to be used alongside other international sustainability standards, such as policy standards (UN Global Compact) and management standards (ISO14001, ISO 26000). The change in intended use of the Global Reporting Initiative is indicated in Figure 1.

Figure 1: Dynamics between international sustainability standards



Source: Vigneau *et al.* (2015:482)

Figure 1 shows that Vigneau *et al.* (2015:482) describe Corporate Social Responsibility (CSR) as a three-stage process, namely: CSR Policy, CSR Management and CSR Reporting. The authors provided an example of international sustainability standards to assist with each stage of the process. These stages in Figure 1 (policy, management, reporting) are directly aligned with the three stages outlined in the definition of sustainability reporting for the purpose of this study, namely goals/policy, management and reporting.

South African legislative requirements as guidance for the content of sustainability reports

South Africa has played a prominent role in advancing sustainability reporting, partly due to its political history and transitions to democracy in 1994 (Carrots and Sticks, 2013:34). In South Africa the concept sustainable development has been recognised at a constitutional and legislative level. The concept sustainable development is referred to as a right in the Constitution of the Republic of South Africa 1996, Chapter 2 (section 24), it is defined in the National Environmental Management Act (107/1998), section1 (xxxix), and the Department of Environmental Affairs and Tourism (2006) has documented the national vision for sustainable development in a draft discussion document titled "People-Planet-Prosperity". At a legislative level, businesses have to adhere to the Black Economic Empowerment Act (2003) and its Amendment Bill 2012, Employment Equity Act (1998) and its Amendment Bill of 2012, Mineral and Petroleum Resources Development Act (2002) and its Amendment Bill 2012, National Environmental Management Act (NEMA) 1998, Air Quality Act 2004 and the Companies Act (2008). It is recognised that government regulations can effectively improve the extent, comprehensiveness and quality of sustainability reporting (Carrots and Sticks, 2013; Fifka and Drabble, 2012:469).

Emerging market context of South Africa

As cultural and socio-economic factors in a country have an impact on sustainability reporting (Fifka and Drabble, 2012:470), the emerging market context of South Africa and its possible influence on sustainability reporting must be considered. Emerging markets have significant different cultural, socio-economic and regulative characteristics in comparison with 'Western' countries in which many of the most influential theories of business and management have been developed (Burgess and Steenkamp, 2006:342). A comparison of the characteristics of emerging markets versus high-income Western markets is presented in Table 3.

[PLACE TABLE 3 ABOUT HERE

Table 3 shows that the socio-economic characteristics of emerging markets are more dynamic, and younger less educated populations, with greater diversity than high-income markets. Secondly, the cultural characteristics highlight hierarchy and embeddedness. The rule of law is more likely to be enforced by informal restraints, and external stakeholders can have greater influence in emerging markets. Furthermore, the entry of South Africa into the BRICS (that is, Brazil, Russia, India, China and South Africa) bloc presents another context influence on sustainability reporting.

Problem to be investigated

The proliferation of international sustainability standards and the need to investigate the relationship dynamics (or lack thereof) between the different standards is recognised in the literature (Rasche, 2009:195, Vigneau *et al*. 2015:473). Much is unknown about the use of international sustainability standards in the emerging market context of South Africa. To explore the use of international sustainability standards in the South African context it is first important to know whether South African companies use international sustainability standards. The question can be posed which international sustainability standards are used in the sustainability reporting process by South African companies?

Research objectives

The primary objective of this study is to identify international sustainability standards that are used in reporting on sustainability by South African companies.

To give effect to the primary objective, the following secondary objectives are regarded as important:

- To perform a critical literature analysis to create a proposed list of standards for sustainability reporting in South Africa.
- To evaluate the proposed list of standards for sustainability reporting by content-analysing sustainability reports of South African companies.
- To use the results to offer recommendations to businesses regarding sustainability reporting.

Research method

In this paper mixed methods research will be used in two phases. In Phase one a literature review will be conducted where secondary sources are critically evaluated to create a list of standards for sustainability reporting. In Phase two, content analysis of the top 84 companies listed on the JSE based on market capitalisation will be performed. The purpose of reviewing these reports is to identify the international standards that are used in reporting on sustainability.

Phase one of research: Critical analysis of literature

The extensive literature review on the standards for sustainability reporting has led to the proposed list for content analysis. The main concerns in a literature review are "*selectivity in the sources; unfair treatment of authors; misunderstanding the source; selective interpretation to suit one's own viewpoint; poor organisation and integration of review*" (Mouton, 2001:180). Trustworthiness is proposed as a criterion to address these concerns. Trustworthiness refers to the extent to which research can be trusted and believed (Struwig and Stead, 2013:137). To that end, international and national data searches were done by the library of the Nelson Mandela Metropolitan University and included: Sabinet databases; ISAP (National library of South Africa);

and SAe Publications; EBSCO: Masterfile premier, Business Source premier, Academic Source premier; ScienceDirect; E-Journals and Google Scholar searches. A sample of references was used from books, journal articles, theses and dissertations. As far as could be ascertained, no similar study has been previously undertaken in South Africa. The literature accessed were critically analysed to facilitate the development of a list of standards for sustainability reporting (see table 2).

Phase two of the research: Content analysis

The research design for the content analysis is described in the following paragraphs.

Research sample

A purposeful (non-random) sample consist of the top 100 JSE listed companies selected based on company size. Company size is widely acknowledged as having a positive influence of the adoption, extent and quality of sustainability reporting (Hahn and Kuhnen, 2013:17). It is argued that large companies will be examples of 'better sustainability reporting practices' because large companies are usually exposed to a diverse set of stakeholders and may therefore engage in signalling activities such as sustainability reporting to secure their legitimacy in society (Hahn and Kuhnen, 2013:14). Company size is frequently measured by either total assets, turnover, number of employees or market capitalisation (Hahn and Kuhnen, 2013:10). Market capitalisation is considered to be an appropriate indicator of company size for the purpose of this study. Market capitalisation is calculated by multiplying the current share price by the number of outstanding shares.

The list of top 100 companies by market capital was downloaded from the Sharenet website on 12 February 2015. Sixteen entries (companies) on the list were omitted as they represented market capital of non-listed companies such as exchange traded notes (NBEXX2), share instalments (NPNNIK) and exchange traded funds (NEWGOLD, NEWPLAT). Therefore the sample consisted of 84 companies. This sample will allow for an investigation of the standards used in sustainable reporting in a single context – JSE listed companies.

Data Collection

In order to gather primary data about sustainability reporting, content analysis facilitated by a pre-determined list of standards (see Table 2) was used. The 'schedule for content analysis' contained a limited number of context units, thus reducing judgement; and finally a key word search ensured that all context units had been captured. Three researchers performed the content analysis and feedback. Each researcher initially content-analysed two sustainability reports, after which a group meeting was convened where the information collected from the initial 6 content analyses were compared, cross-checked and discussed for consistency. After consensus was reached, the content analysis proceeded. A final cross-check was performed at the end, when each researcher checked 5 data collection schedules.

Schedule for content-analysis

The sustainability reports of 84 ranked JSE listed companies were content- analysed and cross-checked against the self-developed list of standards (see Table 2). The schedule for content analysis was divided into two main sections. Section A of the schedule obtained biographical information - the industry in which a participant company operates and the format of reporting. Section B contained international sustainability standards.

The schedule for content analysis was applied to sustainability reports of 84 selected companies for the financial year 2014. Only the incidence of disclosure was recorded, not the amount or quality of sustainability disclosures. Rating values of either "0" meaning absence of information or "1" meaning presence of information was assigned to the data collected.

Data analysis

Data analysis transforms the data collected into an answer which addresses the original research questions (Terre Blanche, Durrheim and Painter, 2006:52). In this paper, descriptive analyses were used to analyse the data collected by way of content analysis. The aim of descriptive analysis is to "*describe the data by investigating the distribution of scores on each variable, and by determining whether the scores on different variables are related to each other*" (Terre Blanche *et al*., 2006:193).

Quality and rigour of the research

According to Guba (1981:80) trustworthiness can be assessed by using four criteria, namely credibility (internal validity), transferability (external validity), dependability (reliability) and confirmability (objectivity). The first criterion, credibility (internal validity) refers to the extent to which the conclusions drawn are justified on the basis of data collected. In other words, the researcher must demonstrate that a "*true picture of the phenomenon under scrutiny is being presented*" (Shenton, 2004:63). The second criterion, transferability (external validity) relates to the extent to which the study's findings can be generalised to a broader population. Since this paper is specific to a small number of observations (84) in a specific context (JSE) Shenton (2004:69) maintains that it is impossible for the researcher to make transferability inferences, as only the 'sending context' is known, while the 'receiving context' of the reader is unknown. Therefore the reader may choose to transfer results and conclusions if applicable to the context. It is the responsibility of the researcher to provide sufficient contextual information to enable the reader to make such a transfer (Shenton, 2004:69). Thirdly, dependability (reliability) refers to the extent to which a study can be repeated rendering similar results. In order to address the dependability criterion, the methodology of a study must be described in detail to enable future researchers to repeat the study. Lastly, to address confirmability (objectivity) steps must be taken to demonstrate that findings emerge from the data and reflect the experiences of participants rather than the preferences and bias of the researcher.

Creditability was ensured by following an appropriate, well-recognised research method, namely content analysis. In order to prevent single investigator bias, three people were involved in the content analysis. Each person content-analysed 28 companies, after that the information was compared and cross-checked for consistency.

In addressing transferability, a detailed description of the South African context was provided by comparing socio-economic, cultural and regulative characteristics of emerging markets to high-income Western countries (Table 3). A detailed description of sustainability reporting in terms of definitions was provided. The detailed descriptions of the South African context, definitions and the sustainability reporting process will enable transferability (provided the context is similar to the reader's context and the findings can justifiably be applied to the other setting).

Dependability requires an in-depth methodology description to allow the study to be repeated (Shenton, 2004:71). As such, the researcher made and retained extensive notes regarding the research process and data collection. In this manner, other researchers can follow and verify what was done in order to repeat the study. Confirmability was achieved by the detailed in-depth methodology description illustrating the research process on a step-by-step basis. The description of the research process will enable the progress of the study to be traced in a systematic way, and will allow the integrity of the research findings to be scrutinised. In conclusion, various strategies have been incorporated into the research design to establish its trustworthiness. Such strategies include procedures to mitigate researcher bias; construction of the framework for content analysis and clear identification of contextual background. These methods demonstrate the quality and rigour of the research design.

Results of the study

Part A of the schedule for content analysis required that the industry in which the companies operate and format of reporting be specified. The classification of industry as applied by the JSE was used and table 4 provides the industries in which the sampled companies operate.

[PLACE TABLE 4 ABOUT HERE]

Table 4 shows that the highest percentage (24%) of participating companies operate in the financial sector, followed by the basic materials sector (21%) and then the consumer services sector (15%), real estate (12%), consumer goods (11%), industrials (6%), healthcare (5%), Telecommunications (4%), oil and gas (1%) and lastly technology (1%). Table 5 summarises the results of the use of International sustainability standards by the participating companies.

[PLACE TABLE 5 ABOUT HERE]

Table 5 shows that three international sustainability standards were not used by any one of the participating companies, namely:

- Core Labour standards (CLS)
- Social Accountability 8000 standard (SA 8000)
- Fair Labour Association (FLA)

Analysing the remaining fourteen international sustainability standards used by participant company per industry provide insight whether the use/non-use is industry-specific.

Table 6 highlights the use and non-use of the remaining fourteen standards per industry. Table 6 shows what variables were used (by participating companies) in respective industries by inserting a bullet point in a blue shaded block next to the applicable standard. Non-use is indicated by a blank space.

[PLACE TABLE 6 ABOUT HERE]

Based on the analysis of Table 6, an additional five standards are omitted from the list of initial 17 standards because it was used in two or fewer industries. These standards omitted (used in two or fewer industries), are as follows:

- ISO 26000
- Ethical trading initiative's (ETI) code of labour practice
- Extractive Industries Transparency Initiative (EITI)
- Eco-Management and Audit Scheme (EMAS)
- Principles for responsible investment (PRI) reporting

Of the initial list of seventeen standards, only nine standards are used by participants in a variety of industries.

Conclusion and recommendations

Although literature suggest seventeen international sustainable standards, this study showed that only nine standards are sufficiently used by the companies in the sample. As the sample consists of the top 100 companies in South Africa one can argue that such companies should be a benchmark.

The three international sustainability standards not used by any company in the sample and eliminated from the initial seventeen international standards all relate to standards addressing labour practices, namely the CLS, SA 8000 and FLA. These standards are seen as problematic. The Core Labour Standard (CLS) fails to take into account the needs of female workers (Elias, 2007:56; Kabeer, 2004:3). According to Gilbert and Rasche (2007:201) the Social Accountability 8000 (SA 8000) standard has three drawbacks: "*First, the norms contained in SA 8000 are based on an insufficient justification; second, the standard does not provide an idea of how to design dialogues with affected stakeholders; and third, commitment to the standard often seem be a result of coercion (and thus of strategic action) and does not reflect voluntary participation*". The implementation of the Fair Labour Association (FLA) standards in developing countries will result in higher production cost which will compromise the comparative advantage of a company (Marx, 2008:258).

The five international sustainability standards that were eliminated due to inadequate use by the sample companies consists of two management standards addressing labour practices (ISO 26000, ETI), two management standards related to environmental issues (EITI, EMAS) and one reporting standard (PRI).

ISO 26000 is based on a descriptive rather than a prescriptive approach and therefore provide companies flexibility in carrying out sustainability initiatives. Practitioners may be more inclined to use specific guidelines on implementing sustainability which the descriptive approach of ISO 26000 does not provide (Asif and Searcy, 2014:420). Du Toit (2002) studied the ETI's pilot project in the South African wine industry. According to du Toit (2002:356) the ETI has serious limitations in light of the South African labour market restructuring which has reshaped agricultural employment in ways that limit the ability of employment standards to address real difficulties faced by agricultural workers.

The EITI's (Extractive Industries Transparency Initiative) principles of transparency and accountability to improve the lives of poor people living in countries rich in natural resources are applicable to only two industries in South Africa: 'Basic materials' and 'Oil and gas'. The EITI will therefore not guide the content of sustainability reports in South Africa across various industries. EMAS participation is connected with considerable costs (Freimann and Schwedes, 2000:99) which could be a preventative factor for South African companies adopting this international environmental management standard.

The PRI reporting standard is only applicable to the financial industry. The PRI reporting standard encourages institutional investors, such as pension funds, asset managers and insurance companies to incorporate environmental, social and governance (ESG) issues in their investment practices (Gond and Piani, 2012:2). PRI signatories (that is, large powerful institutional investors) will then engage with investee companies with the objective to influence their corporate practices in the ESG domain. The PRI reporting guidelines are therefore not applicable to companies operating outside the financial industry.

Nine standards were thus identified that could possible guide the content of sustainability reports in South Africa across various industries:

- Policy standards
  - United Nations Global Compact,
  - OECD Guidelines for Multinational Enterprises
- Management standards: Social/Labour Management
  - International Labour Organisation (ILO),
  - UN Guiding principles on human rights
- Management standards: Environmental Management
  - Carbon disclosure project,
  - GHG protocol,
  - ISO 14001
- Reporting standards
  - Global Reporting Initiative (GRI),
  - International Integrated Reporting Council (IIRC)

It is recommended that the list of nine standards be used as a blueprint for sustainability reporting and to stimulate businesses to step up their sustainability reporting activities. It must be noted that some businesses may add to these nine standards due to the specific industry in which they operate.

Sustainability reporting is becoming increasingly important, and governments and stock exchanges of many countries require or strongly encourage businesses to provide some level of sustainability reporting. South Africa is one of few emerging market economies and the only one in Africa which shows significant sustainability reporting activities.

Two limitations to the study were identified which could indicate future research areas. Firstly, the use of international standards by small and medium-sized businesses was not addressed in this study. Secondly, the study did not identify why, and how, certain international sustainability standards are used in the three stages of the sustainability reporting process, namely: policy setting, managing the policy and lastly reporting thereon.

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Table 1: An overview of sustainability reporting definitions

Definition	Source
"*Sustainability reporting at the enterprise level…aims to represent an enterprise's environmental, social and economic performance and the related impacts on the world around it*"	ICAEW (2004:8)
"Sustainability reporting is broadly defined and includes ethics, environmental and/or social issues (sometimes this is also labelled 'corporate social responsibility' or 'triple bottom line' (people, planet, profit) reporting)". "*a mostly voluntary activity oriented as giving account of the societal and environmental implications of doing business to external stakeholders*"	Kolk (2008:2) Kolk (2008:3)
"*a voluntary activity with two general purposes: (1) to assess the current state of an organisation's economic, environmental and social dimension, and (2) to communicate a company's efforts and sustainability progress to their stakeholders*"	Lozano and Huisingh (2011:100)
"*to report on the interrelationships between economic, social and environmental factors, or at least refer to the concepts of 'sustainability' and 'sustainable development*".	Davidson (2011:353)
"*a process that assists organizations in setting goals, measuring performance and managing change towards a sustainable global economy – one that combines long term profitability with social responsibility and environmental care"*	GRI (2013:85)
"only those reports that simultaneously include all three dimensions of sustainability can truly be regarded as 'sustainability reporting' while one-dimensional reports are merely sustainability-related because they cover isolated aspects of sustainability"	Hahn and Kuhnen (2013:7)

Source: Researcher's own construct

Table 2 Summary of international sustainability standards for assessing and reporting sustainability

International standard	Brief Description	Objective	Studies that link to sustainability reporting
Policy Standards: Provide guidance on acceptable performance goals			
UN Global compact	A strategic policy initiative for businesses committed to aligning corporate culture, strategy and operations with ten universal principles in the areas of human rights, labour, environment and anticorruption (Marimon, Alonso-Almeida, Rodriguez and Alejandro, 2012:134).	To embed moral norms and universal values (portrayed in the ten universal principles) in the global market (Williams, 2014:234). The aim is to accelerate actions to advance the broader UN goals, including Millennium Development Goals (Marimon *et al.*, 2012:134).	Carrots and Sticks (2013) Berliner and Prakash (2015) Ernst and Young (2014:23) Fifka and Drabble (2012:468) Fortanier *et al.* (2011) Kell (2005) Marimon *et al.* (2012) Rasche (2009) Rasche, Waddock and McIntosh (2012) Vigneau *et al*. (2015) Williams (2004) Williams (2014)
OECD Guidelines for Multinational Enterprises	Voluntary principles and standards for multinational enterprises that will improve the economic and social well-being of people across the globe (Marimon *et al,* 2012:134). The intention is to "*level the playing field*" – in other words, MNE will follow the same rules and have equal opportunity irrespective of size or financial strength (Fortanier *et al.*, 2011:669).	To ensure that MNE operates in harmony with government policies, to strengthen mutual confidence between businesses and society, help improve foreign investment climate, and enhance the contribution to sustainable development made by multinational enterprises (OECD, 2008:9).	Carrots and Sticks (2013) Fifka and Drabble (2012:468) Fortanier *et al*. (2011) Marimon *et al*. (2012) Rasche (2009)
Management Standards: Social/Labour Management Provide detailed and integrated guidance on how to integrate the management of social and environmental issues with business operations			
ISO 26000	ISO 26000 is a meta-standard and provides guidance (rather than requirements) on social responsibility for business and public organisations of all types (Marimon *et al.,* 2014). ISO 26000 cannot be certified, unlike other ISO standards.	To provide guidance to all types of businesses to operate in a socially responsible manner. Based on the principle of effectiveness – 'doing the right thing'.	Carrots and Sticks (2013) Ernst and Young (2014:21) IoD (2009:9.2 para 14) Marimon *et al*. (2012) Vigneau *et al*. (2015)
International Labour Organisation (ILO) Tripartite declaration of	A universal instrument, offering guidelines to MNEs, governments, and employers' and workers' organisations in the areas of	To contribute to a climate more favourable to economic growth and social development by advocating adherence to the Declaration (Marimon *et al.*,	Carrots and Sticks (2013) Fifka and Drabble (2012:468) Fortanier *et al*.

International standard	Brief Description	Objective	Studies that link to sustainability reporting
principles concerning multinational enterprises and social policy	employment, training, conditions of work and life, and industrial relations (Marimon *et al.*, 2014:134).	2014:134)	(2011) Marimon *et al*. (2012) VanDaele (2008)
Core Labour Standards (CLS)	A baseline standard for labour that seeks to improve worker conditions (Alston, 2005).	To seek freedom of association, the right to collective bargaining, elimination of forced and compulsory labour, abolition of child labour, and elimination of discrimination (Carrots and Sticks, 2013).	Carrots and Sticks (2013) Alston (2005)
UN Guiding Principles on Business and Human rights	Is the first corporate human rights responsibility initiative to be endorsed by the United Nations, and is based on the 'Protect, Respect and Remedy' Framework proposed by Ruggie (2008).	To prevent and address the risk of adverse human rights impacts linked to business activity (Ruggie, 2008).	Carrots and Sticks (2013) Ruggie (2008) Deva (2012)
Social Accountability 8000 standard (SA 8000)	Is an auditable certification standard for measuring and verifying social accountability in the workplace. The standard is modelled on international workplace norms of the International Labour Organisation (ILO), the Universal Declaration of Human Rights, and the UN Convention of the Rights of the Child (Marimon *et al.*, 2014:134).	To provide a standard to protect the basic human rights of workers.	Lozano and Huisingh (2011:101) Rasche (2009) Marimon *et al*. (2012)
Fair Labour Association (FLA)	A non-profit collaborative effort of universities, civil society organisations and businesses, with the adherence to international and national labour laws.	To support businesses joining the FLA to uphold the FLA Workplace Code of Conduct, to establish internal systems for monitoring workplace conditions and lastly maintaining code standards throughout supply chains.	Rasche (2009)
Ethical Trading Initiative (ETI) Code of labour practice	An alliance of companies, trade unions and voluntary organisations working in partnership to improve the working lives of people around the world who make or grow consumer goods.	Improvements to health and safety, reducing child labour, increasing wages, and reducing the incidence of excessive overtime.	Rasche (2009) Haufler (2010)
Management Standards: Environmental Management **Provide detailed and integrated guidance on how to integrate environmental issues with business operations**			
Carbon Disclosure Project	The Carbon Disclosure Project holds the world's largest database of self-reported climate change data (Carrots and Sticks, 2013:23).	The primary objective is to use carbon emission disclosures combined with the power of financial markets to create market incentives that motivate businesses to reduce carbon	Carrots and Sticks (2013) Ernst and Young (2014:20) Harmes (2011) Kolk *et al.* (2008)

International standard	Brief Description	Objective	Studies that link to sustainability reporting
		emissions (Harmes, 2011:98). Requires disclosure of absolute emission reduction targets.	
Greenhouse gas (GHG) protocol	An international accounting tool designed to understand, quantify, and manage greenhouse gas emissions (Green, 2010:1). Major international users include CDP and ISO.	To provide an accounting tool measuring the inventory of gases that are put into and removed from the atmosphere (Green, 2010:1). Promotes equal right to clear air.	Carrots and Sticks (2013) Ernst and Young (2014:23) Green (2010)
Extractive Industries Transparency Initiative (EITI)	A unilateral effort by Tony Blair evolved to a global standard for the extraction sector (Haufler, 2010).	Greater transparency and disclosure of the payments to the government from oil, gas, and mining businesses (Haufler, 2010).	Carrots and Sticks (2013)
ISO 14001	ISO 14001 provides generic criteria for an environmental management system (Marimon *et al.,* 2012:134).	To provide a framework that can be used a benchmark for setting the businesses' environmental policy, plans, and actions (Marimon *et al.,* 2012:134).	Fifka and Drabble (2012:468) Fortanier *et al*. (2011) Lozano and Huisingh (2011:101) Rasche (2009) Marimon *et al*. (2012)
EMAS (Eco-Management and Audit Scheme)	Administrative tool to support environmental impact assessment. EMAS goes beyond ISO 14001 as it requires external verification by accredited auditors (EMAS, 2008:1).	A strategic approach to reducing environmental impact: identifies impacts on the environment, understands current and future legal obligations, develops plans for improvement, assign responsibility for plans implementation and periodic performance management (EMAS 2008:1).	Lozano and Huisingh (2011:101) Rasche (2009)
Reporting Standards: **Provide guidance on measurement, communication and assurance**			
Global Reporting Initiative (GRI)	A non-profit organisation that works towards standardising sustainability reporting as a business practice (Vigneau *et al.*, 2015).	To create sustainability reporting practice by providing guidance and indicators focusing on three dimensions: economic, environmental, and social (GRI, 2013).	Carrots and Sticks (2013) Ernst and Young (2014:18) Fifka and Drabble (2012:465) Fortanier *et al*. (2011) IoD (2009:9.2 para 14) Lozano and Huisingh (2011:101) Marimon *et al*. (2012) Rasche (2009) Vigneau *et al*. (2015)

International standard	Brief Description	Objective	Studies that link to sustainability reporting
International Integrated Reporting Council (IIRC)	Requires integrating financial and sustainability information in the context of a company's business model, strategy, and risks, with a view to communicating value over time (IIRC, 2013).	To communicate a more comprehensive picture of a business's value by considering the holistic management of six capitals: Financial, Manufactured, Intellectual, Human, Social, and Natural (IIRC, 2013).	Carrots and Sticks (2013) Eccles, Cheng and Saltzman (2010) Eccles and Krzus (2010) Ernst and Young (2014:20) Roberts (2013)
Principles for responsible investment (PRI) reporting framework	An initiative by a network of institutional investors working together to put the six principles for responsible investment into practice, that will guide institutional investors to act in the best long-term interest of beneficiaries.	To align investors with broader objectives of society.	Carrots and Sticks (2013) Fifka and Drabble (2012:468)

Source: Researchers' own construct

Table 3: Characteristics of emerging markets

Institutional subsystems	Emerging markets	High income markets
Socio-economic subsystem		
Dynamics	Rapid social, political, and economic change	Moderate social, political, and economic change
Demographics	Young, growing, large pool of under-educated	Older, stagnant, well-educated
Diversity	Extreme differences in household size and income, living standards, access to human development resources.	Smaller differences in household size and income, living standards, access to human development resources.
Cultural subsystem		
Hierarchy vs egalitarianism	Hierarchy emphasised	Egalitarianism emphasised
Embeddedness vs autonomy	Embeddedness emphasised	Autonomy emphasised
Regulative subsystem		
Rule of law	Moderate abuse of public office for private gain, moderate reliance on legal rights enforceable in courts of law, investor rights lower, legal outcomes more unlikely.	Low abuse of public office for private gain, high reliance on legal rights enforceable in courts of law, investor rights higher, legal outcomes more likely.
Shareholders influence on corporate governance	Government, civil society, supply chain stakeholders influence high.	Government, civil society, supply chain stakeholders influence moderate.

Source: Burgess and Steenkamp (2006:342)

Table 4: Frequency distribution: Industry

Industries	Frequency	Percentage
Financials	20	24%
Basic Materials	18	21%
Consumer Services	13	15%
Real estate	10	12%
Consumer goods	9	11%
Industrials	5	6%
Healthcare	4	5%
Telecommunications	3	4%
Oil and Gas	1	1%
Technology	1	1%

(n = 84)

Source: Researchers' own construct from results

Table 5: Frequency distribution: International sustainability standards

Variables	Frequency	Percentage
(i) POLICY STANDARDS		
United Nations Global Compact	49	58%
Organisation for Economic Co-operation and Development Guidelines for Multinational Enterprises (OECD Guidelines)	33	39%
(ii) MANAGEMENT STANDARDS		
Social/Labour management standards		
International Labour Organisation (ILO)	32	38%
United Nations Guiding Principles on Business and Human Rights	21	25%
ISO 26000	1	1%
Ethical Trading Initiative (ETI) Code Of Labour Practice	1	1%
Core Labour Standards (CLS)	0	0%
Social Accountability 8000 (SA 8000)	0	0%
Fair Labour Association (FLA)	0	0%
Environmental management standards		
Carbon Disclosure project (CDP)	54	64%
Greenhouse Gas (GHG) Protocol	43	51%
ISO 14000	35	42%
Extractive Industries Transparency Initiative (EITI)	10	12%
Eco-Management and Audit Scheme (EMAS)	2	2%
(iii) REPORTING STANDARDS		
Global Reporting Initiative (GRI)	61	73%
International Integrated Reporting Council (IIRC)	49	58%
Principles for Responsible Investment (PRI) reporting	8	10%

Source: Researchers' own construct from results

Table 6: Summary of the results of Standards for sustainability reporting in South African Businesses

	Basic Materials	Oil and Gas	Industrials	Consumer goods	Health care	Consumer services	Telecommunication	Financials	Technology	Real Estate	
UN Global compact	•	•	•	•	•	•	•	•	•	•	
OECD Guidelines	•	•	•	•	•	•	•	•	•	•	
ILO (International Labour Organisation)	•	•	•	•		•	•	•			
ISO 26000	•										Omitted – used in one industry only
UN Guiding principles on business and human rights	•		•	•		•	•	•		•	
ETI code of labour practice (Ethical Trading Initiative)				•							Omitted - used in one industry only
CDP (Carbon Disclosure project)	•	•	•	•	•	•	•	•		•	
GHG Protocol (Greenhouse Gas Protocol)	•	•	•	•	•	•	•	•		•	
EITI (Extractive Industries Transparency Initiative)	•										Omitted – used in one industry only
ISO 14001 (Environmental management standard)	•	•	•	•	•	•	•	•		•	
EMAS (Eco-Management and Audit Scheme)	•									•	Omitted - used in two industries only
GRI (Global Reporting Initiative)	•	•	•	•	•	•	•	•	•	•	
IIRC (International Integrated Reporting Council)	•	•	•	•	•	•	•	•		•	
PRI reporting (Principles for Responsible Investment)								•			Omitted – used in one industry only

	Basic Materials	Oil and Gas	Industrials	Consumer goods	Health care	Consumer services	Telecommunication	Financials	Technology	Real Estate	
TOTAL	**12**	**8**	**9**	**10**	**7**	**8**	**9**	**10**	**3**	**9**	
Notes to Table 6: (i) Three standards not used, namely, CLS, SA8000 and FLA are not present. (ii) Table 6 shows what variables were used in respective industries by inserting a bullet point in a blue shaded block next to the applicable standard. Non-use is indicated by a blank space.											

Source: Researcher's own construct