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# Discussion of ‘Does sustainability reporting improve corporate behaviour?: Wrong question? Right time?’

Mark Moody-Stuart\*

My comments were made in a brief response to Professor Gray’s full presentation at the ICAEW conference, ‘Information for Better Markets’ in December 2005. They do not attempt to address fully all the points made in Professor Gray’s paper. I use adaptations of the slides that Professor Gray used to illustrate his keynote lecture at the conference.

Does sustainability reporting improve corporate behaviour? The simple answer, however inadequate many corporate sustainability reports may be, is ‘yes’. Measurement and reporting leads either to improvement or to criticism. The act of preparing a sustainability report (following, for example, the ‘Global Reporting Initiative Guidelines’) makes people think about the impact of their corporation’s activities. It is, of course, important that the report be comprehensive, covering all areas of the Guidelines and all material issues; but even if this standard is not achieved the result is likely to be improvement.

However, the question that Rob Gray wants to answer is: ‘Will corporate sustainability reporting lead to global sustainability?’ I would agree that the answer to this is plainly no – no more than the efficient and reasonably sustainable generation of wealth by corporations will lead to the eradication of poverty.

Another possible question is: ‘Are we and all corporations clear on what they are trying to do with sustainability reporting?’ – the answer to this is, again, probably no. And Rob Gray’s paper throws interesting light on this.

He asserts: ‘Few companies indeed undertake anything that they might call “sustainability reporting”’. One might agree with him. The proportion of reporting companies is relatively small – a few hundred in the case of the Global Reporting Initiative, which is certainly the most universally applied reporting framework. But Gray goes on to say: ‘Equally, almost none of the companies which

*produce “sustainability reports” actually address sustainability.*’. I would disagree with this statement.

‘What is *sustainability*?’ (see Figure 1). To address this question we need definitions. The best definition is the 1987 Brundtland definition of sustainable development as ‘development which meets the needs of the present without compromising the ability of future generations to meet their own needs’. This is not static; it acknowledges that one can replace one kind of capital with another. There is almost no human activity that does not have some environmental impact. If we abandon our cars and walk, we beat footpaths. We have a house in rural Sussex, next to the village in which my wife, Judy, was brought up. I look out of the window from the desk where I work and see in one direction the smooth-clipped green grass slopes of the South Downs. From the window to my left I look over fields with trees and hedges, where we see foxes, rabbits and often a barn owl hunting. A beautiful natural environment. We belong to two different societies committed to its protection. But as I look out of the window, I am aware that there is nothing I see that has not been affected by human hands. The original state was forest, and the Downs need sheep to keep them clipped. The wealth from the destruction of the original forests, the farming, the early Wealden iron ore-mining, the ships built with the timber from the forests, created the wealth which built those Downland churches, our colleges and universities and the political and social systems which we know today. These are very far from perfect, and many mistakes were made as our society developed; but to my mind clear progress compared to the forest-covered Weald and Downs of Saxon times. This, for all its faults, is sustainable development in the Brundtland sense. I believe my ancestors met their needs, and certainly have not prevented my generation from meeting our needs. I bless them and am proud of them, for all their faults and mistakes.

‘*World ecological footprint*’. (see Figure 2).

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**Figure 1**  
**What is sustainability?**

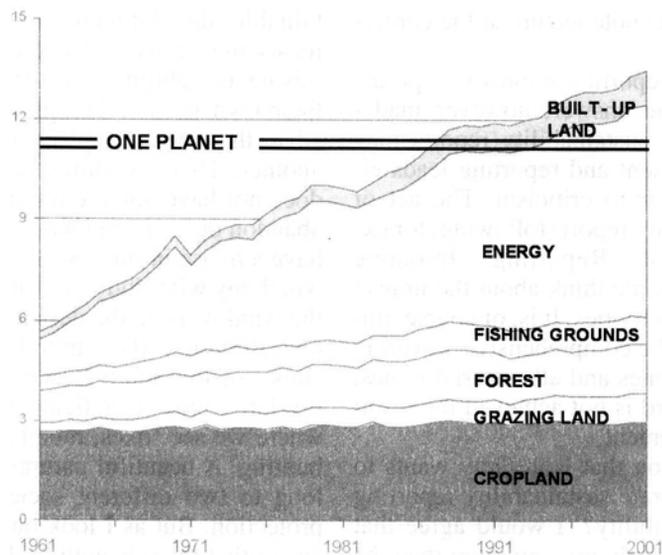
*If we could shrink the world to a village of 100 people, pro-rata there would be 57 Asians, 21 Europeans, 14 from the Western hemisphere, north and south, and eight Africans. Eighty would live in sub-standard housing, 70 would be unable to read, 50 would suffer malnutrition. Six would possess 59% of the world's wealth and all of them would be from the US. Only one would own a computer."*

Reported in EcoSoundings, *Guardian Society*, Wednesday February 14 2001, p8

Sustainability – or more usually sustainable development – is typically defined as development which: 'meets the needs of the present without compromising the ability of future generations to meet their own needs' (United Nations WCED, 1987, p8).

Source: Rob Gray, International ICAEW Information for Better Markets Conference, London, 19–20 December 2005.

**Figure 2**  
**World Ecological Footprint**  
**This is essentially an energy (climate)/population problem**



Source: adapted from Rob Gray, International ICAEW Information for Better Markets Conference, London 19–20 December 2005.

Rob Gray treats us to a catalogue of actual and potential woes in the field of well-being and biodiversity. I simply do not believe that the people of this country actually want to go back to the well-being of the 1970s as the chart of the Genuine Progress Indicator would suggest for the US. That is not to say that there are not significant social and other problems that need to be addressed. Nor is it to say that there are not also significant global challenges which potentially threaten my Sussex idyll. There certainly are. Most of them can be managed relatively easily by sound governance. But a glance at Professor Gray's chart will show that there is one big problem and that is the essential problem of energy. Most of the other lines on

his 'Ecological Footprint' chart are close to flat and therefore relatively easily addressed given sound governance. And even the energy challenge is really a question of climate, not just energy.

There is also an issue of population not addressed directly on the chart, but this is not and will never be addressed directly by corporations – although there is some linkage between economic development and birth rates (note: not between simple wealth and birth rates – for the Saudi birth rate remains high). There is also an issue of biodiversity – but this requires reasonable global preservation of biodiversity to prevent loss of some species, not the prevention of the loss of any habitat or species. The fact that our ancestors eliminat-

**Figure 3**  
**Does sustainability reporting approximate reporting on sustainability?**

Most (96%+/MNCs) companies do not report



Best (of the 4%) reporting approximates GRI



113 companies in accordance with GRI



GRI approximated Triple Bottom Line



TBL Reporting ≠ Sustainability

Source: Rob Gray, International ICAEW Information for Better Markets Conference, London, 19–20 December 2005.

ed the wolves in the UK has not in any way reduced our generation's ability to meet our needs.

There is not a problem with agricultural land nor our ability to feed ourselves – given a solution to the energy issue. The big one is definitely climate – with some population issues.

'Does sustainability reporting approximate reporting on sustainability?' (see Figure 3). Rob is right that there is only a small (but rapidly growing) proportion of companies reporting comprehensively on sustainability indicators, for example in line with the GRI. But small overall impact with rapid growth is not an argument against reporting – similar figures of current small overall impact with rapid growth apply to renewable/sustainable energy and, indeed, to any new and disruptive process.

The statement that Triple Bottom Line reporting is not equal to Sustainability is true for closed loop environmental sustainability. But sustainability is not just the environment – it is a dynamic process in which the needs of society are absolutely fundamental, and in a Darwinian sense if it comes to a choice – which I do not believe it should – it is not surprising that homo sapiens would rate society above some elements of the environment.

'Integrated system, no one party can address alone' (see Figure 4). For the consumer, businesses have to deliver the utility which consumers have come to expect, as well as provide choice. For the voter, the government has to be careful not to restrict choice unduly, nor impose severe tax burdens nor prevent people meeting their aspirations for convenience and comfort. But that is not to let government off the hook. The market on its own will not deliver solutions; we need a framework to guide it. The market is an unsurpassed mechanism for allocating resources to deliver goods and serv-

ices. Through the market, technologies compete and are optimised or discarded, which opens the field for creativity in competing businesses and for consumer choice. I strongly believe in the power and value of markets. But like most things, markets have limitations. Markets will not on their own deliver products which are of no immediate benefit to the individual consumer making his or her choice, even though they may be beneficial to consumers collectively – in other words, society. Markets without regulation would not have delivered unleaded gasoline, autocatalysts or seatbelts and airbags, nor would they in isolation have delivered clean air to London after the killing smogs of the 1950s. The Montreal protocol phased out the fluorocarbons which were damaging the ozone layer, delivering the only global atmospheric success to date. All these benefits needed regulation to channel the power of the market.

Consider the benefit of a regulatory framework mandating steadily increasing vehicle efficiency. Competition to meet consumer preferences for power or space would still take place within the efficiency mandate, but there would be a non-fiscal commercial premium on efficiency which would benefit all.

'Corporations are an important part of the system ...' (see Figure 5). Measuring changes in individual corporate performance is important, but it is the total system we need to work on:

- Individual consumers (and companies) are unlikely to constrain their individual choice purely in the interest of the common good.
- This leads to the 'Bill Ford dilemma', whereby he acknowledged the need to build more fuel efficient vehicles but Ford's most profitable and growing line to meet the choice of consumers

Figure 4

**We are working in an integrated system,  
no one party can address issues alone**

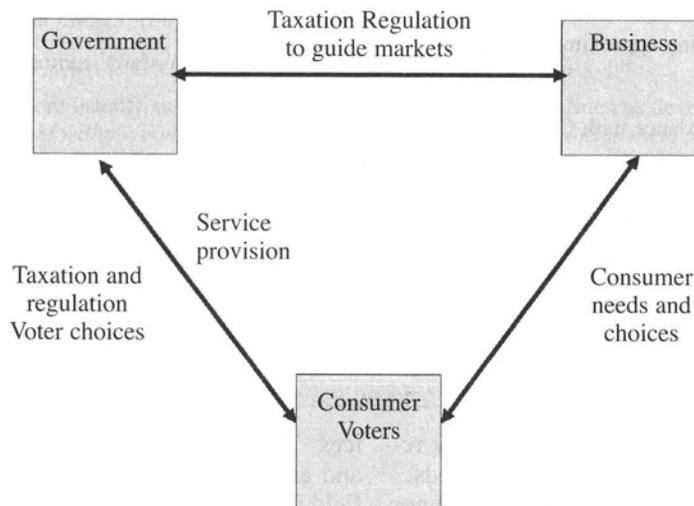


Figure 5

**Corporations are an important part of the system, but ...**

- Measuring changes in individual corporate performance is important, but it is the total system we need to work on. Individual consumers (or companies) are unlikely to constrain their individual choice purely in the interest of the common good
- This leads to the 'Bill Ford dilemma' on SUVs versus energy efficient vehicles
- Consumers (voters) will accept overall constraint (regulation) as long as utility is delivered.
- Within a regulatory framework, the market is the best optimiser
- One does not deduce the 'sustainability' of a system by adding up corporate sustainability indicators – however good But sound reporting builds trust with other actors, influences consumer choice, and highlights ways in which progress can be made.

was large and very resource inefficient four-wheel-drive vehicles or Sports Utility Vehicles (SUVs).

- Consumers (voters) will accept overall constraint (regulation) as long as utility is delivered.
- Within a regulatory framework, the market is the best optimiser.
- One does not deduce the 'sustainability' of a system by adding up corporate sustainability indicators – however good.
- Sound reporting builds trust with other actors, influences consumer choice, and highlights ways in which progress can be made.

*'So what is 'sustainability reporting' if it is not about sustainability?'* (see Figure 6). While I agree with Rob's contention that sustainability reporting on its own will not resolve or address the sustainability of the planet as a whole, it is not true to say that it has nothing to do with sustainability in the Brundtland sense. It allows one to assess the impact a company has on the environment and on society – as well as its economic performance. While this is certainly related to the risks to which a company is exposed, and impacts its long-term commercial viability, that is not the only benefit from reporting. To say it has no discernible link is only true if you define sustainability only in terms of a direct link to total planet sustainability in the envi-

**Figure 6**  
**So what is 'sustainability reporting' about if it is not about sustainability?**

Thus 'sustainability' is about

- The foreseeable future of the business and
- Nothing to do with the state of planet
- Which is excluded from conception.

'Sustainability reporting' conveys an impression of connectivity with sustainability while having no discernible link with it.

*Source:* Rob Gray, International ICAEW Information for Better Markets Conference, London, 19–20 December 2005.

**Figure 7**  
**Conclusions? 1**

- The sustainability of the planet is threatened:
  - The quality and range of this data cannot be ignored
- Un-sustainability arises from
  - Population and economic activity – *negative correlation?*
  - Substantial proportion of which derives from astonishing success of modern company in capitalism *in meeting needs of consumers.*
- Companies and representative bodies claim that modern corporate activity is
  - at best sustainable (*I know of none that do*) or
  - at worst contributing towards a path of sustainable development.

*Source:* adapted from Rob Gray, International ICAEW Information for Better Markets Conference, London, 19–20 December 2005.

**Figure 8**  
**Conclusions? 2**

- There is no evidence of which I am aware that supports this so...
  - **Either** companies need to demonstrate that their claims about sustainability and wider social responsibility are substantiated
    - through substantial and complete sustainability reporting:
  - **Or** companies must stop suggesting/claiming to be sustainable/on a journey to sustainability/contributing towards sustainable development, etc
    - **Because they are not.**

*Source:* Rob Gray, International ICAEW Information for Better Markets Conference, London 19–20 December 2005.

ronmental sense.

In Figure 7 I have added some comments in italics to this slide of Rob Gray. There is probably a negative correlation between economic development and population growth, so we cannot simply state that unsustainability arises from economic activity – important as population growth is on of the threats to planetary sustainability. And we should not forget that the 'astonishing success' of the modern capitalist corporation comes from its efficiency in meeting the needs of consumers –

who after all are components of 'society'. This is not some independent abstract entirely self-serving activity.

I would argue that reporting does make a contribution to the 'path to sustainable development'. If reporting was more complete, and in particular if it spread from companies to governments, as it is doing, it will have a major impact.

In Figure 8, the first bullet point is correct, the second one not so. As I said, reporting is a contribution on the path towards sustainability.

**Figure 9**  
**Conclusions? 3**

**Don't panic!**

- But take it seriously
- Information is needed for markets
  - But also for corporations, civil society + governments.

*This has to be addressed in an integrated way, NOT by companies alone*

- Only substantive reporting will clarify this
- In the vacuum left by the OFR
  - ICAEW call for substantive reporting on sustainability
  - Dismiss empty claims about market forces/address regulation
  - Avoid OFR-lite
  - Help us support the debate by proper data.

*Source:* adapted from Rob Gray, International ICAEW Information for Better Markets Conference, London, 19–20 December, 2005.

Happily, I find myself in agreement with Rob's final slide (Figure 9). I would only add that complete reporting requires local and national governments to report – they could learn something from leading company sustainability reports. Second, I agree absolutely with the need for us not to over

claim for the market, and to thoughtfully encourage the right sort of regulatory framework, without which we will not make sufficiently rapid progress on, for example, transportation.

I should like to thank Rob for a stimulating and thought-provoking paper. I enjoyed it.