The significance of the transparency benchmark on sustainability reporting in the Netherlands

Bob A. Kengen

School of Management

Radboud University Nijmegen

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Abstract

By using the evaluation methodology, this thesis will investigate the significance of the transparency benchmark on sustainability reporting. The transparency benchmark is created by the Ministry of Economic Affairs of the Netherlands to increase the focus on sustainability. Although this goal is admirable, it is problematic because of the multiple definitions of the concept of sustainability and several critical issues for reporting on sustainability stated in literature. This thesis highlights these issues in the theoretical framework and evaluates the criteria of the benchmark according to these issues. Furthermore, the outcome evaluation of the benchmark performed by B&A is analyzed and finally a policy expert from the transparency benchmark is interviewed for clarification of remaining issues. The evaluation shows that, although the transparency and the focus on sustainability in companies and business sectors improved significantly since its introduction in 2004, the benchmark is not able to resolve several critiques from literature as defining sustainability, window dressing and the lack of concrete results on sustainability in the sustainability report. The conclusion is that the benchmark has significant influence on sustainability reporting in the Netherlands, but improvement is certainly necessary for the benchmark to stay beneficial in the future.

Keywords

Sustainability, sustainability reporting, Transparency benchmark, Sustainability development, Triple bottom line

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1 Introduction

1.1 Introduction

Since the mid 90's a societal demand has risen, a demand for reporting on the performance of companies regarding sustainability (De Marchi, 1997). This demand has led to an ever-increasing attention on corporate social responsibility (Berens et al, 2007). The corporate social responsibility led to the sustainability report, an addition to the annual financial report. The sustainability report focusses on the performance of a company regarding factors as "pollution, health and safety, human rights, child labor and other social and environmental issues. (Tschopp, 2005, p.55). The sustainability report helps the companies to address a triple bottom line of economic, social and environmental performance (O'Connor and Spangeberg, 2007). The reports can be used potentially as a way to influence and maximize the reputation of a corporation. "A corporation's reputation among its economically powerful stakeholders is a valuable asset which needs to be protected and developed" (Unerman, 2008, p. 362). The most prominent institution that tries to provide a framework and guidelines for sustainability reporting is the Global Reporting Initiative (GRI). By providing standards, the goal of GRI is to help the communication on sustainability and make the reports more comparable (GRI, 2016). With the improved reporting on sustainability the idea of the GRI is that this should increase the focus on sustainability (GRI, 2016; Aras and Crowther, 2009)

1.2 Problem

However, the assumption that sustainability reporting is an account of the sustainability of a corporation is problematic.

First of all, sustainability is a concept with multiple definitions. To be sustainable can mean compensating for the damage done, or sustainability can mean to leave the world the same state as we are in now and a lot of other definitions of sustainability are and can be used. A more nuanced understanding of the meaning of sustainability is necessary and even if a clear definition can be chosen, it is highly debatable if sustainability can be measured (Gray, 2010).

Because of the complexity of sustainability, it is hard to make rules for reporting on sustainability and without rules, the sustainability reports can be used more as "Greenwash or environmental spins, than as a factual representation of a company's actual position (Tschopp, 2005, p.55). Because there are no rules in place, that assure quality, the reports can be used as a marketing medium (Unerman, 2008).

For example, Boje and Khan (2009) show that Nike in their sustainability reports acts on storytelling, by leaving out the harmful effects and the dark side of their entrepreneurial activities, they provide an incomplete and an overly positive view regarding sustainability.

With regard to the reporting standards, it is unfortunate and also peculiar that there is hardly any research, that shows if coping with these standards as the GRI guidelines leads to actual sustainability. Even more extraordinary is that there is no research that shows that sustainability can even be captured by reporting (Aras and Crowther, 2009). The question rises if it is possible to measure sustainability at a company level and meaningfully report on it (Buhr et al., 2014).

1.3 Research question

With regard to the Netherlands, the Ministry of Economic Affairs has launched a transparency benchmark (transparantiebenchmark.nl, 2016). The benchmark is based on assessment criteria set up by a panel of experts serving the Ministry of Economic Affairs. These assessment criteria determine the standard and if a company wants to score on the benchmark, it will have to adapt their reporting to these criteria. This benchmark is adjusted to the Global Reporting Initiative, the Integrated Reporting Commission and the OESO guidelines. The benchmark measures the transparency of sustainability reports. The goal of the benchmark is that the transparency of the sustainability reports will increase and by increasing the transparency, the Ministry of Economic Affairs wants to improve the stakeholder dialogue about sustainability. The end goal is that the improved stakeholder dialogue will lead to more focus on sustainability (B&A, 2013).

This transparency benchmark has become an important instrument for sustainability reporting in the Netherlands. It is the only instrument that measures the transparency of sustainability reports in the Netherlands and therefore, is has a leading role in this area (B&A, 2013).

With this leading role the transparency benchmark can be an institutionalizing factor for sustainability reporting. This institutionalizing factor stems from the persuasive power called the ethos, a concept founded by Aristotle (Cooper, 1933). Under ethos a person is persuaded by the image or reputation of another party, in this case, the reputation and image of the Ministry of Economic Affairs. The rationale of the general public could be that, if the Ministry of Economic Affairs, with all its expertise, believes that sustainability reporting is useful, it is useful. This can lead to the general acceptance, institutionalization, of sustainability reporting.

However, there are other factors that determine the institutionalizing power of the transparency benchmark.

For instance, if the benchmark remains unknown to the public, if companies do not increase their transparency due to the benchmark, the institutionalizing function is marginalized.

With the criticism in the literature in mind, it is questionable if there are no critical weaknesses in the criteria of the benchmark for the assessment of sustainability reporting.

If the transparency benchmark does not counter the criticism from the literature, the negative effects of sustainability reporting will be institutionalized also, which will lead to negative effects on the focus on sustainability and in the end on sustainability. To know if this statement is correct, there are two questions that needs to be answered. The first question: does the transparency benchmark counter the criticism in literature and if not, to which effects can this lead? The second question: has the benchmark an institutionalizing function for sustainability reporting? These two questions can be captured by the following research question: *What is the significance of the transparency benchmark on sustainability reporting?* The significance depends thus on the institutionalizing function and the possibility of the weaknesses and the resulting negative effects.

1.4 Methodology

By using the interpretative method, this thesis will give a complete and holistic picture of the current state of affairs regarding sustainability reporting and the transparency benchmark. The alternative would be the positivistic method. The main aim from the positivistic researcher is to form an explanation instead of an understanding. The research is objective, with data that is measurable and quantifiable. However, the situation is too complex for quantifiable measures or hypothesis testing. By using the interpretive method, a deep understanding of the transparency benchmark will be given and the context in which it operates. The methodology used is considered as an evaluation methodology. The guideline Davidson (2005) has written, covering the practical and methodological basics for making an evaluation, will be followed. Evaluation methodology is essential for making a thorough evaluation of a certain product as in this case is the transparency benchmark (Davidson, 2005).

1.5 Research design

The first part of the thesis will start with a literature review (chapter 2 Theoretical framework). In this literature review state of the art articles are reviewed to show the most recent literature on what sustainability reporting is, why there is sustainability reporting and its strengths and weaknesses.

The information from this literature review will then be used in the methodology (chapter 4) to operationalize criteria for the evaluation of the transparency benchmark.

After the literature review is conducted, to understand the benchmark, at first an overview of the transparency benchmark is given in chapter 3. An insight is given into the design process; the reasons for making the benchmark, the goal of the benchmark, for who was the benchmark made. After the process of the benchmark is properly captured the process can be evaluated.

How this process will be evaluated is further explained in the methodology chapter (4). The methodology chapter will give a more thorough explanation on the methodology used and the steps that follow for the evaluation of the transparency benchmark. These steps are executed in chapter 5.

The evaluation (chapter 5), is divided into three steps:5.1 the content evaluation (the assessment criteria), in the first step the criteria that are formed based on the literature review are used to do the evaluation of the criteria of the benchmark, 5.2 the outcome evaluation (the performance of the benchmark) and 5.3 the expert view (interview) (Davidson, 2005).

When all of the three steps are done, an overall conclusion will be drawn regarding the significance of the transparency benchmark in chapter 6.

1.6 Relevance

To be useful this thesis needs to overcome the utilization problem (Van Aken, 2004). meaning that the researchers doing practically relevant research have to answer to two reputation systems: *"the academic reputation system, which rewards rigorous research; and the professional reputation system, which rewards relevant research outcomes (...)"* (Van Aken, 2004, p. 222). However according to Van Aken (2004), this is not a dilemma, it is a hurdle. Both criteria of academic and relevant research need to be met, making it both relevant scientifically and practically.

By evaluating the usefulness, the evaluation gives the Ministry of Economic Affairs and other benchmarks a better view on their product and gives them the opportunity to learn on its strengths and weaknesses, which makes it practically relevant (Pawson and Tilly, 1997).

Next to this practical relevance for the for policy makers, the thesis also has scientific relevance. Through science the problems surrounding sustainability reporting are captured. The source of the problem is known, this has been the description phase (Van Aken, 2004). Now, complementary to description research, prescription research is necessary. At first the literature on sustainability was transformed from the theoretical realm to the practical realm.

In this practical realm the theory is captured in guidelines and based on these guidelines the transparency benchmark is performed. (GRI, 2014; Transparantiebenchmark 2016). For science this bridge from science to practice is relevant, it portrays how literature can be instrumentally used (Van Aken, 2004). It is also relevant to show if the problems that exist according to the critical theorist on sustainability reporting are relevant in practice, both for the creators of the guidelines and for the critics.

2 Theoretical Framework

The theoretical framework is divided in three paragraphs. The first paragraph introduces what sustainability reporting is. In this paragraph the basic concepts are explained, the context, the history of the benchmark and the most important institution for sustainability reporting; the Global Reporting Initiative. After reading this paragraph the reader has a brief, general understanding of sustainability reporting.

In the second paragraph the reasons for reporting on sustainability are set out. The second paragraph will address why companies would engage in sustainability reporting, what are the company's motives and which incentives are there? The motivations a company has are important because they influence the attitude a company has regarding sustainability reporting.

In the third paragraph the effects that sustainability reporting have on sustainability are set out. The paragraph will start with the positive effects. After the positive effects are discussed the reasons that make it so hard to report on sustainability are discussed. These reasons can be considered to be weaknesses of sustainability reporting. These weaknesses can lead to negative effects which are summarized in the end of the paragraph.

2.1 What is sustainability reporting

The purpose of this first paragraph of the theoretical framework is to introduce sustainability reporting. The developments leading to sustainability are shortly summarized to provide an overview of the history and an elaboration is made on what sustainability reporting is, the meaning of the concept, the content of a sustainability report and the aspects it covers. Finally, the Global Reporting Initiative is discussed which is responsible for the most widely used guidelines on sustainability reporting.

2.1.1 What caused the increased focus on sustainability

In the field of economics, 'sustainable' is often used to portray *"the process of conducting business in ways that protect Earth and its inhabitants from irreparable damage caused by human activities"* (White, 2016, p. 1). The damage that has been done has several economic and social effects for current and future generations. The behavior of humanity in the age of globalization leads to detrimental effects for the earth and its inhabitants. Initially by ignorance, the earth's resources where used in the past century, without taking in consideration the effects on future generations.

With a world population of over 7,4 billion people which is still increasing at a growing rate of 1,13% (Worldometers, 2016), *"meeting the wants (e.g., automobiles, televisions, computers) and needs (e.g., clean air and water, food) of the world's population is becoming a more difficult problem"* (White, 2016, p. 1) An important warning is given by the Global Footprint network. The Global footprint network is a non-profit organization that measures the human impact on earth. In their most recent report they show that:

> *Today humanity uses the equivalent of 1.6 planets to provide the resources we use and absorb our waste. This means it now takes the Earth one year and six months to regenerate what we use in a year.*
>
> *Moderate UN scenarios suggest that if current population and consumption trends continue, by the 2030s, we will need the equivalent of two Earths to support us. And of course, we only have one.*
>
> *Turning resources into waste faster than waste can be turned back into resources puts us in global ecological overshoot, depleting the very resources on which human life and biodiversity depend. Visually demonstrated in figure 1* (Footprintnetwork, 2016, World footprint)

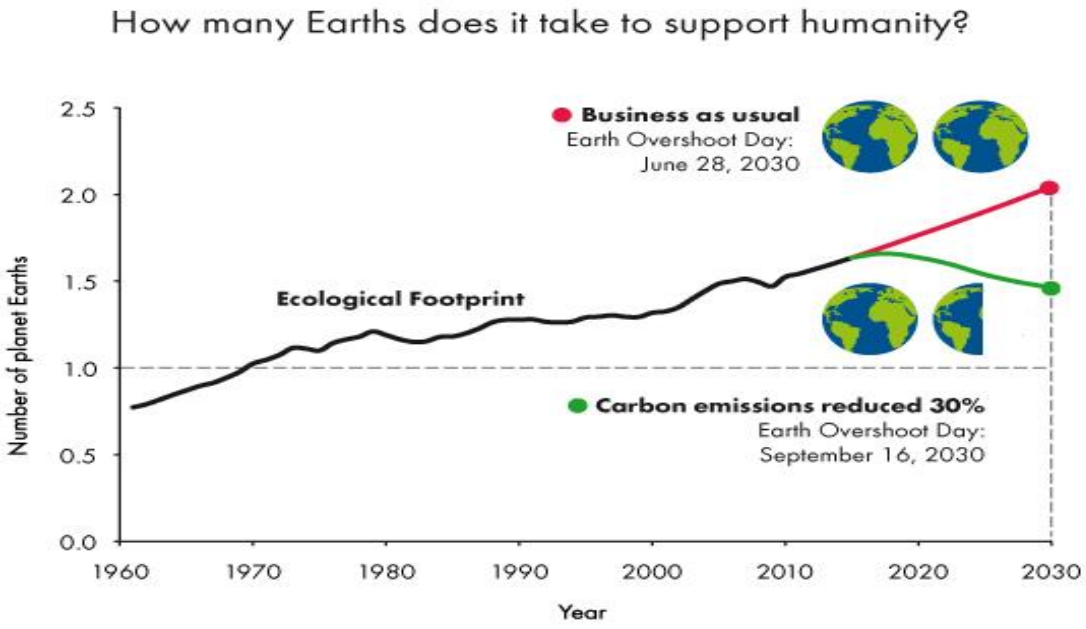

Figure 1. **How many Earths does it take to support humanity? Retrieved from http://www.footprintnetwork.org/en/index.php/GFN/page/world_footprint/**

In the early 1980s the growing evidence started showing the environmental damage caused globally by human activity (White, 2016). The General Assembly of the United Nations founded the World Commission on Environment and Development (WCED, 1987).

The commission was founded to provide *"a global agenda for change"* (WCED, 1987, p. 5). The main goal was:

> *"To help define shared perceptions of long-term environmental issues and the appropriate efforts needed to deal successfully with the problems of protecting and enhancing the environment, a long term agenda for action during the coming decades, and aspirational goals for the world community"* (WCED, 1987, p.5).

This important group was led by the prime minister of Norway (1981-1986); G.H. Brundtland. Later this group became well-known as the Brundtland Commission. The Commission provided an analysis and recommendations with as major theme the link between poverty, inequality and environmental degradation. They aim to provide an era of economic growth, *"growth that is forceful and at the same time socially and environmentally sustainable"* (WCED, 1987, p. 7). Businesses and countries were encouraged to work together to help the environment. One important contribution the Brundtland commission made, was to form an extensive definition of sustainability.

This definition is widely used in the field of sustainability (Bebbington et al., 2014). Sustainability is: *"meeting the needs of the present without compromising the ability of future generations to meet their own needs' (WCED, 1987)"* (Buhr et al, 2014, p. 52). Alongside the Brundtland commission, people all over the world expressed their concerns about the damage to the environment and the effects on their lives (White, 2016).

Focusing globally, the developed and undeveloped countries are different in their approach and effects on sustainability. The undeveloped countries use resources in unsustainable ways, for example trees are cut for cooking fuel but are not replanted (White, 2016). In the developed countries the growing technology improved the standards of living at the cost of the environment. The improved technology led to more consumption and an increased use of fossil fuels (White, 2016). This shows that in both the developed and undeveloped countries there is a need for a better approach towards sustainability.

A question arising given sustainability is if alleviating poverty and securing the environment are compatible. One would assume that increasing the resources in the undeveloped countries would relieve poverty, however it would alongside the relieving of poverty tremendously increase the effects on the environment. Research, however shows that relieving poverty and sustainability are not inherently incompatible. Raworth (2012) shows that data for some critical dimensions of deprivation indicates that bringing every person alive today above the social norm could be achieved with strikingly little additional resources.

For instance, with regard to food: *"providing the additional calories needed by the 13% of the world's population facing hunger would require just 1% of the current global food supply"* (Raworth, 2012, p. 19). The data also shows that the impact of the wealthy is disproportionate with regard to their consumption and carbon emissions (Raworth, 2012). So a more sustainable world can be achieved with a combination of alleviating poverty and securing the environment.

2.1.2 History of sustainability reporting

The history of sustainability reporting started from a long history of investors' investment strategies that include an evaluation of financial and non-financial measures (White, 2016). From the 1970s the focus was increasing on social responsibility and on employees and unions (Bebbington et al., 2014). In 1980, awareness started to grow on sustainability with the growing evidence showing the effects of humanity's detrimental behavior. Bebbington et al. (2014) show the social responsibility disclosure found in the annual reports of the fortune 500. At the time in 1978 only 1 percent reported on social responsibility, in 1976 7 companies and 6 in 1977. From the 1990s the focus on pure social reporting faded and sustainability reporting blossomed.

To counter the public's negative view many corporations started to engage with their shareholders by issuing CSR (corporate social responsibility) reports (White, 2016). The corporations understood rapidly that showing off their positive social and environmental behavior created financial benefits. To guide the sustainability reports, guidelines where developed since 2000. The most influential guidelines are the guidelines from the Global Reporting Initiative. These Guidelines have been published and regularly updated since 2000. After an introduction of what corporate sustainability accounting and reporting is, the Global Reporting Initiative will be explored. In 2015, after 30-40 years of sustainability reporting, an enormous increase of the reports can be detected. A survey from KPMG (2015) shows that now more than 90% of the G250 (250 largest companies in the world) issue a sustainability report in great contrast to the 1% in 1978.

2.1.3 What is Corporate Sustainability accounting and reporting

Dow Jones Sustainability Indices (DJSI) definition corporate sustainability:

> *Corporate Sustainability is a business approach that creates long-term shareholder value by embracing opportunities and managing risks deriving from economic, environmental and social developments. (DJSI, 2016, corporate sustainability)*

The DJSI definition is one of several definitions for corporate sustainability. The definitions have in common the long-term focus of an organization on its environmental, economic and social impacts (White, 2016). The linking of these 3 dimension is known as the Triple Bottom Line way of thinking (Elkington, 1997). Another important aspect is the interactive relation of the tree dimensions. The TBL can be visualized in the sustainability triangle. The triangle visualizes the three perspectives by showing the three goals and their relationships. An example of the triangle is made by Schaltegger (2006, p. 8) and is shown in figure 2.

Figure 2. **The sustainability triangle by Schaltegger, 2006, p. 8**

The corners represent effectiveness and the lines represent efficiency. Effectiveness is the goal whenever management attempts to improve a single dimension of the sustainability triangle (Schaltegger, 2006). Effectiveness can be measured in absolute numbers and indicators. Efficiency, by contrast, describes the relation between different dimensions (Schaltegger, 2006). Efficiency is therefore measured in relative indicators or in ratios. By the two definitions this triangle is useful in determining if a combination is merely effective, efficient or both.

The corners represent the effectiveness on environmental, social and economic. The environmental dimension refers to the material impact on air, water and land (White, 2016). For a manufacturing company, the entire life cycle of the product from development to final disposition is evaluated. This evaluation makes it possible to choose the least costly alternative. The social dimension represents the impact on employees, consumers and the society in general (White, 2016). Finally, the economic dimension represents the material financial impact on communities, employees, governments, charities and others that are directly affected (White, 2016).

Different stakeholders are involved in the 3 dimensions. The actions of corporations affect a wide range of individuals, groups, and countries.

Next to the shareholders the corporations are now also paying attention to the stakeholders, asking the corporation to be more transparent in their actions about corporate sustainability. The stakeholders involved and forces driving corporate sustainability will be discussed extensively in paragraph 2.2.

The focus of the sustainability reports usually lies more on the processes than on the end state, representing a process of continual development towards sustainability (Schaltegger et al., 2006). The sustainability reports can be useful both for internal users and for external users (White, 2016; Schaltegger et al., 2006). Internally, the sustainability reports help the companies to identify and manage the impacts from processes, products, services and activities on sustainability. In this context, information about sustainability impacts and sustainability performance can help managers to incorporate deliberative, sustainable thinking into their decision-making, planning, implementation and control activities (Schaltegger et al., 2006). Externally, the reports give a more transparent view of the corporation's environmental, economic and social impacts.

2.1.4 The Global Reporting Initiative

Since 2000 the worldwide leader of voluntary standards on sustainability reporting is the Global Reporting Initiative (GRI) (Reed et al., 2013). With over 23 thousand reports in more than 90 countries all over the world, the GRI is broadly accepted and widely used (GRI Database, 2016). The GRI's sustainability guidelines were founded with the idea to help corporations to report on the economic, social and environmental performance and with this increase the accountability of the corporations (Moneva et al., 2016). By making guidelines the reports can be more standardized.

The underlying idea of this standardization is that it makes it possible to compare reports with others and it makes benchmarks and rankings possible (Reed et al., 2013). The founders of the guidelines saw a need from stakeholders in the society for more influence on sustainability. There was however a large resistance among the powerful corporations against reporting on sustainability. To increase the acceptance, the guidelines were developed through a global multi-stakeholder process (GRI, 2015). This meant that they had to create a win-win frame, which was sufficient for all the stakeholders. With this win-win frame the GRI was able create such a large amount of followers they have today (Reed et al., 2013).

Since the first full version of the guidelines in 2000 the guidelines have been developed through an extensive process involving professionals from all over the world (GRI, 2016).

Because of this global development and extensive process, the GRI is a globally relevant framework, encouraging transparency and consistency, which is necessary for the information to be useful and credible (GRI, 2016). The guidelines are periodically reviewed to keep them as up-to-date as possible. The most recent version of the guidelines is the G4. The aim of this update is: *"to help reporters prepare sustainability reports that matter, contain valuable information about the organization's most critical sustainability-related issues, and make such sustainability reporting standard practice"* (GRI G4, 2015, p. 3). The vision of the GRI is: *"to create a future where sustainability is integral to every organization's decision making process"* (GRI, 2016, Vision, Mission and Beliefs).

This integrating of sustainability into the decision making process leads to a cooperating organization of the GRI; the International Integrated Reporting Council (IIRC). In 2013 the GRI and the IIRC strengthened their cooperation on sustainability reporting (GRI, 2013). The IIRC helps organizations to think, plan and report the story of their business by integrated reporting. Integrated reporting is: *"concise communication about how an organization's strategy, governance, performance and prospects, in the context of its external environment, lead to the creation of value in the short, medium and long term"* (Integrated reporting, 2016, What).

According to the IIRC, by integrated reporting the organizations are able to provide a clear, concise and integrated report that explains how all their resources are creating value. This helps the organizations to think holistically about their business strategy and their planning (Integrated reporting, 2016). The integrated reports, are in contrast to the GRI (standards-based), principle-based (Busco et al., 2015).

The integrated report provides information to make informed decisions and manage risks to build investor and stakeholder confidence.

The vision of the IIRC is that integrated reporting can increase the focus on wider goals of financial stability and sustainable development (Integrated reporting, 2016)

2.1.5 Summary

Overconsumption of earth's resources has led to a detrimental impact on the world and its inhabitants. This led to an increased awareness of the environment. From the 1970s onward this awareness of the environment led to the reporting on environment issues.

Later the Brundtland commission was established which was a major driver for the organisation of sustainability reporting. By forming a definition and setting an agenda for change it made an enormous impact on the progress. Next to the Environment, also the social factors were taken into account in the current sustainability reporting.

By the TBL approach the focus is on Economic, Environmental and Sociological. To be sustainable the corporations need to be both effective and efficient in the three aspects of TBL. From 2000 onwards the Global Reporting Initiative started becoming an important provider of international guidelines. Now they are the most used guidelines on sustainability reporting. Their largest success was creating a win-win frame, which led to the wide acceptance of the guidelines by the corporations. The GRI guidelines lead to standardization and with that made benchmarking possible. The latest development is integrated reporting, led by the International Integrated Reporting Council. The idea behind integrated reporting is, that it makes more informed decision-making possible, because of the holistic picture that it provides.

2.2 Why report on sustainability

This paragraph will address why companies would engage in sustainability reporting, what are the company's motives and which incentives are there? At first the theories are addressed which explain why the companies report on sustainability. These theories address the underlying drivers.

After the theories are discussed, the motives for the companies are set out. There are three basic motives: Compliance driven, profit driven or care driven and next to these basic motives, a combination of the three is also possible. It is important to know which motivation a company has, because different motivations can lead to different incentives and different ambitions.

The different ambitions or incentives can lead to a different intent or a different message in mind, which leads to different ways of reporting on sustainability.

The final step is to explain the more operational benefits where sustainability leads to, like a better brand positioning or an increased consumer base and market share.

2.2.1 Underlying theories explain sustainability reporting

Several theories are employed to explain the motivation for sustainability reporting. The most popular are the following theories according to Buhr et al. (2014, p. 59).: *"accountability, legitimacy, political economy, stakeholder and institutional theory"*. A closer look at these theories reveals that they are not all independent theories.

Institutional, legitimacy and stakeholder theory can be placed under the framework of political economic theory, see below (Gray, 1996). For an organization to gain legitimacy it needs to adapt to the institutional pressures, so legitimacy theory is also depending on institutional theory. Accountability builds on the stakeholder theory and can therefore be placed under the stakeholder theory. The order of Buhr is adjusted and represented in the following representation to show the layers of the theory (Buhr et al., 2014, p. 59):

- *Political economic theory*
    - *Institutional theory*

      ↕
    - *Legitimacy theory*
    - *Stakeholder theory*
        - *Accountability theory*

Now, the relevant parts from the theories focusing on sustainability reporting will be discussed.

Political economy theory

According to the political economy theorist the decision of a company to disclose information depends on a wide range of interconnected political, social and economic influences (O'Donovan, 1996). The political economy study believes in the power of different theories. It does not concentrate exclusively on economic, social or political phenomena. To analyze a situation one must know in which institutional context it happens. What is the influence of the government, the regulator and law for instance (Gray, 1996)? What are the social and political pressures involved? The core of the political economy theory is that economics cannot be studied in isolation.

With this in mind legitimacy theory and stakeholder theory (discussed later) need not to be seen as competitors for explaining sustainability but as complementary sources with different perspectives (O'Donovan, 1996). They enrich the known knowledge.

Institutional theory

An organization interacts with its surroundings. Institutional theory focusses on the interaction between society and the organization. Institutions as the Global Reporting Initiative, the International Integrated Reporting Council and the United Nations have a large impact on sustainability.

By setting goals or providing standards these institutions influence the sustainability reporting. Because of the early state and the complexity of sustainability there are almost no laws existing or regulators, therefore these institutions, for now, have almost no influence. Governments can and do however have a large influence on sustainability reporting. The research subject for the evaluation is an example, the transparency benchmark in the Netherlands performed by the Ministry of Economic Affairs. By measuring the transparency, the companies are encouraged to be more transparent and in this way the government influences sustainability reporting (Transparantiebenchmark, 2016) and promotes the institutionalization of sustainability reporting.

Legitimacy theory

One of the explanations for environmental disclosures is legitimacy theory. Legitimacy theory believes that corporations, in order to operate successfully, *"must act within the bounds of what society identifies as socially acceptable behavior"* (O'Donovan, 2002, p. 344). The theory is based upon the notion that businesses operate in society via social contracts (Guthrie and Parker, 1989). This social contract means that the existence of corporations depends on the willingness of society to allow them to operate. Therefore, actions of corporations need to be perceived as socially desired actions, will society accept their objectives (Guthrie and Parker, 1989).

Hence, by voluntary reporting on sustainability, a form of legitimizing, the corporation wants to secure its continued existence by influencing societies opinion positively (Guthrie and Parker, 1989). So, even if a corporation acts unsustainable, the management will try to counter the negative impacts by disclosing additional information, to legitimize the unsustainable act (Wilmhurst, 2000).

Stakeholder theory

According to stakeholder theory, not only shareholders but the broader group of stakeholders is important in decision making

As discussed in paragraph 2.1.3 the role of the stakeholders has grown. The stakeholder is the whom a company reports to. It may be helpful to first define what a stakeholder is. *"Stakeholders of an organization are any individuals or groups that are either affected by or can affect the operations of that organization"* (Rinaldi et al., 2014, p. 86). These stakeholders are involved in a number of ways.

According to Thomson and Bebbington they are involved by (2005, p. 517):

"Identifying what issues are important to report, how well the company has performed on specific issues and how to communicate this performance … stakeholders' engagement describes a range of practices where organizations take a structured approach to consulting with potential stakeholders".

For a report to be useful it is important to know to whom it is addressed, so the stakeholders have to be identified. The most common stakeholders: are shareholders, investors, insurers, banks, customers, suppliers, employees, trade unions, NGOs and the media (Bebbington et al, 2014).

Which stakeholders will be taken into consideration, depends on the motives of the managers responsible for sustainability reporting (Rinaldi et al, 2014). For example, a manager focusing on maximizing shareholder value will focus on those stakeholders that have the largest influence on the economic goals of the company, in contrast to the manager with motives based on the moral responsibilities, who will focus on a broad range of stakeholders.

Accountability

The well-known agency theory explains the relationship between the principal and the agent. The principal is the party who delegates the work to an agent who performs the work. In this situation two problems can arise (Eisenhardt, 1989). The first problem is when the principal and agent have different needs. How can the needs be aligned? The second problem is the existence of information asymmetry (Eisenhardt, 1989). Information asymmetry happens when the agent has more information than the principal. For the principal it can be hard to assess what the agent is doing because of a lack of information.

The modern agency-theory also acknowledges stakeholders as principals (Hill and Jones, 1992). When the management of the company and the stakeholders have different goals there is an agency problem. To be able to influence the decisions of the management, the stakeholders need transparent information about the activities and performance of the companies (Lindberg, 2009). This information can be derived from the sustainability report. The stakeholders can demand a sustainability report and can use it to hold the company accountable for their activities.

2.2.2 Motives for reporting

Resulting from these theories the motives for sustainability can be shown. Two important contributions mapping the motives can be found. Buhr (2007) shows the rationales for sustainability reporting. Miles and Munilla (2005) in another framework combine the motives from van Marrewijk (2005) with the most important CSR categories given by Carroll (1991). For this thesis the framework from Miles and Munilla (2005) is used to portray the motives, because Buhr (2007) gives a less clear explanation of the motives and Miles and Munilla as an addition also use categories from Carroll, which makes the framework clearer. The framework of Miles and Munilla (2005) is shown in table 1 on the following page. For completeness, Buhr is added to the appendix[2].

Van Marrewijk's (2003) framework determines 5 interpretations of the ambition levels of sustainability reporting. Sustainability reporting can be, compliance driven, profit driven, driven by caring, synergetic or holistic.

The framework of van Marrewijk is combined with Carroll's (1991) Pyramid of Corporate Social Responsibility (Appendix 3). In this pyramid 4 responsibilities are shown (Carroll, 1991, p.42) [3]. Legal (to obey the law), economic (to be profitable), ethical (the obligation to do what is right, just, and fair and to avoid harm), the top layer philanthropic (to be a good corporate citizen, contribute resources to the community, improve quality of life).

CSR ambition level	Motives (Van Marrewijk, 2003)	CSR Category (Carroll, 1991)
Compliance driven	Duty to society, CSR as a social obligation – perception of CSR expenditures as a simply a cost. Economic responsibility is paramount.	Legal
Profit driven	CSR as a strategic initiative – using CSR to create competitive advantage and superior financial performance. CSR expenditure perceived as an investment in the creation and renewal of competitive advantage – resulting in an enhanced stream of future profit.	Economic
Caring	Economic responsibility is paramount. Using CSR to balance the triple bottom line of profits, people and planet. Explicitly stating that the corporation will manage for social welfare, not simply to create wealth for shareholders. Social and/or environmental trumps economic responsibility.	Ethical and philanthropic
Synergetic	Use of CSR to attempt to create a "sustainable corporation" – that will be able to be an ongoing concern over the long run. Social and/or environmental responsibility I strategically used to create competitive advantage and meet the corporation's economic responsibilities.	Economic, legal, ethical and philanthropic
Holistic	CSR as a corporate culture – similar to when firm adopts a marketing, entrepreneurial, or quality orientation. Social and/or environmental responsibility is strategically used to create competitive advantage and meet the corporation's economic responsibilities.	Economic, legal, ethical and philanthropic

Table 1. **The Interrelationship of Van Marrewijk's (2003) CSR Framework and Carroll's (1991) Pyramid of Corporate Social Responsibility (Miles and Munilla, 2005, p. 377)**

2.2.3 Benefits of reporting

Now the motives are clear, the benefits are addressed. These benefits are the upsides of being sustainable, or more important, appearing to be. Reporting on sustainability can bring the organization a broad range of benefits. According to Aras and Crowther (2009) the rewards can be both financial and non-financial[1]. Research and experience of Kotler and Lee (2005) show a range of benefits for the companies for reporting on sustainability. According to Kotler and Lee, a company should report because it looks good and growing evidence shows that sustainable companies last longer. The benefits Kotler and Lee (2005) show are:

Increased consumer base and market share: companies can benefit from connecting themselves to a cause. Involvement in the social cause increases brand preference under potential buyers.

Strengthened Brand Positioning: consumers are now looking further than the practical implications of products, they are now looking at the top of Maslow's pyramid, Self-realization. Where does the brand believe in?

Improved Corporate Image and Influence: the reports written about the company will lead to positive press if the image is positive. Their positive image will also improve their place in politics.

Easier to attract, motivate and retain employees: it can have a positive effect on prospective and current employees. If the company is doing good, the employees can be proud of the company. Employees stated that they would even accept lower wage if the company was socially responsible.

Lower operating costs: the decrease in operating cost can be derived from grants and incentives as a result of corporate social initiatives. Also the free publicity makes advertising less required.

Increased access to capital and better image for the financial analysts: it is easier to attract new investors if the risk a company has is lower.

2.2.3 Summary

This paragraph shows that that there are plenty of benefits for reporting on sustainability and to attain these benefits the companies needs to appear sustainable. There are several theories employed to explain why a company reports on sustainability. The most applicable are legitimacy theory, stakeholder theory and accountability. According to legitimacy theory reporting on sustainability gives companies a license to operate.

Stakeholder theory and accountability show the importance of the stakeholder dialogue and good stakeholder dialogue is only possible when the right information is provided by reporting.

Which stakeholders the company finds important depends on the perspective that the company has and this perspective, depends on the drivers. The literature shows that the drivers for a company to report can be compliance driven, profit-driven, caring, synergetic and holistic. When for example the company is profit-driven, it will focus on the stakeholders that drive profit, while the holistic company will try to address a broad category of stakeholders.

2.3 What are the effects of sustainability reporting

The desired effect of sustainability reporting is enhancing the dialogue between the stakeholders and corporations to lead the corporations to a more sustainable way of doing business. The paragraph will start positively, by showing the positive effects sustainability reporting can have. After this the flaws of sustainability reporting will be discussed. These flaws are divided in three points of critique: defining sustainability, the incompatibility of the 3 aspects of the triple bottom line and the problematic relationship between sustainability reporting and actual performance. The negative consequences of these flaws will be addressed in the next step. An important institutional force which is not mentioned in the earlier paragraphs, is the assurance sector. The assurance sector can possibly counter some negative effects, therefore this assurance sector is explored briefly. Finally, alternatives to the current sustainability reporting are discussed.

2.3.1 Positive effects

In 2.2.1 the positive effects for the company are already mentioned. In this part the positive effects of sustainability reporting regarding sustainability will be shown.

Sustainability reporting gives stakeholders the ability to judge the sustainability activities of corporations. It opens up the dialogue between the companies and the stakeholders. Despite of the problems regarding sustainability, corporations are now realizing that acting socially responsible makes business sense and that engagement with the stakeholders can improve the economic performance of the corporation (Burritt et al., 2002). If sustainability reporting is capable of measuring the actual performance of sustainability than even the corporations that are motivated by profit will also act more sustainable to attract more profit.

For internal reporting accounting information on sustainability can help managers increase the organizations sustainability.

Management and accounting theorists argue that the accounting information provides a basis for assessing and managing actions regarding sustainability (Burritt and Schaltegger, 2010). If the management uses the sustainability accounting for internal purposes, there are less misleading incentives than there are for external reporting. Busco et al. (2015) state that although the integrated reporting did not lead to a fair representation, internally, it was the driver behind the discussion about sustainability. Busco et al. (2015) believe that a wrong representation is only problematic if it puts constraints on the discussion. If the concept is enabling, discussing it can improve sustainability. So in this way sustainability reporting can be useful in improving the internal management.

2.3.2 What makes it so hard to report on sustainability

There are several reasons that make it hard to report on sustainability. They can be categorized in three main categories: The definition of sustainability is ambiguous, the triple bottom line aspects cannot be integrated and the relation between the reporting on sustainability and the actual performance is problematic. The different reasons falling under the categories will be explained. The ambiguous definition will be discussed first, because this is the most important reason according to the literature.

Defining sustainability

Among the reasons why sustainability is so hard to measure and report on, the most important according to literature is that the definition, the meaning, of sustainability is not clear (Ortiz Martinez and Crowther, 2005).

The language and definition of the term sustainability are largely contested (Gray, 2010). While under the mainstream perspective on accounting, accounting is merely an instrument, the interpretative perspective sees the accounting system as an actor, which will both communicate and constitute reality (Van der Meer-Kooistra & Vosselman, 2012). If the wrong definition of sustainability is used for reporting, it has impact on the framing of the situation in practice. By interaction with the actors in the network, accounting can have a lot of influence and if the wrong definition or the wrong framing is used this can change the way we think and communicate about sustainability. This shows the importance of the right definition of sustainability.

Since the GRI is cooperating with the IIRC, integrated reporting is promoted. However, the IIRC believes that sustainability reporting is at its best when companies can give their own version of what sustainability is (Busco et al., 2015). This however gives room for companies to manipulate the reader.

It is crucial that with corporations involved, that the meaning of sustainability does not get lost in the trappings of corporate speak (Hawken et al., 2013).

In this thesis the definition from the Brundtland report is already mentioned, this is however not the only definition. Sometimes the term sustainability is used, merely meaning that the corporations continues to exist (Aras and Crowther, 2009). This confusion is made worse by the management literature who used this definition over the past 30 years (Aras and Crowther, 2009).

Another confusion around the definition of sustainability is the difference between sustainability and sustainability development. Sustainability and sustainability development are two different things, while often used interchangeably (Aras and Crowther, 2009). For the purist, sustainability means the ability to continue in an unchanged manner. Often however, by sustainable it is meant to develop in a sustainable manner (Aras and Crowther, 2009). In the beginning of this thesis the definition from Buhr of sustainability is given. The definition is quoted from the Brundtland report (1987). What Buhr et al. (2014) did not mention in their definition is that the Brundtland report does not give a definition of sustainability, the original definition is*: "Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs"* (WCED, 1987, p. 41). By leaving the part "development is development" out the authors use the definition of sustainability development for the definition of sustainability.

With the term development the Brundtland commission meant economic growth. *"What is needed now is a new era of economic growth - growth that is forceful and at the same time socially and environmentally sustainable"* (WCED, 1987, p.7). This growth (development) is not a necessary nor desirable element for sustainability. It can still be desirable in certain cases, it is however not an integral aspect of sustainability (Daly, 1996). The critique on the Brundtland report is that sustainable development is still the goal. Their goal is to propose long-term environmental strategies for achieving sustainable development (WCED, 1987). While the Brundtland definition is quite comprehensive, it lacks a goal of commitment to sustainability and it leaves open the question of what it is that can and what must be sustained (Milne and Gray, 2013). The report also leaves unaddressed issues of footprints, carrying capacities, equity and social justice (Gray 2006; Gray and Bebbington 2000).

With the different definitions it depends on the stakeholders which one is most appropriate. The corporate responsibility is subject to contradictory and competing needs from the in- and outside of the corporation, which makes it hard to respond to all the needs involved (Mintzberg, 1983).

The same applies to sustainability; sustainability itself relates to a state, a way of being. There is no single sustainable position, there is no way of saying that we have or have not arrived at that place (Gray, 2010). *"Politics, preferences, knowledge, religion and spirituality, understanding of the planetary ecology, morality and so on are all ingredients in any sustainable solution such that a chosen notion of sustainability is a collective outcome of all of these personal value judgments"* (Gray, 2010, p. 57). The stakeholders involved determine the definition of sustainability, however with multiple stakeholders involved this is very complex and can even be impossible. Arrow (1977) goes to the heart of the matter; stakeholder engagement when no unique social preference function can be derived leads to the need for political solutions.

In addition to the definition issue, there are also issues about how to operationalize the goal of sustainability. This is complex because the interests of the future generations need to be weighed in contrast to the present generations (Milne and Gray, 2013). What is ignored in the reports is the issues of what is the earths carrying capacity, what is the current global footprint and to what extent is social justice desirable (Gray, 2006). Even more neglected is the question to the scale of development and the limits to it (Gray, 2006).

The three aspects of triple bottom line are incompatible

How can the social, economic and environmental be integrated. In paragraph 2.1 it is claimed that sustainability can be achieved without comprising the one over the other on world level. However, for the corporations it is the question whether the three aspects of TBL can be integrated. Norman and Macdonald state that the three aspects are not and cannot be mutual supportive and as a management goals, achieving all three is impossible. The same is stated by Gray and Milne (2004), the ecological and societal objectives will rarely coincide with the organizational boundaries.

Relation sustainability reporting and actual performance:

Reporting on sustainability and the actual performance of a corporation are not the same at all (Hooghiemstra, 2000). The clearly ludicrous situation, is that the one thing that one cannot extract from a sustainability report is how the corporation is performing on sustainability (Milne and Gray, 2013).

The reports are not reporting on sustainability, they are reporting on the unsustainability of a corporation (Milne et al., 2009). Many firms report on the processes initiated to reduce the adverse impact, but few (if any) describe the gap between what they do and what is considered sustainable (Milne and Gray, 2013). Milne and Gray (2013) say that the reader is left in the dark about this 'sustainability gap'.

2.3.3 The negative effects of sustainability reporting

Now the most important problems and difficulties sustainability reporting faces are identified it is time to address the consequences they lead to.

The argument is that corporations are not really addressing the sustainability issues, they are merely creating an image of sustainability (Aras and Crowther, 2009). The (un)sustainability of companies the companies remains unchanged, the only change now is that the companies report about it. By using smart phrases and pervasive narratives the corporations try to convince the reader that the company is acting sustainable (Gray, 2010). Of course, this is embraced with open arms by the corporations. The main example are the oil companies. Aras and Crowther (2009) take as example BP, which has a large focus on sustainability reporting. Their report focusses entirely on renewable energy. This makes BP seem like a highly sustainable company, although renewable energy is only a very insignificant part of their actual operations. Another example is cited by Gray (2010). *''Our approach: As an organisation, we believe that sustainable growth in shareholder value is best achieved through sustainable business practices"* (United Utilities Plc Our Company 05: Stakeholder Report 2005, p. 4). These claims are commonly used, and like many reporting narratives they provide no evidential basis for the statements while the company can pretend to be really doing their best. The report is used as a device for corrupting thought (Orwell, 1970). This leads the readers to accept the projected reality and not think of the other reality behind it.

By doing this, the report distracts the attention of the real issues. The literature is increasingly showing that most business reporting on sustainability has little to do with sustainability (Gray, 2010). The companies account for what they would like sustainability to be, instead of for what is considered to be sustainable. Because the organizations have a large influence in shaping what is considered to be sustainability, the wrong meaning is used and by doing this, the concept of sustainability is weakened and largely trivialized (Gray, 2010).

Therefore, there is no real change, it is the illusion of change. Relying on sustainability reporting in the current state will not save the environment. The companies can go on with their business as usual and continue quietly with that what they were doing (Milne and Gray, 2013).

Because of sustainability reporting the unsustainability of the companies is now institutionalized. The organizations are now legitimized in being unsustainable because they are showing they are "doing their best" (Bebbington, 2008).

2.3.4 Assurance on reporting

Another important institutionalizing effect on sustainability reporting is the assurance sector. The assurance is another direction of research, it has however an impact on sustainability reporting and is therefore briefly addressed in this paragraph.

O'Dwyer and Owen (2005) have done an assessment on the assurance practices for sustainability reporting. They investigate if the assurance practices enhance transparency and accountability. In the time that the sustainability reports became increasingly popular, the assurance of the reports grew also. According to KPMG (2002) the increased demand for assurance can be attributed to the demand from stakeholders, who want to have assurance that the information coming from sustainability reports *"truly represent the company's efforts and achievements"* (KPMG, 2002, p. 18).

The assurance of sustainability reports has several weaknesses, which limit the credibility and transparency, leading to less accountability of the companies towards stakeholders (O'Dwyer and Owen, 2005).

Owen et al. (200) raise doubts about the credibility of current assurance practices. They believe it has more the appearance of stakeholder management than it appears to increase stakeholder accountability. Belal (2002) shows that it is probably stakeholder management what is the driving force behind the current initiatives on sustainability assurance instead of accountability. Kamp-Roelands (as cited in O'Dwyer and Owen, 2005, p. 209) *"highlighted major inconsistencies regarding the subject matter addressed, assurance scope, objectives and criteria employed, level of assurance provided, assurance procedures employed and wording of assurance opinions offered"*. The problems mentioned by Kamp-Roeland are significant and makes the quality of assurance practices highly questionable.

Instead of increasing the accountability, the assurance is designed to stop the critics of sustainability reports (Power, 1997). The assurance is only used as a label for quality and credibility, which should be trusted without question (O'Dwyer and Owen, 2005). In this respect wrongfully assuring a report has the same negative effects as wrongfully reporting on sustainability.

There are two main parties that provide assurance on sustainability reports; the accounting sector and the consulting sector. The findings of O'Dwyer and Owen (2005) show that both accountants and consultant do not provide sensible statements on sustainability reports, there is however a distinction between the two parties. The accountants look more at the consistency of the information.

"In contrast to the accountant assurance providers, consultant assurors tend to focus much more on the issues of completeness, fairness and overall balance within their opinion statements" (O'Dwyer and Owen, 2005, p. 225). Although both parties are unsatisfactorily according to O'Dwyer and Owen (2005) the consultants add more value from the perspective of the stakeholders.

2.3.5 Alternatives to the current forms of reporting

One alternative way would be to calculate what the costs of an organization's unsustainability are (Gray, 2010). The cost would be the amount that the organization must pay to be sustainable. This financializes "the sustainable damage" done. In this manner, the organizations can balance its financial capital, environmental and social capital. A sustainable company would be one who is able to balance all three. The problem of this alternative is that the costs of unsustainability are enormous. There are only a few companies that are sustainable under this method, and it would wipe out most profits (Gray, 2010).

Another alternative would be to calculate the ecological rug sack of the products produced, meaning, the material input per product or unit of service and the environmental impact per unit (Milne and Gray, 2013). This would give a better view for the consumers that buy the products and the stakeholders what each unit costs. The problem is that it is complicated to calculate and that again it would reveal some painful details about the unsustainability of certain products. For example, it has been calculated that for one produced personal computer an ecological rucksack of over 200 kg of material is carried.

The most alternatives are not in use simply because they would show that almost none, if any, of the corporations are actually sustainable (Milne and Gray, 2013). The power of the corporations is strong and preventing alternatives that show the unsustainability of corporations.

2.3.6 Summary

The positive effects of sustainability reports are that they open up the dialogue between stakeholders and the companies, by giving the stakeholders a better view of the company. Also, for decision making internally the information on sustainability helps the managers to make better decisions.

Although there can be positive effects, the literature addresses several (potential) problems with sustainability reporting. The main problem is that there is disagreement over the definition of sustainability. Confusion arises because sustainability development and sustainability are used interchangeably, while they have different meanings.

Although development (economic growth) can sometimes be beneficial, it is not necessarily an integral part of sustainability.

Another problem is that in the reports almost never a level of commitment is determined and if it is determined the sustainability gap is not mentioned. If this gap is not mentioned the reader can only see what the company is trying to do, not if this is enough to be sustainable.

The stakeholders have an important role. The question is, to which stakeholders is the sustainability reporting aimed and are these the right ones?

Finally, there are two other problems mentioned in the literature, namely that the 3 aspects of sustainability (Economic, Environmental and Social) cannot be combined and that the companies use the reports to look sustainable by smart phrases and window-dressing, without actually being sustainable. There are two additional ways provided that are able to measure sustainability, these are calculating the ecological rug sack and/or calculating the costs involved to repair the unsustainable activities done by an organization. These alternatives are however, seldom used because they portray the unsustainability of corporations, which is undesired by the corporations.

The assurance on sustainability does not seem to help on making the sustainability reports more credible and transparent. Both the accountants and consultant cannot satisfactorily assure stakeholders that the information represents the performance of the company regarding sustainability.

The problem of sustainability reporting is that if it does not function properly, wrongful reporting can lead to the legitimizing of unsustainability and is therefore a danger which needs to be taken into account.

3 The Transparency Benchmark

3.1 About the Transparency Benchmark

This is an introduction to the Transparency Benchmark. The information is largely retrieved from the website set-up for the benchmark: www.Transparantiebenchmark.nl. Most reports are extensively discussed in Dutch and shortly in English, therefore sometimes the information needs to be translated. Additional information is retrieved from the evaluation of the transparency benchmark made by B&A group (2013) and the transparency benchmark report (2015).

Every year EY performs a transparency benchmark on behalf of the Ministry of Economic Affairs of the Netherlands. With this benchmark the Ministry of Economic Affairs aims to provide a view on the transparency of sustainability reports of the largest Dutch companies. Transparency makes stakeholder engagement possible, which is positive for the stakeholders and can also be positive for the companies, because it gives the companies the ability to strengthen themselves against constructive criticism. Finally, these consecutive transparency benchmarks show the qualitative and quantitative development of CSR reporting among the largest companies in the Netherland.

3.1.1 Objectives

The demand for transparency on the companies' sustainability reporting has risen. *"Increasingly stakeholders such as, shareholders, customers, interest groups and governments expect transparency from companies about their performance on CSR"* (Transparantiebenchmark.nl, 2016, Objective). The most important reason to do the transparency benchmark, is to initiate a dialogue on the subject. The transparency benchmark makes very clear, that the primary objective is to measure the transparency and not the concrete results in the area of corporate sustainability.

The yearly benchmark makes it also possible to identify trends. Is there an increase in the transparency of individual companies, of sectors, of all companies together? A report of the benchmark is made each year to show these trends. The ambition is that the scores of the companies keep improving and that the impact of the benchmark increases.

3.1.2 Which companies are part of the transparency benchmark

The Ministry of Economic Affairs set several criteria up in the participant protocol. If an organization meets one or more criteria, they automatically become part of the benchmark. Participation is not voluntary, to actively participate however, is voluntary.

Most companies fill the self-assessment in themselves, based on their sustainability reports. If a company does not carry out this self-assessment, EY will do it, based on publicly available information.

From 2014 onwards, also public-interest organizations with more than 500 employees are taken in account. Examples of public-interest organizations are banks and insurance companies. Next to these public-interest organizations, organizations that are not included in the benchmark can volunteer to be part of the benchmark. The acceptance of these voluntary applications are handled individually. The main criterion is that the company has a significant influence in the Netherlands.

Companies that are not obliged to participate in the benchmark are Dutch companies with a foreign parent company. Small- and midsized companies are not part of the benchmark anymore, because research showed that these companies found it hard to find their way to the benchmark.

The number of organizations falling in the research group of 2016 is 521 (Deelnameprotocol TB, 2016). The organizations, benchmarked in 2016 are divided in the following groups (Deelnameprotocol TB, 2016, p. 3):

- *Organizations of public-interest with 500 or more employees*
- *Organizations traded on the Amsterdam Stock Exchange*
- *Organizations with Dutch business activities with a substantial turnover and/or amount of employees*
- *State holdings*
- *Universities and University Medical centers*
- *Large organizations (>250 employees) who voluntarily applied to the benchmark*

3.1.3 Assessment process

As mentioned before, the companies that have to participate in the benchmark have to do a self-assessment of their publicly available sustainability report. With this self-assessment tool, developed by the Ministry of Economic affairs, the companies are able to make an assessment of the transparency of their CSR reports. These self-assessments are critically verified by a team of researchers from EY (Transparantiebenchmark, 2015).

The information that is used for the assessment should only be the publicly available information. This means that the information of the company should be freely available. An additional criterion is that the information should be made available periodically.

An extra evaluation is done on the top twenty scores by a panel of experts. Finally, the top 3 is sent to a jury, which will select the winner.

The winner receives the Crystal-award, meaning the company has created the most transparent sustainability report of that year. The rationale behind this Crystal-award is that it can be an incentive for further professionalization. The Ministry of Economic Affair hopes to contribute in this manner to a positive image around corporate sustainability reporting. Parallel to this main trophy, the company showing the largest improvement in their reporting and the company with the most creative and innovative report receive a price. The process is visualized in figure 3

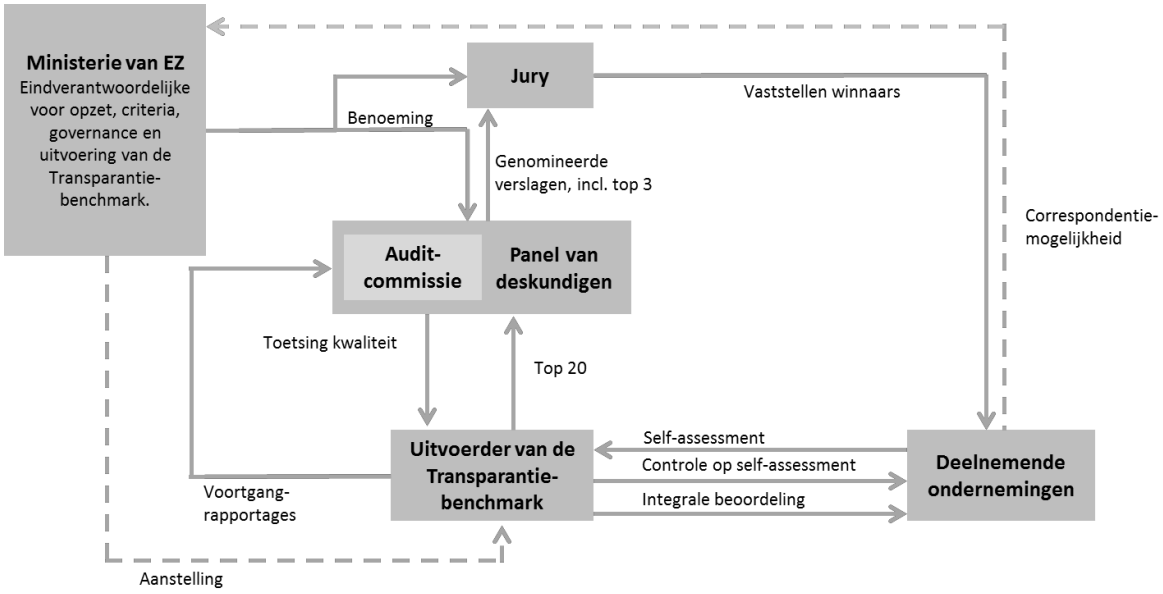

***Figure 3. Schematic representation of the process of the transparency benchmark*. (Proces & Planning, 2016, p.2)**

3.1.4 History of the transparency benchmark

In 2004 the first Transparency Benchmark was performed. In 2004 and 2005 both companies and charities were benchmarked. In 2006 PWC started benchmarking the charities and therefore from 2006 onwards only enterprises were evaluated.

In 2007, new developments originating from research on CSR reporting were adapted. The new developments were implemented in consultation with the companies involved. Since then the focus is more on how corporate social responsibility plays a role on core activities, there is more emphasis on chain responsibility and the criteria are now more in line with the global reporting initiative.

in 2008 and 2009 no adjustments were made to the criteria. However, there have been important changes.

An online e-tool was developed to improve the dialogue with the participating companies. Furthermore, international industry comparisons were introduced. In addition, all the companies received an individual report of their transparency in comparison to their peers. Finally, to give companies that do not fulfill the participation criteria also a change to receive a place on the benchmark, from 2008 onwards, the voluntary participation was added.

In 2010 the panel of experts received a broader list of tasks, with the additional assessment of the top 20 on the list and the communication with companies that did not agree with their scores. Furthermore, the Crystal-award was introduced with the corresponding jury.

The last change in the criteria has taken place in 2014. In 2014 the criteria were radically change, to align them to the Global Reporting Initiative and the trend of integrated reporting. Integrated reporting is where the economic, social and ecological are combined in one report. In 2015 the criteria did not change on their content. However, they were redefined to enhance the comprehensibility and reduce the possibility for different interpretations.

The history shows the necessary changes in the relatively young benchmark. This shows that the transparency benchmark is actively trying to improve their criteria to the latest developments. The benchmark is now aligned to the Global Reporting Initiative, which makes the benchmark more standardized and comparable, among the companies in the Netherlands and also internationally. And because of the increased attention on sustainability reporting even companies that are not obliged to participate want to show their performance on sustainability reporting (Transparantiebenchmark, 2016).

3.1.5 The transparency Benchmark Report

The report starts with the benchmark scores from 0 till 200. They are ranked in the following categories:

Category transparancy ladder 2015	Ranking Positions
Leaders	1 - 20
Followers	21 - 70
Peloton	71 - 213
Laggards	214 - 245
Organisations with zero scores	246 - 461

Table 2 **Different group rankings transparency benchmark. (Transparantiebenchmark, 2015, p.2)**

The two groups that are addressed different by the benchmark, are the leaders and the organizations with zero scores. The leaders are the group that receive an additional assessment of expert and therefore have a more reliable score. The organizations with zero scores are the organizations that are included in benchmark but did not achieve a score.

An organization can fall into this category if (Transparantiebenchmark, 2015, p. 55):

• *The report was not publicly available for free*

• *The report was not published in a timely manner, and previous-year reports have already been included in an earlier edition of the Transparency Benchmark.*

• *The organization is a subsidiary of a group but did not refer to a report from the parent on group level in the Dutch (financial) report.*

So the zero-score does not necessarily mean that a company does not have any sustainability reports, there can be other reasons.

The criteria of the benchmark are divided in two main categories: the content-oriented and quality-oriented criteria (Transparantiebenchmark, 2015). The content-oriented criteria are related to descriptions of the company profile and business model, policy & results and the management approach. The quality-oriented criteria, provide insight into criteria such as relevance, clarity, reliability, responsiveness and coherence.

The criteria are each individually analyzed, looking at the leaders, followers etc. per criteria. Then the group is divided into business sectors. In 2016 there were 16 different sectors, including one 'other' sector with the miscellaneous.

Additional to the self-assessment, extra questions were asked. How does the companies' report on sustainability looks like, ranging from none to an integrated report according to the rules of the IIRC (International Integrated Reporting Council)? Do the companies use the GRI (Global reporting Initiative) guidelines or some version of it? What are according to the companies the most important challenges in the process of corporate sustainability reporting? And finally the question if the companies used the guidelines made by the OECD (Organisation for Economic Co-operation and Development).

3.2 The assessment criteria

The assessment criteria are divided into content (100 points) and quality (100 points), these are then further divided into eight groups. The groups as shown in the report are portrayed in table 3 and 4 (translated from Dutch to English). For each of the groups certain criteria are set, on which the report can score points.

Content system of standards										100
1. Structure and Business model	**33**	**2. Policies and Results**						**34**	**3. Management Approach**	**33**
1 A. Profile and value chain	**10**	2 A. Policies and (self-imposed) obligations						5	3 A. Governance and remuneration	10
1 B. Process of value creation	**10**	2 B. Objectives						5	3 B. Internal control and monitoring	8
1 C. Analysis of the environment (incl. risks and chances)	**8**	2 C. Economic aspects of operations	8	2 D. Environmental aspects of operations	8	2 E. Social aspects of operations	8		3 C. Forecast for the future	5
1 D. Strategic context	**5**								3 D. Reporting criteria	10

Table 3. **Content system of standards. (Criteria Transparantiebenchmark, 2015, p.2)**

Quality system of standards									100
4. Relevance	**20**	**5. Clarity**	**20**	**6. Reliability**	**20**	**7. Responsiveness**	**20**	**8. Coherence**	**20**
Materiality	**8**	Understandability	**6**	Completeness, Accuracy and appropriateness	**17**	Focus on stakeholders	**13**	Strategical Focus	**5**
Scope and Boundaries	**6**	Conciseness	**4**	Carefulness	**3**	Contribution to the social debate	**2**	Contextual Coherence	**6**
Timeliness	**6**	Comprehensibility	**7**			Dare	**5**	Integration	**6**
		Accessibility	**3**					Comparability	**3**

Table 4. **Quality system of standards. (Criteria Transparantiebenchmark, 2015, p.2)**

4 Methodology

In the methodology chapter an elaboration is made on the steps taken to do the evaluation. A good and professional evaluation is defined as *"the systematic determination of the quality or value of something"* (Davidson, 2005, I). The goal of the evaluation is to make an assessment of the overall value. To do this assessment in a systematic way the evaluation methodology formed by Davidson (2005) is followed. This methodology is essential for answering evaluative questions such as whether a certain program, policy or product is good enough to support (Davidson, 2005). Davidson (2005) made a guide for students that covers the practical and methodological basics for making an evaluation, this guide is used.

The principle of the evaluation methodology is based on a logic model. In short, a product or program, defined as the Evaluand, satisfies needs from the recipients of the product or program. To do an evaluation, the recipients have to be identified and the needs and underlying problems of the recipients have to be assessed. Next, criteria are established to evaluate the fulfillment of the needs of the recipients by the Evaluand which results in a rating (Davidson, 2005, III).

Step wise:

- *Identification of the recipients and needs assessment*
- *Logic model*
- *Criteria*
- *Evaluation with rating*

The evaluation will be done in the goal-free mode. The rationale of the goal-free evaluation is to prevent only focusing on intended goals and effects and thereby missing the unintended consequences both positive and negative. While it may seem as a logical step to determine goals before hand, this will lead to an evaluation of the goals as intended, instead of the realized effects. The intended goal or the alleged goal, can be totally different from the realized effect. For the transparency benchmark this approach is extremely important, because there are a lot of unintended consequences. For example, the unintended consequence that the benchmark institutionalizes unsustainability can happen, while this is in no way related to the goal of the benchmark; to improve the stakeholders dialogue. There can also be different needs for the benchmark than purely the needs that are satisfied by achieving the goal.

4.1 Research design

In this section the research design is explained further for the evaluation of the transparency benchmark to answer the research question: *What is the significance of the transparency benchmark on sustainability reporting?*

By following the three steps of Davidson (2005) the overall evaluation is performed. These three steps are the content evaluation, the outcome evaluation and the expert evaluation:

1. *The first step is the evaluation of the content. What can be said about the content of the benchmark?*

The content of the benchmark is represented by the assessment criteria. The transparency benchmark is highly transparent about the process of the benchmark and makes it therefore ideal for research. The process is described and the assessment criteria are reported on in detail (Transparantiebenchmark, 2016). Based on these assessment criteria the points for the reports on sustainability are given.

In the literature review of the state of the art on sustainability reporting, the potential problems are shown that can arise for sustainability reporting, a summary is made in paragraph 2.3.6. These problems are operationalized into criteria. When the criteria coming from the literature are clearly defined, these criteria can be used to evaluate the content of the benchmark; the assessment criteria.

This step gives insight in how the benchmark relates to the weaknesses that the literature provides.

2. *The second step is the outcome evaluation: where does the benchmark lead to?*

The outcome of the benchmark shows where the benchmark leads to, what has the benchmark achieved and what does this mean for the significance of the benchmark on sustainability reporting. If the benchmark had an influence on sustainability reporting, what was this influence, how large was it?

In 2013 B&A performed an evaluation of the performance of the benchmark. B&A made an evaluation of the effectivity and efficiency of the transparency benchmark. By analyzing this evaluation, the influence of the benchmark can be shown and its significance on sustainability reporting.

This step will give insight in the extent to which the transparency benchmark institutionalizes sustainability reporting.

3. *The third step, is finding an expert view on the subject. How does an expert see the benchmark?*

A member of the staff responsible for the policy of the transparency benchmark has agreed to give an interview regarding the benchmark. This interview can be very helpful to retrieve information that is not available on the website and to get an expert view on the issue.

This will give final insights in both the strengths and weaknesses and the institutionalization. Overall, combining these 3 evaluations will give a clear view about the significance of the benchmark.

4.2 Operationalization

4.2.1 A needs assessment

To make an evaluation it is necessary to investigate which needs, from whom, are met by the Evaluand; the Transparency benchmark. The benchmark is intended to improve the dialogue between Stakeholders and companies by stimulating transparent information of companies on sustainability. The need therefore is the need for more information.

There are two kinds of recipients: 'upstream' and 'downstream' (Davidson, 2005). Upstream recipients are the producers of the information, in case of this thesis the companies making the reports. Downstream recipients are the users of information (Davidson, 2005). Both the upstream and downstream recipients are affected by the transparency benchmark.

However, the problem solved by the transparency benchmark is the lack of information of the stakeholders. According to Davidson often there are also important underlying problems and needs. In this case the underlying problem is lack of sustainability and the underlying need is improvement of sustainability. The stakeholders as earlier mentioned in paragraph 2.2.3 are: *"individuals or groups that are either affected by or can affect the operations of that organization"* (Rinaldi et al., 2014, p. 86). The most common stakeholders according to Bebbington et al. (2014, p. 91) are: *shareholders, investors, insurers, banks, customers, suppliers, employees, trade unions, NGOs, interest group, the government and the media*.

In terms of goals of the stakeholders, the main common goal is, that sustainability reporting gives an insight in the activities of companies regarding sustainability. It is important to notice that this is the direct goal of sustainability reporting.

The indirect goal is that with the insights the stakeholders gain from the reports, they are able to hold the company accountable for their actions. The end goal of the reporting on sustainability is to increase the focus on sustainability and as a consequence increase sustainability.

Concluding, the actual problem is sustainability, this is the performance outcome, the transparency benchmark is a solution, an instrument. We are interested in the role of the instrument on the performance outcome.

4.2.2 Logical model

To understand the evaluation that will be done in this thesis, a logical model is built to illustrate which assumptions are made:

Evaluand:	the Transparency benchmark
Need:	more reliable information for stakeholders
Underlying need:	improvement of sustainability
Performance problem solved:	improved dialogue between stakeholders and company
Underlying performance problem:	sustainability

4.2.3 Evaluative questions

In this paragraph the evaluative questions are set-up. These questions form the basis for the evaluation and as mentioned in the introduction, the evaluation is divided in three different components; content evaluation, the outcome evaluation and the expert view.

The content evaluation is based on paragraph 2.3 summarized in 2.3.6. From the literature review 7 questions have been formulated. Question 8 is a generally formulated question about the intrinsic value of the transparency benchmark.

Content evaluation (Davidson, 2005)

The stakeholders:

1 There are different stakeholders, with different information needs, are the different stakeholders and their different needs taken into account? (paragraph 2.2.1)

2 The stakeholders retrieve information from the benchmark. Stakeholders engagement however, means more than mere getting information, it also means influence, is this influence measured? (paragraph 2.2.1)

The definition:

3 Regarding the controversy about the definition of sustainability, which definition is used, is it defined at all? (paragraph 2.3.2)

Triple bottom line reporting:

4 Are the triple bottom line element adequately integrated? (paragraph 2.3.2)

Actual performance:

5 The benchmark states that it does not measure actual performance on sustainability. Are there criteria that give points for showing the actual performance? (paragraph 2.3.2)

Window-dressing:

6 By using smart phrases and pervasive narratives the corporations try to convince the reader that the company is acting sustainable. Does the benchmark counter window-dressing? (paragraph 2.3.3)

The alternatives of GRI:

7 Are alternatives as the financial costs of unsustainability and the ecological rug sack discussed? (paragraph 2.3.5)

Intrinsic value transparency benchmark

8 How much points can a company score, without saying anything sensible about their sustainability?

The Outcome Evaluation Checkpoint (Davidson, 2005)

What has the benchmark achieved until now? How effective has it been in increasing transparency and improving the stakeholders dialogue and does this in the end lead to more focus on sustainability?

The Expert view (Davidson, 2005)

Interview with an expert of the benchmark. These questions will be determined based on the content and outcome evaluation.

4.2.4 Ratings

One last step must be taken before the evaluation can start. The different ratings have to be determined, so that the evaluative questions can be answered in a structured way (Davidson, 2005). These rating are only determined for the content evaluation. Because there are 9 evaluative questions in this part it is necessary to have a common approach on rating them. A scale of 5 ratings is chosen. Excellent, very good, good, barely adequate and poor. Too make these ratings clearer they are defined in the following table:

Rating	explanation
Excellent	Completely satisfactorily; no weaknesses
Very good	Strong overall, but not exemplary; no weaknesses or any real consequences
Good	Reasonably good performance: a few minor weaknesses can be detected, however nothing serious
Barely adequate	Sufficient performance: some serious weaknesses
Poor	Unsatisfactorily; serious weaknesses

Table 5. **Ratings**

When all information is evaluated, the strengths and weaknesses are summarized and the question is given a rating based on which explanation suits best.

5 The significance of the Transparency Benchmark

5.1 Content analysis

For the rating of the 9 criteria the same structure is maintained, namely at first the problem in the literature is explained. On what is focused? Secondly the relevant parts of the criteria of the benchmark are quoted, so the reader can see for themselves on which data the evaluation is done. Next the strengths and weaknesses of the approach of the transparency benchmark are set apart. To show how the sustainability reporting in practice looks like, the sustainability report of the best scoring company on the relevant criteria is examined. Finally, these strengths and weaknesses are summarized and a rating is given on each question.

5.1.1 There are different stakeholders, with different information needs, are the different stakeholders taken into account?

Before a report is made the company has to identify the stakeholders to whom they want to report. This determines on which issues the company focusses. If only the shareholders are taken into account, special interest groups like Greenpeace are probably not able to retrieve useful information out of the reports.

Criteria

In the criteria of the benchmark, the stakeholders are discussed under the sector responsiveness.

Criteria 33 (2016, p.14): *"The company makes clear how they involve stakeholders in the policies and activities of the company and how it takes into account their legitimate interests and expectations"*.

4 points can be earned when the specific explanation satisfies at least four of the following aspects (Criteria, 2016, p.14):

- *identification and selection of stakeholders*
- *the manner in which a dialog is conducted*
- *the frequency of the dialogue with stakeholders by type or group*
- *the main discussion points by type or group*
- *the results of the dialogue by type or group*

Evaluation strengths

The identification and selection is included in the criteria. It is however important to note that to get four points, this identification step can be bypassed, by satisfying the other four criteria.

Evaluation Weaknesses

Identification and selection are two different things. The identification is a process of finding all the stakeholders involved. This needs to be done thoroughly, to be transparent. The selection of stakeholders, to whom they want to report is their decision. The way the criterion is defined now, the company can choose to identify only stakeholders they want to address and leave out critical stakeholders.

With these criteria, it is questionable, if the company is not able to ignore certain critical discussion points. The points that are discussed have to be illustrated, but what about discussion points that are ignored.

Example

The sustainability report of Akzo Nobel is used as example, who scored 22 points of a max of 20 points. How these extra two points are realized is not clear and will therefore be a question for the expert interview (Transparantiebenchmark, 2015). In their report Akzo Nobel mentions the following about their stakeholders (Akzo Nobel, 2015, Note 3):

"Our key stakeholders are employees, suppliers, customers, investors, shareholder representative groups, NGOs and international organizations, governments, industry associations, sustainability rating agencies and communities".

It is not clear whether this is considered the selection and/or if this is also the identification. Second, what if Akzo Nobel was less complete and for example left communities out, would they still receive one point? This remains unclear.

Summary

Strengths

- The identification and selection is part of the criterion.

Weaknesses

- The two could probably better be split into two different criteria.
- Because this is a very important step it is considered a critical weakness because it can be bypassed while still gaining the maximum amount of points.
- With these criteria the company can leave out important stakeholders

Conclusion

The identification of the stakeholders is **Barely adequate**.

5.1.2 The stakeholders retrieve information from the benchmark. Stakeholders engagement however, means more than mere getting information, it also means influence, is this influence measured?

Stakeholders engagement is explained in accountability theory. To be able to influence the behavior of corporations, at first information is necessary. The information comes from the sustainability report. However, if the stakeholders are not able to hold the companies accountable for their activities, sustainability reporting is still not useful. So how is the stakeholders' engagement measured? Do the stakeholders have influence on company policy? Does the benchmark measure if there is a dialogue? How does the company use the benchmark?

Criteria

Again, Criteria 33 (2016, p.14): *"The company makes clear how they involve stakeholders in the policies and activities of the company and how it takes into account their legitimate interests and expectations"*.

4 points can be earned when the specific explanation satisfies at least four of the following aspects (Criteria, 2016, p.14):

- *identification and selection of stakeholders*
- *the manner in which a dialog is conducted*
- *the frequency of the dialogue with stakeholders by type or group*
- *the main discussion points by type or group*
- *the results of the dialogue by type or group*

In addition to these 4 points another 6 points can be earned with the following criteria (Criteria, 2016, p. 14):

(1)+ *2 An explanation is given on how the results of the dialogue with stakeholders have been used by the company and what effect this has had on the policies and activities of the company.*

(2)+ *2 The reports show the participation of the highest governing body in the dialogue with stakeholders.*

(3)+ *2 The reports show that the dialogue with stakeholders was conducted in relation to the company's strategy and targets.*

Evaluation strengths

There are several different valuable criteria on stakeholder's engagement. The first 4 points can be earned by describing the actual dialogue.

When these 4 points are portrayed the reader can get a good view on the dialogue.

The first two points can be earned by showing how the company has used the dialogue. The second is on which level the company discusses with the stakeholders. The last two points can be earned by showing if the company has held the dialogue about the relevant subjects. These points give a well-layered view on the relevance of the dialogue and how the dialogue is used and to what extent.

Evaluation weaknesses

Comparing the literature and the information available there do not seem to be any weaknesses.

Example

The same example as in the previous question is used, Akzo Nobel. With their maximum score on responsiveness they are a good example for evaluation.

"We identify the key topics and levels of engagement per stakeholder group, which can vary from pro-active engagement to providing information upon request" (Akzo Nobel, 2015, Note 3).

On the dialogue Akzo Nobel is very thorough and structured. There are no points of critique that can be made based on this evaluative question.

Conclusion

The rating is clear. With no weaknesses and exemplary criteria this evaluative question is rated **Excellent**.

5.1.3 Regarding the controversy about the definition of sustainability, which definition is used, is it defined at all?

If the wrong definition is used, the corporations are able to manipulate the reader. The most important distinction on the sustainability definition is if sustainability is used or sustainability development. As already mentioned in the literature, development is not a necessary element for sustainability. The wrong definition can frame and shape the discussion wrongly.

Criteria

The definitions are addressed in the sector Reporting criteria, under criterion 20 (2016, p.10):

"The company provides an explanation of the basis for the CSR reporting landscape reporting policy and reporting process".

Under this heading exactly one point can be earned if the definitions used are explained:

(Criteria, 2016, p.10): *The social reporting policy is explained on the basis of all six aspects below:*

- *Definitions used*
- *(…)*

Evaluation strengths

Definitions are part of the criterion. However, it is not solely based on the definition of sustainability.

Evaluation weaknesses

There are several other definitions that are important for a sustainability report. For example, the definition of what stakeholders are, what is considered economic, social and environmental, what is materiality etc. It is, however, possible to bypass this important definition of sustainability and still receive full points.

Underlying to the criteria is the opinion of what the organization of the transparency benchmark itself considers to be sustainability. It can be considered peculiar that an organization whose main goal is to increase the dialogue on sustainability, does not explicitly define what sustainability is. To get an idea nevertheless, on which definition the benchmark operates, the guidelines on which the benchmark is based were researched. The evaluation of the benchmark from B&A (2013) summarizes these guidelines.

The OESO guidelines (B&A, 2013, p. 26): *"Wants to contribute to the economic, environmental and social progress regarding* ***sustainability development****"*. The supervisory board of reporting in guideline 400 (B&A, 2013, p. 23): *"Taking account of environmental, social and economic aspects provides a business contribution to* ***sustainable development****"*. The definition the GRI and the IIRC use are not mentioned. The fourth version of GRI (2015) does not address the definition of sustainability anymore. The third version (GRI, 2011) used the definition of sustainable development.

The documents from GRI that explain the transition from G3 to G4 do not address the removal of the definition (GRI 2013;2015). The definition that GRI uses in their fourth guidelines cannot be said with absolute certainty, their history however shows the use of the definition **sustainable development.**

The guidelines on which the transparency benchmark is based have all used the term sustainable development.

As earlier explained in the term sustainable development economic growth is pursued and this economic growth is not a necessary element of sustainability. If the transparency benchmark is built with this definition in mind, this can lead to wrong assumptions and criteria.

Example

Again one of the best performers on this is Akzo Nobel. How does Akzo Nobel address the definition of Sustainability? In the integrated report of Akzo Nobel the definition of sustainability is explained. What they do define is what sustainable business is: *"Creating business value through products and solutions that provide both functionality and other sustainability benefits, as well as cost savings from operational efficiencies"* (Akzo Nobel, 2015, Note 1) and what their sustainable objective is: *"Our sustainability objective is to create more value from fewer resources – right across the value chain – by making more effective use of natural resources in our own operations and through our products, and by engaging employees, suppliers and customers in developing solutions"* (Akzo Nobel, 2015, Value chain management). These concepts still not define sustainability, despite the maximum score of Akzo Nobel on the sustainability index.

Summary

Strengths

- One point can be earned for explaining the definitions used

Weaknesses

- Can receive full points without defining sustainability
- Definition the transparency benchmark uses remains unclear, looks like the benchmark is based on sustainable development, which is not a good definition

Conclusion

The weaknesses are critical and strengths are minimal, therefore the question regarding the definition of sustainability is rated **Poor**.

5.1.4 Are the triple bottom line element adequately integrated?

In the literature it is mentioned that it is impossible to focus on all three of the goals. The question is how the benchmark handles the integration of the triple bottom line elements.

Criteria

Under policy and results there are 4 criteria that report on the three elements. Criterion 2B objectives, discusses the integration of the three elements. Under 2b there are 3 separate criteria for the 3 elements. These three different groups are 2C Economic aspects of operations, 2D Environmental aspects of operations and 2E Social aspects of operations.

For 2B the objectives 1 point can be earned if (Criteria, 2016, p. 7):

The company provides a description of at least four targets in at least two of the following categories.

- *Economic aspects*
- *Environmental aspects*
- *Social aspects*

The three elements have the same criteria, therefore only one element is used as example. 2D environmental aspects of operations (Criteria, 2016, p. 7):

The reporting provides insight into the results of the company with regard to the environmental aspects of business.

0 = No explanation.
1 = A general explanation is given on the environmental trends and results tangible environmental aspects of the company
2 = A quantitative explanation is provided on at least one material environmental aspect for the company.
4 = A quantitative explanation is given in all material environmental aspects of the company
+2 The results are explained in terms of the environment in relation to previously set objectives.
+2 The results achieved in the field of environment are expressed in monetary value.

8 points per group can be earned. So, all three subjects have to be completed to receive full points.

Evaluation Strengths

The three elements are quite broadly reviewed in the criteria. Only one of the three elements can be neglected in 2B while still receiving full points.

However, if one of the three elements does not have an objective this will lead to a deduction of two points because the company cannot explain the results in terms of objectives .

Evaluation Weaknesses

There are no criteria in the benchmark regarding integration of the triple bottom line elements. Companies are not asked if they report about conflicting interest between economic, social and environmental issues and how they manage these conflicts.

Summary

Strengths

- All elements are broadly rated in the transparency benchmark.

Weaknesses

- There is no criterion regarding integration of the three elements

Conclusion

Although describing each separate element is rewarded, there is no reward for the integration. The rating is therefore **Poor**.

5.1.5 The benchmark states that it does not measure actual performance on sustainability. Are there criteria that give points for showing the actual performance?

According to the literature, the one thing that you cannot extract from the sustainability reports is the actual performance.

Criteria

The criteria 10, 11 and 12 of the transparency benchmark under the heading Policy and Results give points on the actual performance, this is done in the same 3 elements as discussed in the previous evaluative question; Economic, Social and Environmental.

10 The reporting provides insight into the results of the company with regard to the economic aspects of business (Criteria, 2016, p. 7).

4 = A quantitative explanation is given on economic aspects in at least four of the following categories.

- *innovation (including partnerships on innovation)*
- *housing (including the impact on employment)*
- *impact on the labor market*
- *The prevention of conflict of interest, bribery and corruption*
- *fair competition and pricing*
- *tax payments*
- *dissemination of knowledge through research and development*
- *socio-economic aspects of investments, products and services*
- *the effects of investments and divestments, including acquisitions and divestitures*
- *the effects of the implemented procurement*

+2 Insight is given into the remittance per country from all material taxes.

11 Reporting provides insight into the results of the company with regard to the environmental aspects of business (Criteria, 2016, p. 8).

4 = A quantitative explanation is given in all material environmental aspects of the company

+ 2 The results are explained in terms of the environment in relation to previously set objectives.

+ 2 The results achieved in the field of environment are expressed in monetary value.

12 The reporting provides insight into the results of the company with regard to the social aspects of business (Criteria, 2016, p. 7).

4 = A quantitative explanation is given on all social issues material to the company

+ 2 The social performance is explained in relation to previously set objectives.

+ 2 Social performance is expressed in a monetary value.

Evaluation strengths

To start with the first part of the question, is the actual performance demanded? In all three aspects a quantitative explanation is demanded on the material issues. Next to the quantitative explanation, for the social and environmental the company gets extra points when the performance is expressed in monetary value. What this performance is, is clarified in the additional explanations on the criteria (Criteria, 2016, p. 17).

The monetary value of environmental or social outcomes is the value (in Euros or any other monetary unit) of the impact on the environment or society. There is a difference between the monetary value of the savings for the organization itself (or chain) yields and the monetary value of the social or environmental impact to society.

An investment in terms of charity or energy savings in euros, for example, is no monetary value of the social and environmental impacts. Monetizing the impact that training and education have on employees, (future) employers and society here have an example.

Evaluation weaknesses

To clarify, it is not the amount of money a company spends on an investment or a donation, the monetary value is calculated on the impact that an activity has. Unfortunately, there is no explanation on how this monetary value should be calculated.

The lacking of an explanation can be a doorway for companies to color their performance more positive than it actually is, which can be a serious flaw. Because of the difficulties on pricing sustainability, this is a significant weakness on this criterion.

Concluding, given the lack of information there are large weaknesses on reporting on the actual performance on sustainability. The companies can still make unfounded claims on their performance.

Example

For the category Policy and Results it is noticeable that only one company has scored the max score. The number 4 on the list, NS (the National Railways) scored the maximum of 34 points on Policy and Results. How does this look in their sustainability report?

Being the national railways the NS is responsible for the largest part of the public train transport in the Netherlands (Integral report NS, 2015). Two performance measures with a large impact on society according to NS are the punctuality and the carrying capacity of trains (Integral report NS, 2015). The first problem that arises is the seemingly weak link between sustainability and the punctuality and carrying capacity of trains. NS believes that it is relevant for sustainability in the socio-economic spectrum, it however seems more as a regular performance indicator for NS its own business. Nevertheless, in a further analysis of the performance measures of NS it turns out that both the punctuality and carrying capacity measure are misleading.

In February 2013, the Dutch House of Representative held a debate about the performance of the NS. The NS Scored a high score of 93,6% on on-time arrival (Tweede Kamer, 2013-2014, Kamerstuk 29984, nr. 444). This would mean, that of a 100 trains only 6 trains arrive too late. The judgment from the customers is however quite different; the travelers give NS an extremely low score of 46,8% (Tweede Kamer, 2013-2014, Kamerstuk 29984, nr. 444).

It turns out, that NS uses a margin of 5 minutes to determine if a train arrives on time. Although a 5-minute margin does not seem like an unfair margin, the connections often have a smaller margin. Therefore a few minutes can lead to a missed connection, which means that the train passengers are late by one train may miss more connections in their following journey. With some trains only driving once every half hour, only a few minutes' delay of one train can lead to 30 minutes' delay on the overall journey, while the NS can still report an on-time arrival.

Additional to this 5-minute margin, there is another important masker of performance, namely that a train that is cancelled, is not on time nor too late and therefore these trains are not taken in account for the measures(Treinreiziger.nl, 2015). This means that when a traveler is half an hour late because the NS cancels its train, the NS can still report 100% on time.

Concluding the NS does not show the actual delay the travelers have, which would come much closer to the actual performance on this measure.

The same applies to customer satisfaction on the carrying capacity of a train. The NS reports a score of capacity on an astonishing 98,8% (Tweede Kamer, 2013-2014, Kamerstuk 29984, nr. 444). The score of the customers however is 68,6% (Tweede Kamer, 2013-2014, Kamerstuk 29984, nr. 444). This shows that the NS interprets the carrying capacity of the trains quite different than the travelers.

This example uncovers an important weakness for showing the actual performance on sustainability. The gap between what NS reports on the performance and what customers believe is the performance, is very large and apparently the benchmark still rewards the full amount of points.

Summary

Strengths

- A quantitative measure is demanded
- If the performance is measured in monetary value this is rewarded

Weaknesses

- There is no explanation given on the calculation on both the quantitative measure and the monetary value.
- The example of the NS shows that with deceiving information the company can score the maximum amount of points, this is a serious weakness

Conclusion

Because of the lacking explanation for performance measures and the possibility to give misleading information, this criterion is rated **Poor**.

5.1.6 By using smart phrases and pervasive narratives the corporations try to convince the reader that the company is acting sustainable. Does the benchmark counter window-dressing?

Corporations merely create an image of sustainability is the criticism from literature. Corporate statements are made with smart and pervasive narratives and distract the attention from the real issue, sustainability.

According to the literature one possible way to counter these smart phrases is by providing assurance. However, if this assurance is not satisfactorily, it will only increase the institutionalization of suboptimal effects for sustainability reporting.

Next to assurance, it is possible that in the quality system of standards there are certain guidelines or boundaries formed to counter window-dressing. How does the quality system of standards counter the window-dressing by companies?

Criteria

The category that is relevant in the criteria is the category Reliability. This category includes the concepts of "*completeness, accuracy, appropriateness"* and *"carefulness"* (Criteria, 2016, p. 2). The criteria will demonstrate how these concepts have been incorporated.

Because of the large size the 3 relevant criteria can be found in appendix 4.

Only the most important headings are shown (Criteria, 2016, p. 13):

30 The reports contain a signed statement from an independent party that has verified the content of the information society and has given assurance regarding the reliability of the information society.

8 There is a statement that provides reasonable assurance on at least the most relevant part of the social reporting.

Evaluation strengths

Next to assurance, the benchmark also considers external experts and external stakeholders (criteria 31) and the internal controls of companies (criteria 32).

Evaluation weaknesses

The literature shows that criterion 30 has several weaknesses. This independent party will be an accountant firm or a consultation firm, which, both according to the literature (O'Dwyer and Owen, 2005), cannot provide sensible statements about the credibility or transparency of the statements.

Next, the statement in criteria 8 to provide reasonable assurance on "at least" the most relevant part is quite vague. How is determined what is the most relevant? And what about the rest of the sustainability reporting, does this not need reasonable assurance?

Two points can be earned if the independent party provides insight into their assurance process. They provide insight in the applied standard(s) for verification and the assessment criteria.

However, as O'Dwyer and Owen state in their research, the assurance providers often mention that, *"in the absence of generally accepted assurance standards, high level assurance cannot be offered"* (2005, p. 225). Thus, if the assurance has not been provided by any guidelines, the company still receives 10 points from the 14 if they are fully transparent about the assurance process.

Criteria

31 In the reports external experts or external stakeholders give their views on the developments and results regarding corporate social responsibility issues (Criteria, 2016, p. 13).

Evaluation Strengths

External experts can be valuable if they are independent, especially for the external stakeholders. As the word experts already says, they are experts in a particular area and with this expert knowledge they can be much more critical than the average stakeholder.

Evaluation Weaknesses

External experts and external stakeholders are quite different parties. It would be better to split these two parties into two different criteria, because experts do not have to be independent and without the right incentives, it is possible that an expert is not critical. The external stakeholder however, as a principal, will have a critical perspective to make sure his/her demands are taken into account.

Criteria

32 The company describes in its reporting what internal processes it has set up to ensure the quality of public information, including any internal verification processes
(Criteria, 2016, p. 13).

This question is aimed at which internal controls are present to ensure the quality and verification of the information regarding sustainability. Internal controls for reporting are according to KPMG (2011, p. 1):

"The organization's processes that help ensure that the company's sustainability data is reliable and accurate; thereby supporting the credibility of information used in decision making, compensation, and external reporting."

Evaluation weaknesses

Under this criterion is suffices to describe the internal controls. The criterion does not ensure the quality of the internal controls. It is possible that a company has insufficient internal controls, while receiving the maximum amount of points.

Summary

Strengths

- Well-chosen criteria for reliability; assurance, external experts and internal controls
- Independent external expert can be very valuable for external stakeholders

Weaknesses

- The reliability of the assurance is questionable
- Only reasonable assurance on the most relevant part
- Absence of general accepted assurance standards
- Transparency on assurance is rewarded and not its performance
- It would be better to divide the external expert and the external stakeholders
- Transparency on internal controls is given and not on its performance

Conclusion

The evaluative question asks if window-dressing is countered by the criteria. There are a large number of weaknesses which the benchmark does not prevent. On the reliability and with that window-dressing the benchmark scores **poor**.

5.1.7 Are alternatives as the financial costs of unsustainability and the ecological rug sack discussed?

The possibility to express the achieved results of the company on sustainability in a monetary value is already mentioned in 5.1.5.

Evaluation weaknesses

This monetary value, does still not tell anything about if the company is sustainable. To know if the company is being sustainable, the reader must first know what the costs are of a company's unsustainability. The costs of a company's unsustainability could be defined as the monetary value needed to repair or compensate for the unsustainable damage done. By measuring the costs of unsustainability, a company can measure the sustainability gap.

This gap shows the difference between the unsustainability costs of a company and the sustainability value provided.

The ecological rug sack calculates the material input and environmental impact per unit of product or service a company delivers. This would give the users of the products a better view of the costs on sustainability for the product or service they use. The literature shows that these alternatives would give a more realistic view on unsustainability, however companies do not want this realistic view because under these alternatives almost none of the companies would be sustainable (Gray, 2010).

Criteria

The ecological rug sack or an alternative is not mentioned. The sustainability gap is also not mentioned.

Summary

Weaknesses

- The critical alternatives as the ecological rug sack are not demanded/mentioned
- The sustainability gap is not mentioned, which can be seen as a serious flaw for reporting on sustainability

Conclusion

The weaknesses are critical and strength are minimal, therefore this evaluative question is rated **Poor**.

5.1.8 How much points can a company score, without saying anything sensible about their sustainability.

For this question, all the criteria of the transparency benchmark were evaluated and an assessment is made, on which criteria points can be scored without reporting anything sensible about sustainability.

This will show from which amount of points, the company has to show more than just context or information that is unimportant, in a direct sense, regarding sustainability. To clarify, if a company does not want to report on sustainability, can this company still receive a reasonable amount of points? The two highest scoring categories are the leaders and followers, the places 1-70, the points these places have are taken as reference points, to judge what a reasonable amount of points is (Transparantiebenchmark, 2015). From these places the companies are well above average.

To provide insight in how it is determined if the criteria are sensible, the points given in total for the content system of standards and the quality system of standards are shown, the points per group and the points per criterion are shown in appendix 5 and 6. When these points are held next to the criteria (2016) the reader can see which points are given per individual criterion. The idea is, that only points are given for criteria that on itself absolutely do not provide transparency on sustainability. Some criteria provide a basis for other criteria to be relevant. For example, to explain what is material for a company, the company must first show their value-chain. By showing your value chain, you are not addressing sustainability. If the second step is performed (showing what is material based on the value chain), the company is transparent on sustainability. However, if only the first step is performed the criteria give points while it does not provide transparency. This might seem an unfair assessment, it is however important to notice that the calculation of points is based on the absolute minimum possible. The focus lies on companies that do not want to provide any transparency and not the benevolent companies that try to be transparent.

Evaluation

On the Content system of standards, from the maximum of 100 points, 44 points can be earned without saying anything sensible about sustainability. On the Quality system of standards, from the maximum of 100 points, 28 points can be earned. This is a total minimum of 72 points. The first thing that stands out is that the minimum is quite low, which is a strength of the benchmark. This score shows that after 72 points, the companies must start reporting on sustainability issues. This could still mean that they are storytelling or leaving parts out, they however need to report on sustainability.

In general, the most points can be earned by explaining the context of the company, the value chain and structure. This is necessary for a complete picture, but does not say anything about sustainability. Then, an important thing to notice is that a lot of points can be earned when reporting about the continuity of the firm. This is probably the result of the wrong use of the definition sustainability as to sustain.
Another finding is that the transparency benchmark gives minus points for some criteria. This is a clever way of counteracting companies that do not say anything at all on important criteria.

There are 148 companies that score higher than the minimum of 72 from the in total 461 companies. This shows that there is a relatively large group scoring lower than 72, however there is also quite a large number of companies scoring higher.

To be in the category leaders (position 1-20) or followers (position 21-70), the companies had to score in 2015 at least 177 for the former or at least 144 points for the latter. This shows that the companies need to report on much more than the minimum.

Summary

Strengths

- Only relatively low amount of points can be earned for explaining the context and general view of the company
- Minus points for not reporting on certain criteria, countering companies that choose to report on the 'easy' criteria and do not report on criteria that demand real disclosure
- The companies need to report extensively on sustainability if they want to receive enough points to get in the higher categories (leaders and followers)

Weaknesses

- Misinterpretation of the definition sustainability as in to sustain (continuity).

Conclusion

The rating is that it is strong overall, however not exemplary therefore the rating **Very good** is given.

5.1.9 Table of ratings for the questions and summary

#	Question	Rating
1	There are different stakeholders, with different needs, are the different stakeholders and their different needs taken into account?	**Barely adequate**
2	The stakeholders retrieve information from the benchmark. Stakeholders engagement means more than mere getting information, it also means influence, is this influence measured?	**Excellent**
3	Regarding the controversy about the definition of sustainability, which definition is used, is it defined at all?	**Poor**
4	Are the triple bottom line element adequately integrated?	**Poor**
5	The benchmark states that it does not measure actual performance on sustainability. Are there criteria that give points for showing the actual performance?	**Poor**
6	By using smart phrases and pervasive narratives the corporations try to convince the reader that the company is acting sustainable. Does the benchmark counter window-dressing?	**Poor**
7	Are alternatives as the financial costs of unsustainability and the ecological rug sack discussed? the alternatives discussed? The ecological rug sack,	**Poor**
8	How much points can a company score, without saying anything sensible about their sustainability.	**Very good**

Table 6 summary of the ratings

Excellent	1
Very good	1
Good	0
Barely adequate	1
Poor	5

Table 7 rating count

The ratings on the content evaluation are predominantly poor. This shows that a large part of the critique from the literature on sustainability reporting is not refuted by the transparency benchmark. Although the criteria are well-thought and formed by experts and professionals there are still critical weaknesses existing on several criteria. It is important that the benchmark addresses these issues.

There were two questions that cannot be answered by the information about the transparency benchmark and can be asked to the expert. First Akzo Nobel scored 22 points on Responsiveness while there could only be 20 points earned, how is this possible? Second, the benchmark does not mention which definition of sustainability is used, which definition is used?

5.2 Outcome analysis

In this paragraph an analysis on the outcome of the transparency benchmark is done. What has the benchmark achieved, where does it lead to? This is done to know the effects on sustainability and its significance on sustainability reporting.

At first an introduction is given of the reasons for doing the evaluation of the benchmark and reasons for doing it now and a short explanation is given on how B&A performed the research. The evaluation of B&A is divided in two parts. The first shows the motivation for reporting, motivations for transparency, the users of the benchmark and the benchmark is compared to other instruments for sustainability reporting. In the second part the effectivity of the transparency benchmark is measured on transparency, the stakeholders dialogue and the focus on sustainability.

5.2.1 Introduction

The work hypothesis of the transparency benchmark is that the transparency benchmark encourages companies to be more transparent about their policy and results on sustainability, the idea is that the increased transparency will improve accountability. The increased accountability can improve the stakeholders dialogue and in the end this can increase the attention and the performance on sustainability (B&A, 2013). B&A is contracted by the Ministry of Economic Affairs to perform an evaluation of the effectiveness of the benchmark and to explore possible future scenarios (B&A, 2013).

There are two reasons why the Ministry of Economic Affairs has carried out an evaluation. The first is, that since the beginning of the benchmark, there has not been an evaluation of the effectiveness (B&A, 2013). After 12 years it is useful to see what the benchmark has achieved.

The second reason for performing the evaluation now is that in the following years 2 laws concerning sustainability reporting will be implemented (one Dutch and one European). After these two laws become active, it becomes harder to evaluate the isolated effects of the benchmark. Therefore, because the benchmark has more significance in before than after these laws are applied, the evaluation is performed in 2013.

B&A performed the evaluation by interviewing stakeholders and organizations and performing a survey among the participants of the benchmark (Evaluation, 2013). In addition to that, an expert meeting was held in 2013 to receive input from experts on sustainability reporting.

5.2.2 Motivation to actively participate

In their background research, B&A investigated what the companies' motivations were to actively participate on the benchmark. The main reasons were the increased publicity of the transparency benchmark, the demand from the Ministry of Economic Affairs and for reputational purposes (B&A, 2013).

The demand from the Ministry of Economic Affairs is according to the survey the most important motivation to participate. From the companies that participate, 33 % find the demand from the ministry of economic affairs the most important reason to participate,14% image/branding and 12% ranking (in comparison with other companies) (B&A, 2013). Apparently, the organizations reply best to the state's demands.

The most important reason for not participating is that it is not a priority of their business policy, 26% of the companies replied this, number two was no data available (15%) and number three no information/report available for the Netherlands (B&A, 2013).

5.2.3 Other reasons for the increased transparency, besides the benchmark

The publicity for sustainability has increased enormously in the past decade. This increased publicity is a reason for more transparency (B&A, 2013). Next to this, several exemplary and leading companies in the Netherlands have made sustainability an important part of their business strategy and in the Civil Code of the Netherlands legislation has been included demanding non-financial data ("Wet de jaarrekening en het bestuursverslag", 2016, 2:391 lid 5).

It is however, likely, that despite the other motivators, the transparency benchmark has had a significant impact on sustainability reporting, because since its existence, the benchmark was the only benchmark in the Netherlands aimed at transparency and companies are sensitive for benchmarking (B&A, 2013).

5.2.4 How is the transparency benchmark used

The usage differs among the different stakeholders. Investment analysts for example, as a standard aspect in making the analysis, take the score on the transparency benchmark into account (B&A, 2013). Other stakeholders use it as a starting point for the discussion regarding sustainability policies.

Some stakeholders mention that they do not use the benchmark, because they believe that benchmarking the level of transparency does not give them the information they need to assess the performance on sustainability. Some believe that the information is not profound enough to make a judgment.

5.2.5 The transparency benchmark in contrast to other guidelines

B&A made a comparison of TB with other guidelines and benchmarks. The instruments compared are ISO 26000, GRI, IR, Richtlijn 400, DJSI (B&A, 2013). The oversight shows that in comparison to the other instruments, the TB is the only instrument that has its focus purely on transparency. Others focus partly or purely on the results of sustainability.

The reason why the Ministry of Economic Affairs has chosen solely for choosing transparency cannot be found in the reports of the benchmark nor in B&A's evaluation, therefore this will be a question for the expert.

5.2.6 Effect transparency benchmark on Transparency sustainability reports

In the following three paragraphs the effectiveness of the benchmark is shown. This effectiveness is divided in three research questions by B&A (2013). These three questions are:

- Is there an increase in transparency in social reporting in the period 2004 - 2012?
- Does the transparency benchmark improve the stakeholder dialogue?
- Does the transparency benchmark increase the focus of companies regarding sustainability?

This paragraph starts with the first research question. B&A mapped the scores of the companies through the years. The results will probably be slightly less positive than they really are, because every 2 to 3 years the guidelines are made stricter and more extensive, making it harder for companies to earn points. Nevertheless, the average score shows an incline through the years. An illustration is made in figure 4 by B&A (2013, p. 33).

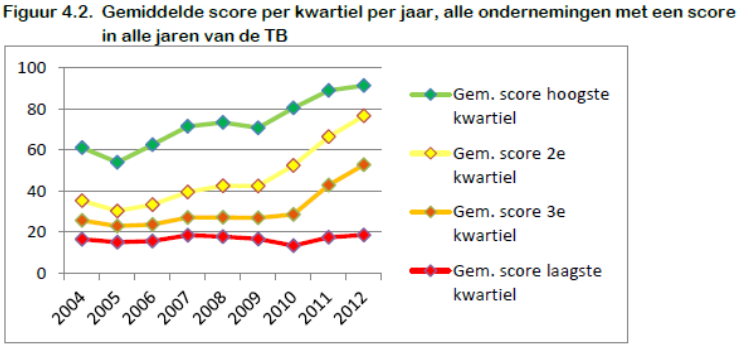

Figure 4. Average score per quartile, in all the years of the Transparency benchmark. (B&A, 2013, p. 33)

In this graph the zero-scores are left out. The highest quartile shows an average incline each year.

In the last years the highest scores level out, which can be attributed to the fact that most companies are approaching the maximum score. The second and third quartile also show an average growth through the years.

The first until third quartile show increasingly positive results. The fourth quartile and the amount of zero scores however, remain about the same. B&A (2013) speaks of concrete file for the zero-scores, because the companies scoring zero often remain scoring zero.

The stakeholders who were interviewed believe that transparency has become more important since the beginning of the benchmark.

Concluding, there is an increase in transparency from the third quartile and higher, the scores increased on average each year, the lower scores and zero-scores however remained the same.

5.2.7 Effect transparency benchmark on the stakeholder dialogue

The goal of the transparency benchmark was to increase transparency and with this make a better stakeholder dialogue possible. The effects of the transparency benchmark on the stakeholder dialogue are measured, leading to the following table (B&A, 2013, p. 37):

Tabel 4.5. Effecten van de TB op stakeholderdialoog

Antwoord	Percentage
Aanzienlijk	12%
Beperkt	18%
Geen	70%
Totaal	100%

Table 8. The effects of the transparency benchmark on the stakeholder dialogue. (B&A, 2013, p. 37).

The effects are rated considerable (12%), limited (18%), None (70%). These effects are quite disappointing. Despite the efforts of the Ministry of Economic Affairs only a small percentage of the stakeholders believes that the transparency benchmark has a considerable effect. Only 30% consider the benchmark to have any effect on the stakeholder dialogue. Although this is according to the Ministry of Economic Affairs the end goal of the benchmark. Unfortunately, B&A did not investigate the underlying reasons for this disappointing result.

5.2.8 Effectiveness on focus on sustainability

Finally, the last step is to consider which effect the benchmark has had on the focus of companies regarding sustainability. When the intermediate step is taken into account (effect on stakeholder dialogue), it can be expected that the benchmark will also have an insignificant effect on the focus of companies regarding sustainability.

The results of the survey are shown in table 9 (B&A, 2013, p. 38):

Tabel 4.6. Effecten vanuit de TB op aandacht voor MVO en MVO-beleid in bedrijven

Antwoord	Percentage
1. Ja, er is aanzienlijk meer aandacht	18%
2. Ja, aandacht is beperkt toegenomen	25%
3. Neen	57%
Totaal	100%

Table 9. The effects of the transparency benchmark on the focus of companies regarding sustainability. (B&A, 2013, p. 38).

The percentages regarding the focus are higher than the percentages regarding the stakeholders dialogue. Almost 40% of the companies believe that the focus has increased considerably or limited. Although there is still a large group (57%) that believes that there is no effect, the transparency benchmark has had a considerable effect on the focus of companies regarding sustainability.

B&A (2013) also asked in their survey what the companies believed that the effect of the transparency benchmark on their own sector were. Shown in the table 10 (B&A, 2013, p. 38):

Tabel 4.7. Effecten vanuit de TB op aandacht voor MVO en MVO-beleid in de sector waarin de onderneming actief is

Antwoord	Percentage
1. Ja, er is aanzienlijk meer aandacht	29%
2. Ja, aandacht is beperkt toegenomen	24%
3. Neen	49%
Totaal	100%

Table 10. Effects of the transparency benchmark on the focus of the sector. (B&A, 2013, p. 38).

The companies believe that the focus of their sector has increased even more than in their own companies. From the companies 53% believed that the focus has increased considerably or limited.

The results show that the steps transparency → stakeholders dialogue → focus on sustainability do not represent the process. The stakeholders dialogue is considered to be less important in the process of increasing the focus on sustainability. According to B&A (2013) the stakeholders also do not mention the improved stakeholders dialogue as a reason for the increased focus, they believe that the transparency has caused the increased focus on sustainability.

5.2.9 Future scenarios for the transparency benchmark

With a dynamic environment, the institutional environment of the transparency benchmark is changing. B&A made some scenarios for the future of the benchmark.

There are two forces that will have a large impact on the future of the transparency benchmark. These forces are on the one hand the new laws in the Netherlands and of the European Union and on the other hand new policy of the Dutch Cabinet regarding sustainability reporting.

On 29 January 2016 legislation is added to the Dutch Civil Code stating that companies need to report on dimensions of sustainability if their headquarters are situated in the Netherlands and if they meet 2 of the 3 following demands: the company has more than 250 employees and/or a balance total of more than 20 million euro and/or a net revenue of over 40 million euro ("Wet de jaarrekening en het bestuursverslag", 2016, 2:397 lid 1). This legislation requires that *"the company reports on regulation on the remuneration of directors and making it public, the absence of a conflict of interest between the company and the directors, the independence of the supervisory board, the expertise of the board and the power the shareholders' meeting has"* ("Wet de jaarrekening en het bestuursverslag", 2016, 2:391 lid 5).

The Dutch law will be introduced one year before the EU law. The EU law will be applied from January 2017, stating that companies with more than 500 employees and/or have a balance total of more than 20 million euro and/or a net revenue of more than 40 million euro have to report on economic, environmental and social matters.

The new law of the European Union (EU) will change the transparency benchmark. The group of participants will increase from 481 (2015) to 600 companies. And the group of zero-scores will also decrease dramatically, because all the companies are required to report on sustainability matters. Therefore, the average scores will increase.

The new law can also lead to a less voluntary character of the benchmark (B&A, 2013). In this new situation it is possible that the benchmark will function more as a monitoring instrument. The legislation requires the companies to rapport on relevant issues, however the companies can choose their own framework for reporting and have a large freedom on how to report. The benchmark can in this situation determine the transparency of these rapports and will then function more as a monitoring instrument than as a benchmark (B&A, 2013).

The smaller companies mentioned in the Dutch law will probably form a new group of companies with 250-500 employees. The experts believe that this group is too big to add to the benchmark.

The role of the benchmark would here be more one of a steering role. The benchmark could show what is considered to be good reporting on sustainability.

Next to the laws, the Dutch Cabinet wrote a policy statement named "acting sustainable pays off "(MVO ondernemen loont, 2013). In this policy statement the Cabinet states that they want to extend the role of the benchmark from solely measuring transparency to also measuring the performance regarding sustainability. This will mean that large adjustments need to be done in the future to make this possible.

It is useful to ask the expert what the view of the Ministry of Economic Affairs is regarding the future, 3 years after this evaluation.

5.2.10 Summary of the outcome

B&A asked three questions. How effective has the transparency benchmark been in increasing transparency, improving the stakeholders dialogue and increasing the focus on sustainability? The answers on these questions show that the transparency has increased according to the scores of the benchmark. This however presupposes that de transparency benchmark is able to show how transparent a sustainability report is. So a remark must be made, that according to the measures of the transparency benchmark, the transparency has increased. This was the goal of the benchmark so this is positive. The increased scores of the benchmark however also show that the benchmark has an institutionalizing function. This institutionalizing is on itself not a good or bad result, this depends on the strengths or weaknesses it institutionalizes.

B&A (2013) also looked further than transparency. The idea of the benchmark was that transparency would improve the stakeholder dialogue and with this the focus on sustainability would increase and with that the performance on sustainability. The stakeholder dialogue did not improve due to the benchmark. This can be seen as a serious flaw because according to the Ministry of Economic Affairs this is the end goal of the benchmark and this end goal is not achieved. B&A does not provide reasons for this low impact on the stakeholder dialogue. It is possible that the weaknesses in the criteria cause this low impact.

The final step in the reporting process on sustainability that B&A evaluated is if the benchmark increased the focus on sustainability. While the stakeholder dialogue shown a disappointing improvement the following step has shown more improvement. With 40% of the stakeholders believing the focus has increased considerably or limited, a larger impact can be seen. However, this impact is still not very high.

The process that happens according to B&A is that the increased transparency has led to an increased focus on sustainability and the stakeholder dialogue has a minor role in this.

The increased focus on sustainability is a desirable outcome. When the focus is on sustainability, this will provide incentives for companies to act sustainable which will lead to better performance on sustainability.

If the right incentives are provided and if the performance is improved due to the transparency benchmark remains unknown. The evaluation from B&A does however show that the benchmark has effect on sustainability reporting and in the end the focus on sustainability, which must be acknowledge as a good outcome.

The last part of the outcome evaluation is dedicated to the future scenarios. Due to new laws and policies the benchmark will have to change in the future. The larger groups and higher score will probably only increase the power and knowledge of the benchmark and with that improve the benchmark. However, with the critical weaknesses that exist in measuring transparency it is highly questionable if it is a good step to extend the benchmark from measuring transparency to measuring the results of performance management. For now, however, this does not seem as a beneficial step if the improvement of sustainability is desired.

5.3 Expert View

For the expert view ir. S.A.E Böttcher, responsible for the policy of the transparency benchmark is interviewed. The questions for the interview are based on remaining issues after finishing the content evaluation and the outcome evaluation. This has led to 7 questions. The questions are asked and answered in Dutch and translated later (added to appendix 7 first the original in Dutch and then the translation in English). The questions will be dealt with as follows: at first the question is explained, then the reaction of the expert is shown and finally an evaluation of the answer is given.

Question 1

The first question is practical, how is it possible that on some categories it is possible to score more than the maximum amount of points?

According to the expert this is possible, because the top 20 companies of the transparency benchmark are assessed by the jury and this jury can increase or decrease the amount of points by 15%.

Although this does not seem fair to the companies outside the top 20, this has a minor influence and is therefore negligible.

Question 2

The second question focusses on the definition of sustainability. The benchmark does not specify which definition of sustainability is used and does not require the companies to define their view on the concept of sustainability, while the literature shows that the different definitions lead to different approaches regarding sustainability reporting.

According to the expert choosing one definition would be too restrictive, because each definition has its pros and cons.

This may be a valid argument. But instead of defining sustainability in the criteria of the benchmark, requiring a definition would give each company the opportunity to portray their own interpretation of the concept of sustainability. This would give the reader of the report an understanding of the mindset of the company. It could also lead to dialogue between stakeholder and company, discussion and an increase of focus on the subject sustainability.

Question 3

The third question regards the reasons for choosing to measure transparency only and not actual performance on sustainability.

According to the expert the companies differ in so many ways from each other that it would not be sensible to measure and compare performance. An excellent performance for one company in one business sector does not have to be an excellent performance for another company in a very different sector. Therefore, the Ministry of Economic Affairs choses to measure what is measurable, namely the level of commitment and the availability of data related to sustainability, without measuring the actual performance.

It is however questionable how commitment can be measured. Commitment is a subjective concept and therefore hard to measure objectively. Also commitment can be an incorrect measure as a high commitment with very low efficiency will not lead to the desired effects.

Question 4

In the report of the benchmark the goal is stated as: to measure transparency. In no part of the benchmark is mentioned that the goal is to increase the focus on sustainability and to improve sustainability, while the evaluation (B&A, 2013) does mention the goal of increased focus. Why are these goals not mentioned?

According to the expert the transparency benchmark is part of the policy from the Government of the Netherlands to improve the performance of companies regarding sustainability and it is common knowledge that the end goal of the benchmark is to stimulate sustainability. The reason for not mentioning this goal is mainly for communication reasons.

This policy lowers the risk of the interpretation of a high score on the benchmark as a high score regarding the performance of sustainability.

For the expert the end goal is logical, because it is part of policy to stimulate sustainability, however for the average reader this can be unclear.

Question 5

The fifth question focusses on the statement in the transparency benchmark report that legislation is not able to increase "real transparency" because of the large variety of companies and the qualitative character. How does the transparency benchmark differ from legislation?

According to the expert the risk of both legislation and benchmark is the checks and boxes mentality, meaning merely doing what is asked to do (check the boxes) and nothing more. The Ministry of Economic Affairs believes they bypass the checks and boxes problem by implementing materiality, encouraging companies to really look at their own company and value-chain instead of blindly following standard rules.

Although the freedom for choosing what is material for each individual company allows the companies to make a better representation of their performance of sustainability, it also however gives room for manipulation. This trade-off needs to be balanced carefully by the benchmark.

Question 6

How is critique regarding the benchmark handled?

The expert explains that for determining the criteria, the parties involved are consulted and international standards and developments are incorporated. Despite the cooperation and international standards, a lot of decisions need to be made. Issues are the trade-off between completeness and the time investment to fill in the self-assessment and the discussion on the amount of points rewarded for a fulfilled criterion, because some companies want special attention for their single activity regarding sustainability. Concluding, because of the trade-offs there will always be critique.

The trade-off between completeness and the size of the criteria is an important one. B&A (2013) showed that the average time spent on completing the self-assessment is 17 hours.

This is a relatively short amount of time and the Ministry of Economic Affairs should consider that increasing the completeness of the criteria could lead to a better assessment while time investment is still acceptable.

Question 7

Question 7 regards the future of the benchmark according to the perception of the expert.

According to the expert the future as a monitoring instrument is a plausible scenario. Because the AFM (Autoriteit Financiële Markten), the Dutch regulator of financial markets, only determines the availability of information and not the quality of that information, the role of the benchmark would be improving and assuring the quality of the information. It is important to mention that the benchmark will stay focused on monitoring the information and not the actual performance.

The role as a monitoring instrument will increase the institutionalizing effect of the benchmark, therefore it is necessary that the criteria improve to counter the critique of the literature.

6 Conclusion & Discussion

Summary

Since 2004, EY, on behalf of the Ministry of Economic Affairs, performs a benchmark of the transparency of the sustainability reports of the largest Dutch companies. Based on 40 criteria, the reports are rewarded with points, resulting in a ranking of the participating companies.

Corporate reporting on sustainability is however problematic for a number of reasons. The definition of sustainability in not clear, there are no standard rules for reporting, reporting can be easily used for "Greenwashing", there is no evidence that sustainability reporting leads to actual sustainability or improvement of sustainability.

In this thesis an evaluation is done of the significance of the transparency benchmark on sustainability reporting of businesses in the Netherlands.

The need for sustainability is increasing, with estimates of using the equivalent of 1.6 planets per year, increasing to 2 planets in 2030, resulting in a global ecological surplus. Due to the large ecological surplus the interest in sustainability increased and with this increasing interest, reporting made the transition from the pure financial annual report to an integration of the economic, social and ecological aspects; the triple bottom line approach.

Since 2000 the Global Reporting Initiative (GRI) is the leader of voluntary standards on sustainability reporting, aimed at helping companies make reports that matter, making useful reporting standard practice and aiming at integration of sustainability in the decision making process.

In the theoretical framework based on the literature review different theories and motives for companies to report on sustainability and the benefits for companies are outlined. The aim of sustainability reporting is that the stakeholder can hold the company accountable for the effects of its activities regarding the environment, by making a dialogue possible which can lead to change. This is also the specific aim of the transparency benchmark.

The critical issues regarding sustainability reporting pointed out in literature are the identification and influence of stakeholders, the definition of sustainability, the integration of the triple bottom line elements, the relation between reporting on sustainability and the actual performance, the problem of window dressing, storytelling versus reliable information and the lack of concrete information on the effects companies have on the environment, like the ecological rug sack and financial costs of unsustainability.

The evaluation of the content of the transparency benchmark was done with the 7 critical issues that were pointed out in literature. An 8th extra issue was added, evaluating the amount of points that can be earned without saying anything sensible about sustainability. Secondly an outcome analysis of the transparency benchmark performed by B&A was evaluated. Finally, an expert was interviewed about the remaining questions after the content and outcome evaluation. The evaluation was performed according to the evaluation methodology, investigating the fulfillment of the needs of the recipients of the transparency benchmark.

Content evaluation

Regarding the content of the transparency benchmark, 2 of the 8 critical issues were rated more than adequate, 1 barely adequate and 5 poor. The transparency on stakeholder influence and the rewarding of points to issues not relating to sustainability were rated excellent and very good. The selection and identification of stakeholders, defining sustainability, reporting on actual sustainability, the countering of storytelling, the use of more concrete elements of sustainability reporting like the ecological rug sack and the financial costs of being unsustainable all received the rating poor.

Outcome evaluation

Regarding the outcome analysis, the transparency scores improved in time of the top 3 quartiles of companies, the focus on sustainability improved in 40% of the companies, more than improvement of stakeholder dialogue, in 30% of the companies. In each business sector the focus on sustainability increased even more, 53%. Because of new legislation obliging sustainability reporting, the role of the transparency benchmark in the future is expected to be more of a monitoring kind.

Expert view

In the interview with the expert of the transparency benchmark a practical aspect of the awarding of points was clarified regarding the possibility that a company can get more than the maximum number of points for a criterion. The decision not to define sustainability was based on the assumption that choosing one definition would leave out the benefits of the other definitions. The choice to reward only transparency and not results was made to be able to compare companies as the great diversity in companies and their activities would make comparison of direct results on sustainability impossible, therefore benchmarking would be impossible.

New legislation that make some elements of sustainability obligatory will probably have positive and negative effects. For the companies that do not report, legislation will have a positive effect, they will now report on the obligatory themes. For the companies that are already further in the process, the legislation will probably have a negative effect, they will probably reduce their reporting to the obliged themes, while in the voluntary reporting they would also have addressed other important themes.

Conclusion

Sustainability reporting has increased, probably partly because the subject of sustainability is getting more and more attention in the society as a whole, but it is fair to conclude that the transparency benchmark had a significant effect on sustainability reporting in the Netherlands.

Regarding the institutionalizing effect of the benchmark, the transparency benchmark has had and still has an institutionalizing effect on sustainability reporting. The second part of the main research question focusses on the strengths and weaknesses that are institutionalized with sustainability reporting.

Concerning the direct goal of the transparency benchmark, improving the dialogue between stakeholders and companies, the effect was only moderate but the focus on sustainability increased significantly in companies and even more in complete business sectors.

Whether the underlying goal of the transparency benchmark is achieved, increasing sustainability by increasing the focus, remains unclear. Whether sustainability improved or whether the unsustainability worsened less as a result of the transparency benchmark is not clear. One can only make assumptions about the effects of the transparency benchmark since its introduction in 2004. The assumption is that with the increased attention and focus, the sustainability of the companies has increased. However, whether it increased enough is highly questionable and remains unknown.

The literature has provided several weaknesses for sustainability reporting and the transparency benchmark performed unsatisfactory on 6 of the 8 criteria, meaning that there are still several critical weaknesses in the criteria of the benchmark. These critical weaknesses give companies the opportunity to create a false image of sustainability. The false image can be used as a device for corrupting the thoughts of the readers, accepting what is reported as real, distracting the attention of the real issue, sustainability. In this way the benchmark is beneficial for the companies, because they can go on with their business as usual, it is however less beneficial for the stakeholders who are concerned with sustainability.

Wrongful or at least suboptimal reporting will lead to the legitimizing of unsustainability and is therefore a serious issue for the future

The overall conclusion is that how the benchmark is performed now, is probably beneficial for the moment, it however needs large improvements to keep this beneficial influence. It remains unknown if it is possible to make these large improvements, but the transparency benchmark and sustainability reporting are relatively young, which gives a hopeful view for the future.

Discussion

Despite the efforts to decrease the loss of reliability by following the steps of Davidson (2005) and making the process of the evaluation transparent, the use of evaluation methodology and the interpretative method will lead to a lower reliability than with positivistic research, because it is a qualitative subjective evaluation of needs and effects, in contrary to the positivistic research which results in more objective quantitative results.

Another issue that lowers the reliability of the thesis is the subject sustainability. Sustainability is a vague and ambiguous concept, which can be interpreted differently by different people. This also lowers the reliability. To counter this loss in reliability, in the thesis each time sustainability is used, the interpretation of the researcher is explained.

For the outcome evaluation the analysis of B&A (2013) is used. Even though B&A is a professional consultancy company, the research is not performed by the researcher himself and the process and methodology of their analysis cannot be checked and is in this way less reliable than own research.

Because sustainability reporting is still a relatively young subject several assumptions need to done, because there is not much research assuring some relationships or statements. This makes some statements less reliable. Especially the link between sustainability reporting and the performance on sustainability is not proven or disproven to exist, while very important to know.

Further research

Because literature regarding the link between sustainability reporting and actual performance is scarce, research in this section would be very relevant. Critical case-studies looking at which effect sustainability reporting has on the performance regarding sustainability can be very helpful in exploring this relationship and in giving leads for improvement.

The new legislation that becomes active will change the institutional environment, this is a fruitful context to look at which effects institutions have.

Finally, there are more benchmarks than the transparency benchmark in the Netherlands. The most influential is the Dow Jones Sustainability Index (DJSI). This index tries to benchmark the actual performance of sustainability. With all the criticism found in the literature and the weaknesses found on just measuring transparency, it would be interesting to see how the DJSI deals with this criticism.

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Appendix

1: List by Aras and Crowther (2009, p. 285) of the possible benefits of CSR:

• Enhanced company or product image

• Health and safety benefits

• Ease of attracting investment and lowered cost of such investment

• Better community relationships

• Improved relationship with regulators, where relevant

• Improved morale among workers

• General improved image and relationship with stakeholders.

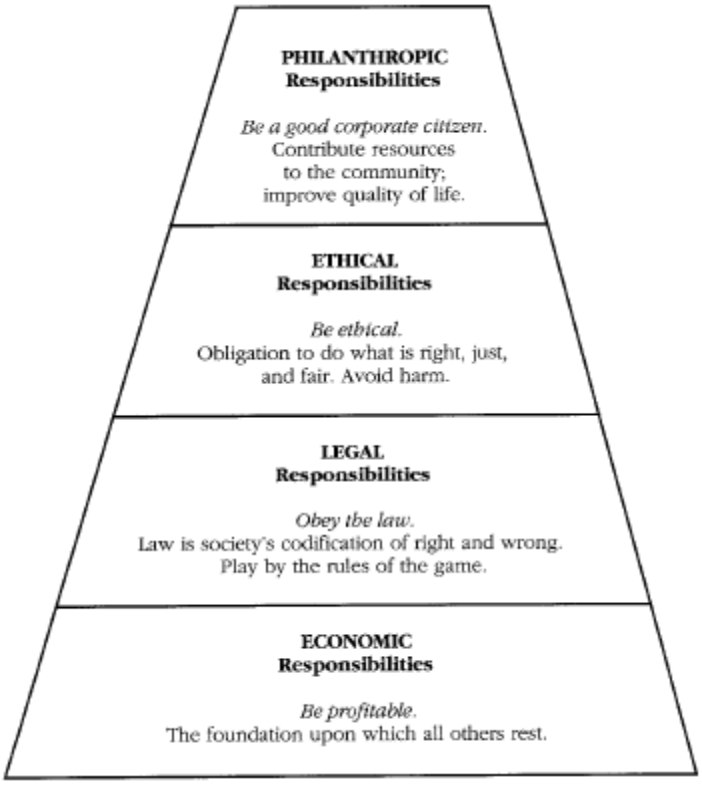
2: Buhr (2007, p. 64) Rationales for sustainability reporting (part 1)

Rationale	Proactive	Reactive
Moral and ethical reasons, duty	We see this sort of reporting as our ethical duty. This reporting is part of the accountability equation and we have a champion in the upper ranks of management who want us to do this.	What we must do is comply with the law. If the law does not require this reporting we see no moral duty to engage in it.
Competitive advantage	We would like to be seen as a leader in this area. This is the vision that we have of ourselves.	We do not see any competitive advantage in being a leader in this area. We view it as too costly to be on the leading edge.
Party to setting of voluntary standards – GRI	We would like to work with others setting voluntary international standards. We might believe that voluntary standards are the way to go to stave off (costly) regulation.	We are not interested in or able to participate in such voluntary activity.
Party to setting of mandatory standards – government, accounting or securities based	We should do this so our views can be heard and represented in the process. This might include a conscious desire to 'capture' the agenda and ensure the results are compatible with what we are willing to do.	We do not want mandatory standards therefore we will not participate in the process except perhaps to resist.
Peer and industry pressure	We believe that it is important for our industry association to endorse this reporting. We want our industry to have a better image. We want to bring others in our industry up to our level of reporting.	Too many of our competitors are engaging in this reporting. We must provide some sort of reporting and not lag too far behind unless we are willing to tolerate some form of competitive disadvantage.

2: Buhr (2007, p. 65) Rationales for sustainability reporting (part 2)

Corporate performance	We are really doing better than people think we are and we need to let them know.	Our corporate performance is not so hot and 'least said soonest mended'.
Image management, public relations, corporate reporting awards	This sort of reporting is a great way to beef up our image. Let's get our spin-doctors on it right away. This is a symbolic way for us to show how progressive we are.	There is a reaction to a disaster 'X' in our industry. We must do collateral damage control and report on how we have safeguards in place so that we are not like disaster 'X'.
Social pressures, social licence to operate	We believe in enlightened self-interest and win–win situations. Let's use this as one way to get the local community to understand what we are doing.	Why do we need to communicate with anyone other than shareholders? But, maybe if we do we can avoid the attacks by those NGOs and rabid interest groups.
Financial benefits from investor reactions	We believe that we can attract investors with this sort of reporting. We feel that we can lower our cost of capital because this sort of reporting indicates how we have solid systems, top-notch strategic thinking and corporate transparency.	We do not see any financial benefit from engaging in this reporting and in fact we see these reports as costing too much money, time, trouble and effort to produce.
Existing regulation – government, accounting or securities based	We have regulations in this area and we want to do a good job of providing full and fair disclosure, complying with both the form and the spirit of the regulation.	Sure there is regulation in this area but we do not think that it is well enforced and we are not afraid of the penalties if we are caught. Let's just ignore this and keep a low profile and see what happens. Maybe we will have to do something if our auditors or the securities regulators raise the issue.

3. The pyramid of corporate social responsibility (Carroll, 1991, p. 42):



4 Question 5.1.6 criteria 30, 31 and 32 (Criteria, 2016, p. 11):

30 The reports contain a signed statement from an independent party that has verified the content of the information society and has given assurance regarding the reliability of the information society.

0 = There is no recorded statement.

4 = There is a recorded statement which gives limited assurance.

6 = has included a statement that provides a moderate level of assurance on some of the information presented and a reasonable degree of certainty about another part of the information in the sustainability reporting.

8 = There is a statement that provides reasonable assurance on at least the most relevant part of the social reporting.

+ 2 The declaration of the independent party provides insight into the following sections.

- subject of the independent verification
- the scope of the verification process,
- objective of the independent verification
- the assessment criteria used
- the applied standard (s) for verification
- the nature of the work performed
- the main conclusions

+ 2 From the statement appears that the independent party has used a commonly accepted standard as verification.

+2 The statement shows that the person who signed the declaration, is bound by conduct and professional rules regarding independence and quality, which are secured by a monitoring organization.

- 2 The statement shows that the scope of the verification process is limited and does not cover all material aspects of the social reporting.

31 In the reports external experts or external stakeholders give their views on the developments and results regarding corporate social responsibility issues.

0 = External subject matter experts or external parties are not allowed to speak in the reporting.

1 = There are less than three opinions from external experts and external stakeholders included in the reporting.

3 = There are at least three views of external experts and external stakeholders included in the reporting.

32 In the reporting the company provides an explanation for the uncertainties in the reported data.

0 = No explanation.

+ 1 = The company provides an explanation on the inherent limitations associated with definitions and / or linked to the methods of measuring, estimating and calculating.

+2 = The company describes its reporting what internal processes it has set up to ensure the quality of public information, including any internal verification processes.

5 Oversight of points given for the calculation of question 5.1.8

The numbers in the white are the maximum amount of points that can be scored and the numbers in the red is the amount that can be scored without saying anything sensible about sustainability.

Content system of standards											**44/100**
1. Structure and Business model	**31/33**	**2. Policies and Results**							**2/34**	**3. Management Approach**	**11/33**
1 A. Profile and value chain	**10/10**	2 A. Policies and (self-imposed) obligations							0/5	3 A. Governance and remuneration	4 / 10
1 B. Process of value creation	**10/10**	2 B. Objectives							0/5	3 B. Internal control and monitoring	0/8
1 C. Analysis of the environment (incl. risks and chances)	**8/8**	2 C. Economic aspects of operations	0/8	2 D. Environmental aspects of operations	0/8	2 E. Social aspects of operations			2/8	3 C. Forecast for the future	5/5
1 D. Strategic context	**4/5**									3 D. Reporting criteria	2 / 10

***adjusted* Content system of standards. (Criteria Transparantiebenchmark, 2015, p.2)**

Quality system of standards									**20/100**
4. Relevance	**15/20**	**5. Clarity**	**8/20**	**6. Reliability**	**-1/20**	**7. Responsiveness**	**4/20**	**8. Coherence**	**2/20**

Quality system of standards. (Criteria Transparantiebenchmark, 2015, p.2)

6 Points per criterion for the calculation of question 5.1.8

Number criterion	point distribution							scored amount/ maximum amount
	Content system of standards							**44/100**
1	**Structure and Business model**							**31/33**
1A	Profile and value chain							**9/10**
1	1/1	1/1						
2	1/1	0/1	1/1					
3	2/2	2/2	1/1					
1B	Process of value creation							**10/10**
4	4/4	2/2	2/2	2/2				
1C	Analysis of the environment (incl. risks and chances)							**8/8**
5	1/1	1/1	1/1	1/1				
6	1/1	1/1	1/1	1/1				
1D	Strategic context							**4/5**
7	2/2	2/2	0/1					
2	**Policies and Results**							**2/34**
2A	Policies and (self-imposed) obligations							**0/5**
8	0/2	0/2	0/1					
2B	Objectives							**0/5**
9	0/2	0/1	0/1	0/1				
2C	Economic aspects of operations							**2/8**
10	2/4	0/2	0/2					
2D	Environmental aspects of operations							**0/8**
11	0/4	0/2	0/2					
2E	Social aspects of operations							**0/8**
12	0/4	0/2	0/2					
3	**Management approach**							**11/33**
3A	Governance and remuneration							**4/10**
13	1/1							
14	1/1							
15	0/2	0/1	-1/-1					
16	2/2	1/1	0/2					
3B	Internal control and monitoring							**0/8**
17	0/1	0/1	0/2					
18	0/2	0/2						
3C	Forecast of the future							**5/5**
19	2/2	1/1	1/1	1/1				
3D	Reporting criteria							**2/10**
20	1/3	0/1	0/1					
21	1/1	0/2	0/2					

Number criterion	point distribution						scored amount/ maximum amount
	Quality system of standards						**28/100**
4	Relevance						**15/20**
22	4/4	0/4					
23	2/2	0/1	2/2				
24	3/3	2/2	2/2				
5	Clarity						**8/20**
25	2/2	2/2	2/2				
26	0/2	0/2					
27	1/1	0/2					
28	0/1	0/1	0/1	0/1	-2/-2		
29	1/1	1/1	1/1				
6	Reliability						**-1/20**
30	0/8	0/2	0/2	0/2	-2/-2		
31	0/3						
32	1/1	0/2					
7	Responsiveness						**4/20**
33	1/4	0/2	0/2	0/2			
34	0/2	0/1					
35	0/2						
36	3/3	0/2					
8	Coherence						**2/20**
37	0/3	0/2					
38	0/2	0/2	0/2				
39	2/4	0/2					
40	0/3						

7 Interview questions for the expert on sustainability reporting

These are the original questions and answers in Dutch. The translation can be found on the following page.

1. Soms krijgen bedrijven meer dan het maximaal aantal punten, zo krijgt Akzo Nobel op responsiviteit 22 punten van de 20, hoe is dit mogelijk?

    Geeft dit een eerlijk beeld, aangezien je verwacht dat ze in totaal 4 punten van de 200 missen maar eigenlijk missen ze op bepaalde vlakken meer?

Reactie: Het Panel van deskundigen beoordeelt de Top 20 op een aantal kwaliteitsgerichte criteria (relevantie, duidelijkheid, betrouwbaarheid, betrokkenheid van belanghebbenden, contextuele samenhang) en stelt deze op basis van een eigen set criteria naar boven of naar beneden bij met maximaal 15 procent. Hierdoor kan een bedrijf (maximaal) 15% meer dan de maximum score krijgen.

2. Welke definitie van duurzaamheid wordt gehanteerd?

Reactie: De TB gaat niet uit van één bepaalde definitie over duurzaamheid, want over verschillende bestaande definities is iets voor en tegen te zeggen. De criteria van de worden samengesteld op basis van stakeholderdialoog en de internationale standaarden en ontwikkelingen op het gebied van transparantie, bijvoorbeeld belang van de keten en materialiteit. Eén definitie hanteren zou onnodig beperkend zijn.

3. Waarom is toendertijd gekozen voor alleen het meten van de transparantie en niet de resultaten betreffende mvo-ondernemen.

Reactie: Bedrijven verschillen in zo veel dingen van elkaar dat een vergelijking van resultaten onmogelijk is. Verschillen qua sector, grootte, toeleveringsketen (invloed op leveranciers, keuzemogelijkheid van leveranciers, etc), afzetmarkt (B2B of B2C), ontstaansgeschiedenis, organisatiestructuur, financiering, en nog veel meer zaken hebben bijvoorbeeld invloed op de mogelijke MVO resultaten. Daardoor is een prestatie die voor het ene bedrijf uitstekend is, is voor het andere bedrijf zeer matig.

Daarom is gekozen om te meten wat wel meetbaar is en een goed beeld geeft van wat de inzet en prestaties zijn, zonder dat we de prestaties zelf meten. Dit zorgt ook voor de stimulerende werking op MVO gebied.

4. Op de site staat het doel van de transparantie benchmark puur transparantie meten is. Maar in de evaluatie wordt gezegd dat het uiteindelijk doel is om mvo bij bedrijven te stimuleren ("Zo is het bedoeld en zo wordt het ook in het veld herkend" (B&A, 2013, p. 51)), klopt dit?

Is het een bewuste keuze, om dit doel niet te vermelden in jullie berichtgeving?

Reactie: De TB is een onderdeel van het MVO beleid, dus iedereen weet dat het doel is om MVO te stimuleren. Het middel is de TB en het doel van de TB is de transparantie te verbeteren. Met de transparantie wordt ook de inzet en prestatie vaak verbeterd (blijkt ook uit de evaluatie). De communicatie over de TB willen we wel zuiver houden, ook om te voorkomen dat mensen een hoge of lage score op de TB interpreteren als een goede of slechte MVO prestatie. We noemen bijvoorbeeld naar de Tweede Kamer dat een nulscore niet perse betekent dat een bedrijf niets aan MVO doet. Het betekent dat een bedrijf geen publiek beschikbaar verslag heeft of helemaal geen verslag over MVO. Dat is iets anders dan dat ze niets doen.

Damen Shipyards heeft bijvoorbeeld na jarenlang nulscoorder te zijn afgelopen jaar voor het eerst een publiek beschikbaar verslag uitgebracht en belande meteen in de middenmoot, niet onderaan. Als ze helemaal niets zouden doen, zouden ze onderaan staan.

5. U geeft zelf aan in uw transparantie rapport, dat het betwijfelbaar is of wetgeving betreffende het verplicht maken van verslaggefing over duurzaamheid de "echte transparantie" zal verhogen. Met als verklaring "de grote variëteit aan ondernemingen en het kwalitatieve karakter van veel thema's" (Transparantiebenchmark, 2015, p. 45). In hoeverre verschilt de transparantie benchmark met dit soort wetgeving, geeft de benchmark dan wel "echte transparantie" weer?

Reactie: Dit gaat onder andere over het risico op een 'vinklijstje' omdat het moet (en niets meer). Wat dat betreft kunnen wetgeving en de TB dezelfde voor- en nadelen hebben, afhankelijk van de uitvoering. De TB probeert dit te ondervangen door de nadruk op materialiteit te leggen, zodat individuele bedrijven hun eigen bedrijf en keten moeten onderzoeken in plaats van dat ze (blind) feitjes kunnen oplepelen. Daarvoor verwijs ik graag ook naar de pagina daarvoor over stakeholders betrekken bij de materialiteitsanalyse.

Wetgeving, zoals de EU richtlijn bekendmaking niet-financiële informatie en diversiteit (NFID), is ook beperkter. De NFID gaat over 5 thema's die als essentieel worden gezien. Dit kan 2 effecten hebben:

stimulerend: bedrijven die nog weinig aan MVO doen en deze thema's onvoldoende op het vizier hebben, gaan hier mee aan de slag en zetten stappen richting beter MVO beleid;

beperkend: bedrijven die MVO op een integrale manier (willen) opnemen in de bedrijfsvisie en met de voor hen materiele thema's aan de slag willen gaan of zijn gegaan, gaan zich beperken tot deze thema's. Dit kan het betekenen dat andere (misschien wel zeer materiele) thema's niet worden opgepakt.

Waarschijnlijk zal het 2de effect nu meer uitzondering dan regel zijn, maar in de toekomst gaan we dit wel merken.

6. De literatuur over mvo-verslaggeving heeft kritiek op bepaalde elementen van de benchmark, hoe gaan jullie hiermee om?

Reactie: We stellen de criteria op in samenspraak met partijen en met oog op de internationale standaarden en ontwikkelingen. De kritiek die overblijft nemen we ter harte, maar zoals met veel samenwerkingsprojecten moeten er keuzes worden gemaakt en knopen worden doorgehakt. Enerzijds willen bijvoorbeeld veel partijen dat 'hun' single issue extra aandacht in de TB krijgt (bijv kinderarbeid, diversiteit, etc etc) en anderzijds vinden veel partijen 40 vragen al heel veel. De huidige criteria zijn dus een afspiegeling van input en keuzes.

7. De transparantie benchmark heeft veel bereikt in de loop der jaren, hoe ziet u de rol van de benchmark in de toekomst?

> In het evaluatierapport wordt gesproken over een rol als monitor, of een eventuele stap richting het meten van echte resultaten, hoe ziet u dit, en welke problemen voorziet u hier?

Reactie: De rol als monitor is – zeker gezien de implementatie van de NFID richtlijn – een actuele vraag. We zijn hier serieus naar aan het kijken, ook omdat de AFM alleen op aanwezigheid van informatie voor beursgenoteerde bedrijven controleert. Hierbij blijft het zaak om te benadrukken dat we alleen de aanwezigheid van de informatie (kunnen) monitoren en niet de MVO prestatie van het bedrijf.

Risico van een monitoringsinstrument is nog meer risico op een 'vinklijstje' en het risico dat (opnieuw) alle partijen 'hun' single issue als apart criterium willen waardoor het een hele lange lijst van criteria zou worden die de aandacht van echt MVO ondernemen af kan leiden. Het gaat namelijk bij MVO binnen een bedrijf er juist om dat het bedrijf zijn eigen visie en handelen en dat van zijn keten onderzoekt in de context van people, planet en profit (en dus ook in samenspraak met stakeholders). Uit dit onderzoek volgen de materiele thema's waar een bedrijf invloed op kan uitoefenen. Dat is geen vinklijstje.

Reactie: Voor het antwoord op het meten van resultaten in de toekomst verwijs ik je naar eerdere vraag hierover.

The following is a translation of the questions and responses in English

1. Sometimes companies get more than the maximum number of points, for example AkzoNobel's score on responsiveness is 22 points out of 20, how is this possible?

Do you believe this gives a fair view as you would expect a total of 4 points out of 200 are missing but actually in certain areas they miss more?

Response: The panel of experts assesses the Top 20 in a number of quality-oriented criteria (relevance, clarity, reliability, stakeholder involvement, contextual cohesion) and set it on the basis of its own set of criteria, upwards or downwards by up to 15 percent. This may cause a company to earn (up to) 15% more than the maximum score.

2. Which definition of sustainability is applied?

Response: The TB is not based on a particular definition of sustainability, for several existing definitions they all have pros and cons. The criteria are compiled on the basis of stakeholder dialogue and international standards and developments in the field of transparency, for example importance of the chain and materiality. using one definition would be unnecessarily restrictive.

3. Why was in the beginning chosen to only measure the transparency and not the results concerning sustainability.

Response: Companies differ in so many things from each other that a comparison of results is impossible. Differences in terms of sector, size, supply chain (impact on suppliers, choice of suppliers, etc.), market (B2B or B2C), history, organizational structure, funding, and many more things for instance affect the potential CSR results. Thus, a performance which is excellent for one company, can be for another company very moderate.

Therefore, we have chosen to measure what is measurable and give a good picture of the commitment and performance, without measuring performance itself. This also ensures the stimulating effect on CSR area.

4. According to the site, the purpose of the transparency benchmark is the measurement of transparency. But in the evaluation it is said that the ultimate goal is to promote CSR in companies ("So is it meant and so is it also recognized in the field" (B & A, 2013, p. 51)), is this correct?

Has this been a conscious choice; not to mention this objective in your reporting?

Response: The TB is a part of its sustainability policy, so everyone knows that the goal is to stimulate sustainability. The instrument is the TB and the goal of TB is to improve transparency. The transparency often enhanced the commitment and performance (also reflected in the evaluation). We want to keep Communication about the goal of the TB clean, to prevent people interpret a high or low score on the TB as a good or bad sustainability performance. We report for example to the House of Representatives that a zero score does not necessarily mean that a company does nothing sustainability reporting. It means that a company has no publicly available report or no report on CSR. That is something else than that they do nothing.

Damen Shipyards for example, first released a publicly available report after years of scoring zero last year and hit right in the middle, not at the bottom. If they would do absolutely nothing, they would stand down.

5. You indicate in your transparency report, that it is doubtful whether legislation concerning obligatory sustainability reporting will increase the "real transparency". With as explanation for being doubtful "the great variety of enterprises and the qualitative nature of many topics" (Transparency Benchmark, 2015, p. 45). To what extent does the transparency benchmark differ to this type of legislation, does the benchmark in contrast to legislation show "real transparency"?

Response: This counters the risk of the checks and boxes mentality (just attain the minimum and nothing more). In this regard, the TB and legislation have the same advantages and disadvantages, depending on the implementation. TB is trying to overcome this by emphasizing materiality, allowing individual companies to examine their own business and supply chain rather they (blind) facts can peddle. For this I would also refer you to the page for the involvement of stakeholders in the materiality analysis.

Legislation such as the EU directive disclosure of non-financial information and Diversity (NFID) is also limited. The NFID is about 5 themes that are seen as essential. This can have two effects:

Incentive for companies that do little on sustainability and these do not have their focus on the sustainability themes, have to change and take steps towards better sustainability policies;

limiting: companies that are already looking at sustainability in an integrated manner (or aim to) into their policy and then leave this strategy to merely focus on the few themes that are obliged. This may mean that other (possibly very material) themes are not picked up.

The 2nd effects will now be more rare, however in the future this will happen more often.

6. The literature on CSR reporting is critical of certain elements of the benchmark, how do you deal with this critique?

Response: We set the criteria in consultation with the parties and by looking at international standards and developments. The criticism that remains we take to heart, but as with many cooperative choices have to be made and decisions are made. For example, on the one hand, many parties want special attention for 'their' single issue in the TB will (eg child labor, diversity, etc etc) and also many parties find the amount of 40 questions very high. The current criteria are thus a reflection of input and choices.

7. Transparency Benchmark has achieved a lot over the years, how do you see the role of the benchmark in the future?

> The evaluation report speaks of a role as a monitor, or a possible step toward measuring real results, how do you see this, and what problems you see with measuring real results?

Response: The role as a monitor - especially considering the implementation of the directive NFID - a relevant and actual question. We're seriously looking at this, because the AFM only checks for the presence of information for listed companies. It remains important to emphasize that we will only monitor the information and not the sustainability performance of the company.

The checks and balancing mentality is even higher for a monitoring tool and the risk that (again) all the parties want special attention for 'their' single issue as a separate criterion, leading to a long list of criteria that can deflect attention from real sustainability. The fact is that sustainability within a company depends on that what the company believes, it depends on its own vision and actions and those of its chain in the context of people, planet and profit (and therefore, in consultation with stakeholders). From this study the substantive issues that a company can influence can be found without being a check list.

To answer how to measure the results in the future, I refer to the earlier question about it.