The triple bottom line:

benchmarking New Zealand's early reporters

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Reflecting the diversity of public reporting to emerge in Europe during the late 1990s, John Elkington (1997), founder of London-based consultancy SustainAbility, coined the phrase "triple bottom line" to capture the notion that organisations should report not only on their financial performance, but also on their social and environmental performance. Some companies had started to issue stand-alone health, safety and environment (HSE) reports, in which employee and environmental performance information were combined, but Elkington's phrase appears to have been a catalyst for organisations to start issuing single annual reports in which financial, social and environmental performance are reported together.

The emergence of such reporting practices also spawned a host of other developments including new reporting awards schemes and attempts to standardise such practices. The multi-agency and international Global Reporting Initiative (GRI) was the primary mover in developing final draft standards in 2002 (see www.globalreporting.org).

While corporate New Zealand seemed slow to acknowledge and adopt the practice of corporate environmental reporting, lagging well behind international best practice by about five years, it

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seems much more ready to take up the practice of triple bottom line reporting. During the 1990s, very few New Zealand companies seemed willing to publicly report their environmental performance, either in conjunction with their financial performance as part of the traditional annual report to shareholders, or in separately prepared reports. As Milne et al. (2001) noted, New Zealand performed poorly in international surveys of corporate environmental reporting and a series of articles appeared, lamenting the impoverished state of such reporting (e.g., Gilkison, 1995, 1996, 1997, 1998; Gilkison and Ensor, 1999; Milne and Owen, 1999). Using a "model" report, Milne et al. (2001) went on to survey corporate managers' attitudes to such reporting and optimistically reported that things seemed set to change within the next three years. Well, three years on, things have changed quite considerably.

For one thing, the upsurge in the interest and practice of organisations publicly reporting performance other than traditional financial performance has not been confined to reporting environmental performance. Instead, it has expanded to include social and economic performance. While corporate environmental reporting took hold in Europe from about 1990, it was not until the mid-1990s that a number of European companies (e.g., The Body Shop, The Co-operative Bank, Traidcraft, BP and Shell) expanded their public reporting to include separate social and ethical accounts (Adams et al., 1995, 1998; Gonella et al., 1998; Gray, 2001). The contents of social reports vary, but they typically focus on statements of organisational values and ethics, the results of social audits and the results of stakeholder dialogue (Gonella et al., 1998; Wheeler and Sillanpäa, 1997). It was also during the mid-1990s that another London-based consultancy, AccountAbility, sought to promote and standardise social and ethical accounting and reporting through the issuance of its AA1000 Social Accounting Standards (ISEA, 1999). Although the UK environmental reporting awards scheme was introduced as early as 1991, the UK social reporting awards scheme was introduced in 1999. Again, however, evidence from New Zealand reveals a lack of interest in stand-alone social reporting and auditing, other than among a small group of not-for-profit community organisations (Low and Davenport, 2001).

With the development of separate social and environmental reporting practices, it was not long before European organisations started to report such information in a single report along with their financial information. Despite New Zealand organisations' early reticence to engage and develop separate environmental or social reporting practices, developments and activities on a number of fronts suggest a greater number of New Zealand organisations appear ready and willing to leapfrog forward into a new era of triple bottom line reporting.

PROMOTING TRIPLE BOTTOM LINE REPORTING IN NEW ZEALAND

In part, the New Zealand Business Council for Sustainable Development (NZBCSD) can take substantial credit for energising the development of triple bottom line reporting. Founded in 1999, the NZBCSD has about 40 members ranging from very small consultancies to New Zealand's largest manufacturers, retailers and service organisations (see www.nzbcsd.org.nz). One of the conditions of council membership is accepting a commitment to publicly release a triple bottom line (TBL) report within three years, but the council has been far more proactive than that. A key project since its inception has been the promotion of TBL reporting or what it prefers to call "sustainable development reporting".

An early council pronouncement, *Corporate Reporting on Sustainable Development* (1999), acknowledged a range of possible frameworks for reporting corporate social and environmental performance, and a range of possible reasons for organisations to do so. In conjunction with the Ministry for the Environment, a subsequent programme was implemented to support several members in developing their reporting processes, leading to *The NZBCSD Sustainable Development Reporting Guide for New Zealand Business* (2001), released along with a report on the eight pilot case studies of TBL reporting implementation. These reports have been publicly released as part of a *Business Guide to Sustainable Development*

Reporting (2002). The NZBCSD guidelines have tended to coalesce around the international developments of the AA1000 Social Accounting Standard and the Global Reporting Initiative.

The NZBCSD conceives of approaching sustainable development via "the three pillars of economic growth, environmental protection, and social progress" and has set its mission to "promote eco-efficiency, innovation, and entrepreneurship" (NZBCSD, 1999, 2001, 2002). Such a position has undoubtedly shaped the development of its "business case" for TBL reporting, its guidelines and, most likely, the subsequent content of the reports by its members. Its business case for TBL reporting, for example, is clearly entity-focused, strongly argued on economic grounds, and appeared in the 2001 guide as simply:

- Increased financial return for and reduced risk for shareholders
- Attracting and retaining employees
- Improving customer sales and loyalty
- Growing supplier commitment
- Strengthening community relations
- Contributing to environmental sustainability

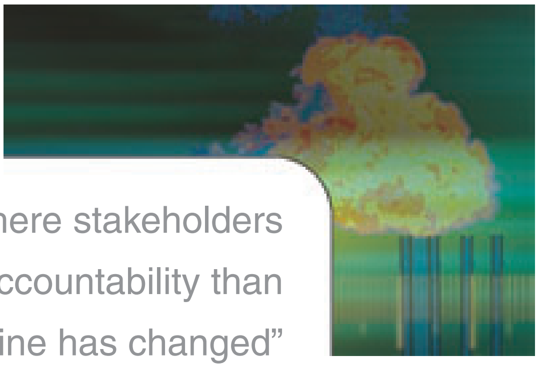
Even the latter two aspects to the case, which at least hint at some wider notion of responsibility and accountability to society, were tightly presented in terms of their economic and instrumental value to the reporting organisation. Such reporting, we are told, "… can potentially lessen adverse comments from the community about a business and enables the company to profile the positive contribution it is making to the community", and such reporting can "assist businesses in identifying opportunities for reducing waste, and thereby costs …" The touted benefits from TBL reporting are strongly couched in terms of increased financial returns, enhanced reputation and reduced risk for the organisation.

Another key promoter has been New Zealand Businesses for Social Responsibility (NZBSR), a group founded in August 1998. This group, which recently merged with the Auckland Environmental Business Network to become the Sustainable Business Network (see www.sustainable.org.nz), has focused on smaller organisations. The NZBSR's first newsletter contained ample references to sustainability, social and environmental accountability and the triple bottom line.

With support from the Ministry for the Environment, the group has produced a guide on TBL reporting for smaller organisations (see www.sustainable.org.nz/resource.asp?id=12). The Ministry itself has recently released a report on a pilot project to investigate the value of TBL reporting among public sector agencies, including central government agencies and local government groups such as regional and city councils (see www.mfe.govt.nz/publications/ser), as well as its own TBL report in 2003.

Other recent key generators of interest in TBL reporting are business and accountancy consultancies. Deloitte Touche Tohmatsu, PricewaterhouseCoopers, KMPG and others, for example, reveal a host of references to the triple bottom line and sustainability, and how businesses can reap the benefits of competitive advantage, enhanced efficiency and reputation, and reduced risk and liability from embarking on such a reporting programme. KPMG (2002) recently dedicated its "model annual report" a guide to producing an annual report to the triple bottom line, telling us that: "Organisations now operate in a world where stakeholders are asking for more transparency and accountability than ever before. Sustainability is the new demand. This is the time of profit with responsibility. The bottom line has changed." (KPMG, 2002, p.1.)

Reflecting such developments, the Institute of Chartered Accountants of New Zealand established a taskforce to investigate TBL reporting and released



> "Organisations now operate in a world where stakeholders are asking for more transparency and accountability than ever before ... the bottom line has changed"

The position on sustainable development and the business case for TBL reporting taken by many of these promoters has not gone unchallenged

its report, *Sustainable Development Reporting*, late last year. Key issues in the report, which a new Sustainable Development Reporting Committee is set to pursue, are the extent to which TBL reporting fits within current frameworks for the external reporting of financial information and the status and quality of the auditing of such reports.

Pioneer reporters are also promoting TBL reporting. The Auckland-based local authority trading enterprise, Watercare Services, along with Tasman Pulp and Paper, the then ECNZ and New Zealand Refining were early developers of stand-alone environmental reports. A winner of the New Zealand environmental reporting awards scheme for seven straight years, Watercare has gone on to develop a stronger commitment to stakeholder reporting and 2001 saw its first triple bottom line report. Landcare Research, the Lincoln-based Crown Research Institute, has also been a stand-out developer and promoter of TBL reporting. It issued its first TBL report in 2001 and an earlier report on its social and environmental performance took an award for best environmental report. Landcare has also actively promoted TBL reporting in other organisations through the NZBCSD's pilot reporting project.

But the position on sustainable development and the business case for TBL reporting taken by many of these promoters has not gone unchallenged (e.g., Welford, 1997, 1998; Rossi et al., 2000; Dyllick and Hockerts, 2002; Gray and Milne, 2002, 2003; PCE, 2002). There are alternative, broader and more radical perspectives on sustainability and TBL reporting than those acknowledged by the NZBCSD. And even SustainAbility and John Elkington (1997) recognise that:

> "At its narrowest, the term 'triple bottom line' is used as a framework for measuring and reporting corporate performance against economic, social and environmental parameters. At its broadest, the term is used to capture the whole set of values, issues and processes that companies must address in order to minimise any harm resulting from their activities and to create economic, social and environmental value. The three lines represent society, the economy and the environment. Society depends on the economy – and the economy depends on the global ecosystem, whose health represents the ultimate bottom line." (What is the Triple Bottom Line? SustainAbility, 2002.)

Apart from examining the content of New Zealand's early TBL reports, of some interest is to what extent they follow the narrow or the broader conception of the triple bottom line. The following section outlines a framework for analysis, before applying and reporting on the results of an analysis of eight of New Zealand's earliest triple bottom line reports.

A FRAMEWORK FOR ANALYSING TRIPLE BOTTOM LINE REPORTING

UNEP/SustainAbility's benchmark tool, developed and used in several surveys of international corporate reports (1994, 1996, 1997, 2000, 2002), is used to analyse the content of the New Zealand TBL reports. The tool grounds the study in international standards and compares New Zealand corporate reports to international levels and is similar to those used in other international benchmarking studies (e.g., Kolk, 1999; Morhardt, 2001; Morhardt et al., 2002).

This study uses the 1996-revised edition of SustainAbilitiy's tool (shown in **Figure 1**). This particular edition includes clear and complete descriptions of the categories and items along with comprehensive criteria and guidelines for scoring each item. Later versions have become more proprietary and less explicit, and their use is difficult and potentially more subjective (see Higgins, 2001). The 1996 tool comprises 50 reporting items, under the five sections of (1) Management Policies and Systems, (2) An Input/Output Inventory, (3) Finance, (4) Stakeholder Relations and Partnerships, and (5) Sustainable Development.

Scoring the reports

With the UNEP/SustainAbility benchmarking instrument, 48 of the 50 reporting items are scored from 0-4. Two are scored as either 0 or 1. This rating (shown in **Table 1**) is based on the principle that the

FIGURE 1

UNEP/SustainAbility "Engaging Stakeholders" survey instrument 1996 revised version

1 MANAGEMENT POLICIES AND SYSTEMS			
1	Top Management Statement	2	Environmental Policy
3	Environmental Management System	4	Responsibility & Accountability
5	Environmental Auditing	6	Goals & Targets
7	Legal Compliance	8	Research & Development
9	Awards*	10	Verification
11	Reporting Policy	12	Corporate Context
2 INPUT/OUTPUT INVENTORY			
Inputs			
13	Material Use	14	Energy Consumption
15	Water Consumption	16	Clean Technology
17	Health & Safety	18	Accidents & Emergency Response
19	Risk Management & EIAs	20	Land Contamination & Remediation
21	Stewardship of Ecosystems		
Outputs			
22	Waste Minimisation	23	Air Emissions
24	Water Effluents	25	Noise & Odours
26	Transportation		
Products			
27	Life-Cycle Design & Assessment	28	Environmental Impacts
29	Product Stewardship	30	Packaging
3 FINANCE			
31	Environmental Spending	32	Environmental Liabilities
33	Market Solutions & Instruments	34	Environmental Cost Accounting
35	Charitable Contributions*		
4 STAKEHOLDER RELATIONS AND PARTNERSHIPS			
36	Employees	37	Legislators & Regulators
38	Local Communities	39	Investors
40	Suppliers & Contractors	41	Customers & Consumers
42	Industry Associations	43	Environment Groups
44	Science & Education	45	Media
46	Mana Whenua†		
5 SUSTAINABLE DEVELOPMENT			
47	Technology Co-operation	48	Global Environment
49	Global Operating Standards	50	Visions, Scenarios, Future Trends

All items are scored from 0-4, except those marked with *, which are scored 0 or 1. To acknowledge Maori culture within New Zealand's context, we added an extra item, labelled "Mana Whenua†", to the section "Stakeholder relations and partnerships". This item carried a maximum score of 4, equivalent to the other stakeholder groups. To balance this addition and keep the total possible score at 194, the item "Global Development Issues" was omitted from the fifth section, "Sustainable Development", as this was considered covered by the item "Global Operating Standards".

TABLE 1 UNEP/SustainAbility report scoring criteria

0	1	2	3	4
No coverage	Minimum coverage, little detail	Detailed and honest, including company shortcomings and commitments	Commitment to and progress toward sustainable development in core business	Commitment to and progress toward "triple bottom line" of sustainable development in core business plus benchmarking against competition and/or best practice in other sectors

SOURCE: UNEP/SUSTAINABILITY (1996) ENGAGING STAKEHOLDERS

The problem with calculating aggregated scores for TBL reports is that they shift attention away from what is and what is not being reported

more complete and comprehensive the information relating to a given reporting item, the higher the score that it is given. A score of 0 indicates that the element was not reported, while a score of 4 indicates comprehensive coverage. While the scoring system gives the appearance of the items being scored along a continuum, Jones and Alabaster (1999) point out that the scoring system in fact uses a nominal scale, or at best an ordinal one. Essentially, the report content is scrutinised for evidence of each of the 50 items, which is then classified into one of five possible and mutually exclusive categories.

Jones and Alabaster (1999) make the point that reporting aggregate or average scores for given items or sections (as SustainAbility does in its benchmark surveys) may be misleading. Jones and Alabaster argue it is more appropriate – and, in fact, it is more useful from an analytical viewpoint – to report the disaggregated frequencies. The problem with calculating aggregated scores for TBL reports is that they shift attention away from what is and what is not being reported, and from the "level of quality" of the items that are being reported. Similar mid-level aggregate scores for two reporters, for example, could obscure that one of them reports on only a narrow range of items, but in much detail, while the other covers all items, but in vague rhetoric. Similarly, aggregate scores could obscure that individual reporters were failing to address particular or even most stakeholders. Aware of these issues, both aggregate scores and disaggregated frequencies are reported for this study.

The scoring system requires subjective interpretation and to implement it, a common set of interpretative heuristics is developed. "Commitment to and progress toward …", the category scoring 3, for example, requires evidence of statements of definitive targets and measurement of performance against those targets. Similarly, the category scoring 4 requires evidence of targets and performance measurement plus reference to the measurement of performance against that of other organisations in their sector. While it is also possible to note levels of detail in the reporting either against targets or otherwise, judging the honesty of such reporting is far more problematic, if not impossible. Consequently, while heuristics help to reduce the subjectivity involved in analysing the report content, they do not entirely eliminate it.

To further alleviate some of the subjectivity associated with analysing the reports, two reviewers scored each of the eight reports independently using the agreed heuristics. The process started with several thorough readings over each report to get a sense of the layout, terminology and breadth of the report. The next stage involved scoring the reports. This involved going through the table of items one by one and finding evidence of them within the report and ranking them on the nominal scale from 0-4. Once each reviewer had assessed all reports against the framework and individual scores had been ascertained, the figures were compared and discussed.

To assess any potential bias in the scoring of the two coders, the scores provided on the 400 pair-wise decisions of the two coders (i.e., 50 items across eight reports) are compared. The results indicate that of the 400 decisions, the two coders agree on 269 (67 per cent) of the decisions. Of the 131 (33 per cent) disagreements, these are limited in all but four (one per cent) cases to disagreements of only one scoring category. Analysis of the 131 disagreements reveals that in 87 (66 per cent) cases Scorer 2 gave a lower score and in 44 (33 per cent) cases Scorer 1 gave a lower score. This indicated that the disagreements were not random and that Scorer 2 was the more demanding. Further analysis also reveals greater levels of disagreement are likely to occur over the narrative sections of the benchmark and over the more experienced and higher scoring reporters, reflecting to some extent disagreement over the more subjective higher scoring criteria (e.g., awarding a score of 2, 3 or 4).

This analysis provides some indication that the interpretation of the scoring categories is reasonably consistent across the two scorers, but it also reveals differences. When analysing the benchmark results, more reliance can be placed on the relative performance of the reporters as judged by a given scorer than across scorers. And, in the absence of the use of common interpretive policies,

TABLE 2 Triple bottom line reports analysed

COMPANY	REPORT TITLE	SECTOR	PERIOD
Hubbard Foods	Triple bottom line	Consumer products	2001
Landcare Research	Annual report	Research and consulting	2001
Meridian Energy	Sustainability report	Electricity utility	2001
Mighty River Power	Sustainability report	Electricity utility	2001
Sanford	Triple bottom line	Fisheries	2000-01
Urgent Couriers	Sustainable development report	Courier	2001
The Warehouse	Triple bottom line	Retail	2001
Watercare Services	Sustainable development report	Wastewater treatment	2001

comparisons across multiple scorers will be even less reliable. Where the same scorers are used, analysis through time can also provide reliable indications of the extent to which TBL reporting is improving for given reporters. Due to the levels of discrepancy, scores from both independent reviewers are analysed in the results section below. Complete sets of the disaggregated scores for both scorers for all reports were made available to the reporters concerned and are also available to interested readers on request from the authors.

BENCHMARKING NEW ZEALAND'S EARLY REPORTERS

The reporting companies

In late 2001, eight TBL reports from companies belonging to the NZBCSD were located. At that time, the authors were unaware of any other New Zealand companies producing TBL reports. The companies come from diverse industries and vary in terms of size, organisation and ownership. The reporting history of companies also varies. Although a first attempt at any sort of TBL reporting for Hubbard Foods, Mighty River, Urgent Couriers and The Warehouse, the others (Meridian, Sanford, Landcare and especially Watercare) had previously issued stand-alone reports on at least their environmental performance. **Table 2** profiles the eight reporters included in this study.

The benchmarking results

Overall, the results indicate that the companies are moving toward TBL reporting with many covering all three areas – social, environment and economic. The study, however, also identifies considerable variability in report coverage and quality. To provide some indication of the overall level of reporting, but noting its limitations, this study starts by conveying the overall aggregate report scores using SustainAbility's categories for overall report scores (e.g., Bottom Crawler, etc.). **Table 3** shows two clusters of reports. Firstly, the majority of the reports are categorised as "Ultra Narrow" and "Not So Hot", indicating reports from an early and embryonic process. Secondly, Watercare

TABLE 3 Aggregate report scores

CATEGORY	TOTAL SCORE	COMPANIES
Trailblazers	121-140	
New Benchmarks	101-120	Watercare Services; Landcare Research
State-of-the-Art	81-100	
Pressing Hard	61-80	
Not So Hot	41-60	Urgent Couriers; Meridian Energy; The Warehouse
Ultra Narrow	21-40	Sanford Fisheries; Hubbard Foods; Mighty River Power
Bottom Crawler	0-20	

FIGURE 2 The breadth and depth of TBL reporting in New Zealand (Scorer 1)

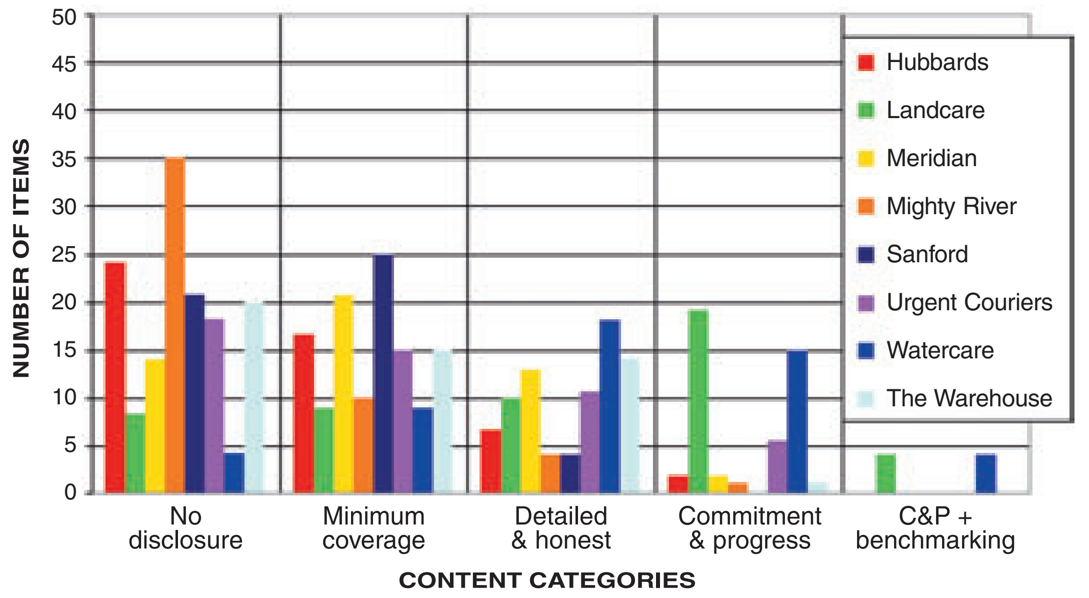
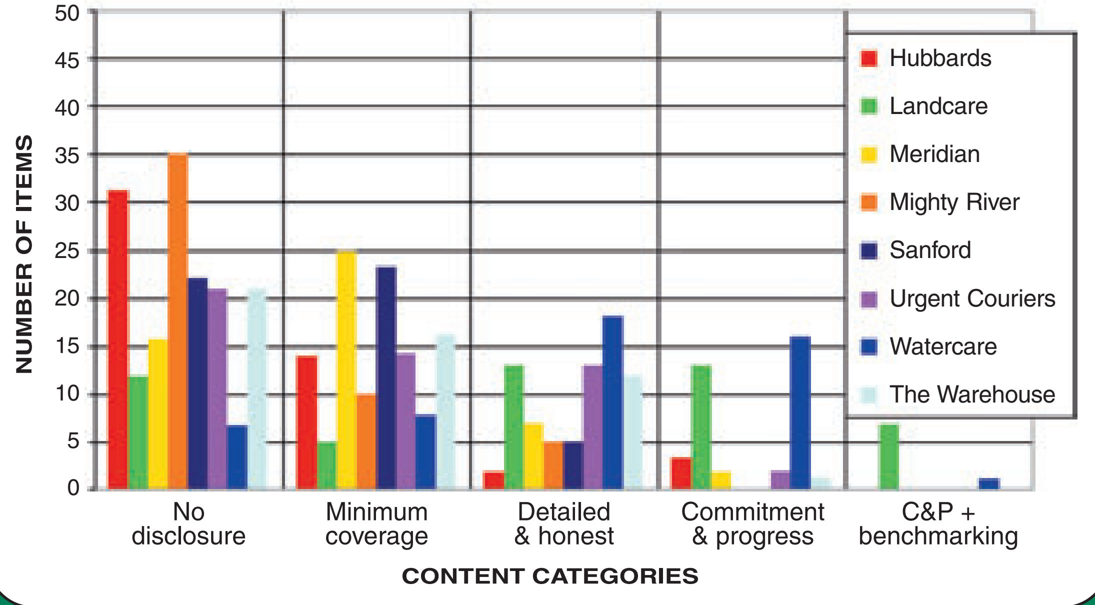


FIGURE 3 The breadth and depth of TBL reporting in New Zealand (Scorer 2)



Services and Landcare Research are clearly stand-out reporters. Their classification as "New Benchmarks" identifies them not only as leaders in this sample, but also as two reporters with an international pedigree.

For each of the reporters, **Figure 2** provides a breakdown of the total items covered and in which qualitative category of disclosure as determined by Scorer 1, the scorer providing the least harsh assessment. Figure 2 shows, for example, that both Hubbard Foods and Mighty River fail to provide any disclosure on nearly half or more of the 50 items and that they, along with Sanfords, rarely provide any disclosure that gets beyond minimum coverage. These three companies provide "detailed and honest" or better-quality levels of disclosure on less than 10 of the 50 reporting items contained in the UNEP/SustainAbility framework. These results seem consistent with Higgins' (2001, p.74) study of Hubbard's first TBL report in which he observes that "… the report is of little practical value or use to the organisation or its stakeholders".

The Warehouse and Urgent Couriers show similar levels of report development to each other with at least "minimum coverage" on about 30 items and about half of these items receiving "detailed and honest" coverage. Notably, only Watercare Services and Landcare Research really break into the higher-quality categories of evidencing "commitment and progress" and "benchmarking" with about 40 per cent of the overall 50 items being in these higher categories. Figure 2, however, also shows that for both these companies about 30 per cent of the items contained in the UNEP/SustainAbility framework receive no or minimum coverage.

Despite Scorer 2 being more demanding, **Figure 3** reveals a similar pattern of analysis. This time, however, it shows how Hubbard and Meridian fall even further back, along with both Mighty River Power and Sanfords. Clearly, the better disclosers are those with substantial numbers of items appearing in the two right-hand columns of Figures 2 and 3, and few or none in the left-hand columns. The only two companies to even begin to approach this according to both scorers are Landcare and Watercare.

Further insights into New Zealand's TBL reporting practice can be gained from examining the most and least disclosed items from the UNEP/SustainAbility scorecard. This is shown in two ways: by focusing on the whole sample and by examining the reporting of individual reporters on each section (e.g., management systems, input/output, finance, etc.) of the scorecard. The overall sample results, based on the classification of each item by both scorers, shows that only 13 of the 50 items are judged by both scorers to be at least of a "detailed and honest" standard of disclosure in at least half of the eight reports they jointly scrutinise. In other words, 75 per cent of the reporting items do not reach at least a level of "detailed and honest" disclosure in most of the reports examined. **Table 4** also reveals that those items that are most disclosed to a detailed and honest level mostly come from Section 1 (Management policies and systems) and Section 4 (Stakeholder relations and partnerships) of the UNEP/SustainAbility scorecard. Least disclosed sections overall are those on Finance, Sustainable Development and, to some degree, Input/Output items.

Individual section analysis by company reveals at least "minimum coverage" on the majority of the items from the Management Policies and Systems section. This section was the best disclosed with three companies (Landcare, Urgent Couriers and Watercare) providing at least "detailed and honest" disclosure on at least half of the items in this section. Landcare and Watercare also provide examples of best practice by scoring into the upper two categories "commitment and progress" and "C&P with benchmarking" on the majority of items in this section.

TABLE 4 The most disclosed UNEP/SustainAbility items

			Score*
12	Corporate Context	Management Policies & Systems	13
36	Employees	Stakeholders	12
1	Top Management Statement	Management Policies & Systems	11
11	Reporting Policy	Management Policies & Systems	10
22	Waste Minimisation	Input-Output Inventory	10
38	Local Communities	Stakeholders	10
44	Science & Education	Stakeholders	9
5	Environmental Auditing	Management Policies & Systems	8
7	Legal Compliance	Management Policies & Systems	8
10	Verification	Management Policies & Systems	8
13	Material Use	Input-Output Inventory	8
14	Energy Consumption	Input-Output Inventory	8
46	Mana Whenua	Stakeholders	8

*This is determined by counting the number of times a given item was classified as at least being of "detailed and honest" disclosure by the two scorers across the set of eight reports. The maximum possible score for any item, then, is 16. "Awards" and "Charitable Contributions" are exceptions where the score is based on the number of times they were classified as being disclosed. Again, the maximum score is 16.

What is also clear is that "leading" international reporters are not that good – well, at least when compared to the complete benchmark

Disclosure on the Stakeholder Relations (Section 4) and Input/Output (Section 2) sections is patchy. Neither Hubbard Foods nor Mighty River Power provide any disclosure on the majority of items in the Input/Output section and only Landcare and Watercare provide at least "detailed and honest" disclosure on the majority of the 18 items in Section 2. Mighty River and Urgent Couriers fail to provide disclosure on the majority of the Stakeholder items and no company manages to reach the upper two categories for the majority of the items in this section. Landcare, Watercare and The Warehouse, however, provide best practice examples with at least "detailed and honest" disclosure on identifying key stakeholders, interacting with them to gain their input and considering them in decision-making.

Sections 3 (financial aspects of social and environmental performance) and 5 (company's consideration of the global environment) are the lowest scoring sections. There are no examples of best practice from the finance section and five companies (Hubbard, Meridian, Mighty River, Sanfords and The Warehouse) provide no disclosure beyond minimum coverage in Section 5.

International comparison

Watercare and Landcare represent New Zealand's best TBL practice. This is not a surprise. Both companies have previously received national reporting awards and reported on environmental and social issues for a number of years. But how do these reporters stand up to international practice? Based on comparisons with top international reports issued in 2001 by British Telecom, The Co-operative Bank, British Airports Authority, Novo Nordisk and Royal Dutch/Shell International, Watercare and Landcare stand up well in respect of Sections 1 and 4, but both place well behind with respect to Sections 3 and 5. Landcare also falls behind to some extent with respect to Section 2. Typically then, even among New Zealand's leading reporters, major gaps exist in the level of financial information presented on social and environmental spending, the scope or focus of the reports to wider global issues, and on some quantification of performance reporting. And these are not just observations that can be taken from the analysis in this study. The UNEP/SustainAbility *2000 Global Reporters* survey placed Landcare at 14th and lagging some 30 points behind the leaders, British Airports Authority and Novo Nordisk. The UNEP/SustainAbility *2002 Trust Us* survey placed Landcare outside of a top seven who managed to score more than 50 per cent on the benchmark total.

This international comparison raises questions about other aspects of the state of New Zealand and international TBL reporting. For one thing, there is a major difference in the type of organisation producing top reports. Among New Zealand's leading reporters are small organisations whose "job" it is to "care" for the land or water. Among leading international reporters, however, are banks, telecoms, airport authorities and pharmaceutical and resource extraction companies, most of which are publicly listed. This begs the question: what are New Zealand's equivalents doing about reporting the triple bottom line? Moreover, compared to international best practice, the large NZBCSD companies that do report (e.g. The Warehouse, Meridian, Mighty River Power and Sanford) are extremely poor.

What is also clear is that "leading" international reporters are not that good – well, at least when compared to the complete benchmark. They fail to score full or even near to full marks on the UNEP/SustainAbility benchmark tool and, according to the most recent *2002 Trust Us* report from SustainAbility, appear to have reached a plateau. With leading international reporters able to do little better than half of SustainAbility's scorecard and New Zealand's reporters not able to do even this, what is the future of TBL reporting in New Zealand? Have New Zealand's top reporters done all they can in the way of reporting on their environmental and social impacts? Is the benchmark tool too difficult and too demanding for them?

One can certainly see that some items in the scorecard might not be relevant to all organisations, but one can also wonder whether organisations are falling short of the ideal benchmark because of the costs involved in generating the necessary information to report to the next level. For example, benchmarking performance requires not just awareness and measurement of company performance, but also a measure of company performance relative to that of others in your sector. Nonetheless, despite concerns about the upper levels of TBL reporting, one thing seems certain based on the analysis here and that is that most, if not all, of New Zealand's reporters have a long way to go before they need worry about that.

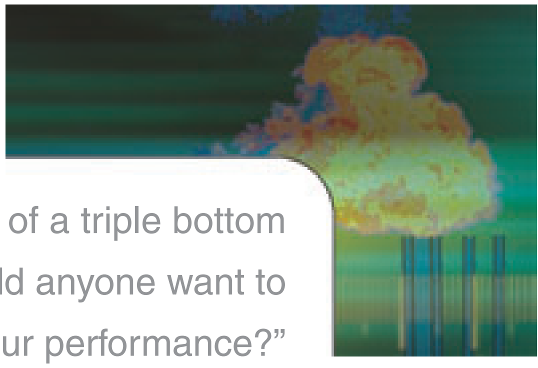
IMPROVING FUTURE TRIPLE BOTTOM LINE REPORTS

Overall, organisations can do several things to improve their future triple bottom line reports. For one thing, and this has clearly emerged from the forgoing analysis, they can address the quality and completeness of their reporting. For another, they need to address the assurance, honesty and consistency of their reporting. A good question for any producer of a triple bottom line report to ask is: "Why would anyone want to believe what we have to say about our performance?"

Despite the acknowledged subjectivity involved in using SustainAbility's benchmark, the analysis presented in this study, we believe, clearly suggests that apart from two organisations, the quality – and, especially, the *completeness* – of many of New Zealand's early TBL reports are not high. The analysis shows reporters do relatively well in areas that require dialogue (rhetoric) only (e.g., Sections 1 and 4) and tend to do badly in areas where quantification seems necessary (e.g., Sections 2 and 3). The reporters also fail to do well when consideration beyond the organisation is required (e.g., Section 5). Comparisons with top international reporters substantiate these observations and much can be gained in terms of improving reporting practice by focusing on those items that receive poor or no coverage.

A fair and predictable reaction from those organisations providing relatively poor reports is that "it's early days", and given time they will improve their reporting. Improvement is indeed expected to occur as reporters develop experience, expertise and measurement systems, but evidence from longer-standing international surveys also suggests there will be limits to that improvement. So far, most of the reports cover few stakeholders (typically few beyond employees and local communities) and could easily be accused of cherry-picking elements of news. Where local communities are included, for example, the focus is almost invariably on the organisation's sponsorship of local community groups and not the negative impacts of its core business. The reports generally ignore the major social issues that arise from corporate activity such as lobbying, advertising, increased consumption, distributions of wealth and so on.

Similarly, while reporters have been quick to tackle energy and waste management issues – typically the win-win issues that produce benefits for both the environment and the financial bottom line – they are less inclined to tackle voluntarily the win-lose issues that involve increased costs or sacrificed financial benefits for environmental benefits. In "scoping" their TBL reports, organisations will ultimately draw their own lines in the sand and the evidence to date suggests most organisations, both in New Zealand and elsewhere, have adopted a rather narrow approach to the triple bottom line. With a voluntary reporting regime, there will be limits to what organisations are willing to report. For some, this is why TBL reports will always remain incomplete reports of organisations' social, environmental and economic performance.



A good question for any producer of a triple bottom line report to ask is: "Why would anyone want to believe what we have to say about our performance?"

No country seems to have passed legislation that requires TBL reports to be independently audited in the same way as it has financial statements and New Zealand is no exception

Completeness, however, is only part of the concern. Also at issue is the extent to which performance that *is* reported reliably and credibly reflects *actual* performance. Unfortunately, the record to date of regulating and auditing social and environmental information is very poor. No country seems to have passed legislation that requires TBL reports to be independently audited in the same way as it has financial statements and New Zealand is no exception. The voluntary adoption of verification is patchy, with the standards and practices that have emerged being largely organisation-controlled rather than stakeholder-controlled. Added to this, the "independence" of the verifier often can be called into question and the standard of the audits or verification statements themselves are often of a poor quality and little use to an external stakeholder (e.g., Ball et al., 2000; Owen et al., 1997, 2000, 2001). In many cases, the so-called auditor does little more than the approach adopted in this study and that is to closely scrutinise the content of the TBL reports.

With recent cases such as Enron, WorldCom and Xerox having served to raise alarm bells about the shonky practices of auditing financial information, there is a need to seriously engage with the status and quality of the verification of social and environmental performance information. Clearly, however, more will be needed than simply producing a set of rules and regulations akin to those used to assure the external reporting of financial information. Also required will be a set of auditors with the moral fibre that the organisations they audit so readily claim for themselves.

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Meridian Energy
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Mighty River Power
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