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*Corporate Social
Reporting in the
Netherlands:*

***An Assessment of the Transparency
of the Largest Firms***

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Report



Program for Research and
Documentation for a Sustainable Society
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ProSus 2006
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FOREWORD

ProSus is a “Strategic University Programme” established by the Research Council of Norway at the Centre for Development and the Environment (SUM), University of Oslo, Norway. The goal of ProSus is to provide knowledge and information in support of a better realization of national targets for sustainable development. The work in the current financing period is concentrated on three main tasks:

Conducting systematic evaluations of Norway’s implementation of international commitments on sustainable development. Evaluations are based on three types of standards: external criteria – targets and values from international agreements and programmes; internal criteria – national goals and action plans; and comparative criteria – performance by other countries in relevant policy areas. The relationship between the demands of sustainability and existing democratic procedures is a key interpretive theme.

A documentation and evaluation of policy implementation that provides a basis for strategic research on barriers and possibilities. ProSus employs an integrated research model (SusLink) that focuses on the relationship within and between different arenas of governance. Research is focused on the supranational, national, and local levels of governance, as well as households and business and industry.

An information strategy based upon open and interactive means of communication to quickly and effectively disseminate research conclusions to central actors within the field of sustainable development. The goal is to highlight alternative strategies of governance and instruments for more sustainable societies locally, nationally and globally.

In addition to books and articles in scientific journals, ProSus publishes reports and working papers in order to disseminate the research results in an effective manner to key actors and decision-makers within the field of sustainable development.

The current report is part of the ongoing research at SUM-ProSus on various aspects of “Corporate Social Responsibility” (CSR). ProSus has previously conducted several assessments of CSR reporting for the 100 largest Norwegian firms. The project reported here involves an initial attempt at cross-national comparison of reporting practices. The countries monitored are Norway, the Netherlands and Ireland. The cooperating institution in the Netherlands is the Centre for Clean Technology and Environmental Policy (CSTM) at the University of Twente; and the institution in Ireland is the Cleaner Production Promotion Unit (CPPU), at the Department for Civil and Environmental Engineering, University of Cork. The present report is written by Theo DeBruijn and Arno Mathis from the CSTM. Applying the assessment methodology developed by ProSus, they monitor and assess reporting in the 100 largest Dutch firms, providing empirical data for further comparative analysis.

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EXECUTIVE SUMMARY

Transparency has become a major issue in the debate on Corporate Social Responsibility (CSR). CSR implies that companies are stretching their responsibilities and are entering the public domain. As a result the interaction, communication and collaboration with various stakeholders, ranging from governments to local communities and suppliers overseas, becomes more intense. This means that transparency has become one of the key issues. This report evaluates how transparent the largest Dutch companies are with regards to CSR by analyzing their reporting practices for 2004.

The report provides a comprehensive insight on the status of CSR reporting by evaluating both annual reports and separate reports such as sustainability reports, environmental and social reports, and by mapping out what CSR themes companies successfully report on and what themes they leave out. Of course, the first source of information is found in non-financial reports such as sustainability reports, environmental reports, and CSR reports. In these reports the most dedicated information can be found. We have looked at the annual reports too. The annual report is an important document in itself, both for the company and for various stakeholders. The annual report is sent to all shareholders as well as various stakeholders, and in that way reaches a broader audience than what other separate reports may do.

It is important to notice that our cases of analysis are companies and not individual reports. It must also be underlined that this report is a study of reporting practices and not CSR performance per se.

Methodology

The methodology used in this study has been developed by ProSus at the University of Oslo that has also commissioned this research. The report, therefore, is part of research collaboration that includes CPPU at the University of Cork in Ireland as well. The expansion of the study gives a unique basis to perform a comprehensive and systematic international comparison of CSR reporting.

The methodology evaluates the transparency of companies by looking at how companies report on CSR in general and on three specific variables: Management Systems, Codes of Conduct, and Supply Chain Management. The analysis is consistent with the triple bottom line perspective by looking at environmental, social and economic issues. In the analysis traditional financial reporting is not included.

CSR reporting in the annual report

90 out of the 91 annual reports received from companies include additional CSR information in the annual report. Quite often, this additional information is relatively marginal with only a few paragraphs on environmental issues or health and safety. None of the companies use the annual report to present the company's CSR strategy and performance in a comprehensive and systematic manner. Overall, the results demonstrate that the majority of the companies report unsatisfactory with regards to CSR policy and practice in their annual report, see figure i.1 . The exception is the reporting on corporate governance. On this aspect 44% of the companies report on aspects as systems and routines established to secure board and management independence and to avoid corruption and bribery. What is lacking though is if and how the economic impact on society is included in the management system.

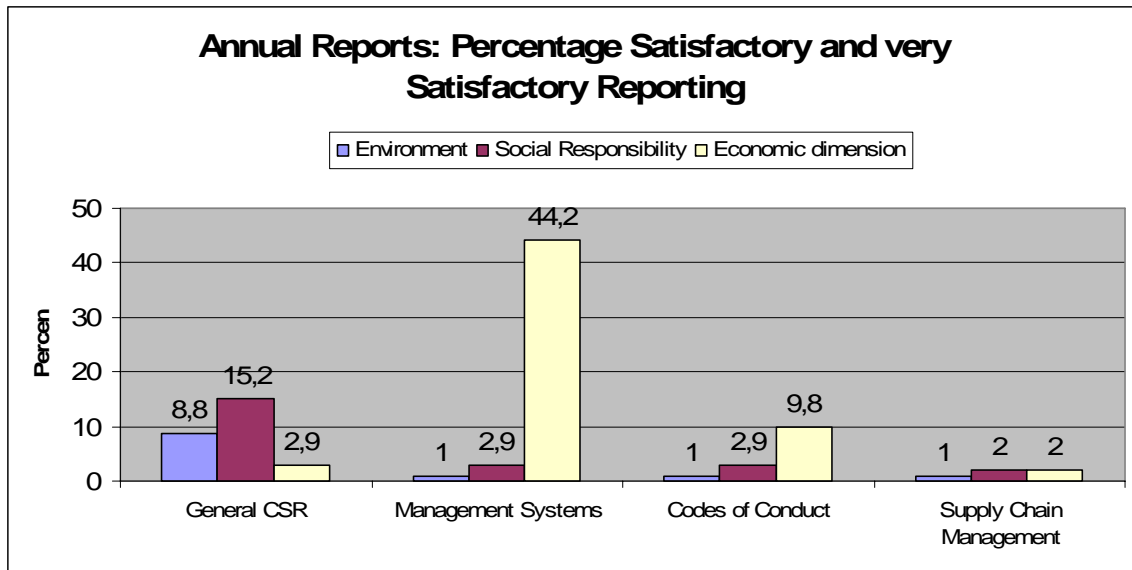


Figure i.1 Annual Reports: Percentage satisfactory and very satisfactory reporting (N=102)

CSR reporting in separate reports

63 Of the 102 largest companies in the Netherlands published separate non-financial reports for the financial year 2004, for instance sustainability, CSR or environmental reports.

A considerable percentage of the separate reports have satisfactory information on challenges and performance related to the environmental and social responsibility. The reporting on both Codes of Conduct and Supply Chain Management is very weak though. The exception is reporting on the economic dimension of the Codes of Conduct variable where notable 41 percent of the companies report satisfactory or better. It can be said that information on business ethics and good governance is again well represented in separate non-financial reports. Furthermore, the weakest reporting is found on the economic dimension, suggesting that this may be a particular challenge.

It is clear that the quality of the separate reports is generally better than the quality of annual reports, see figure i.2, but also here there is considerable room for improvement.

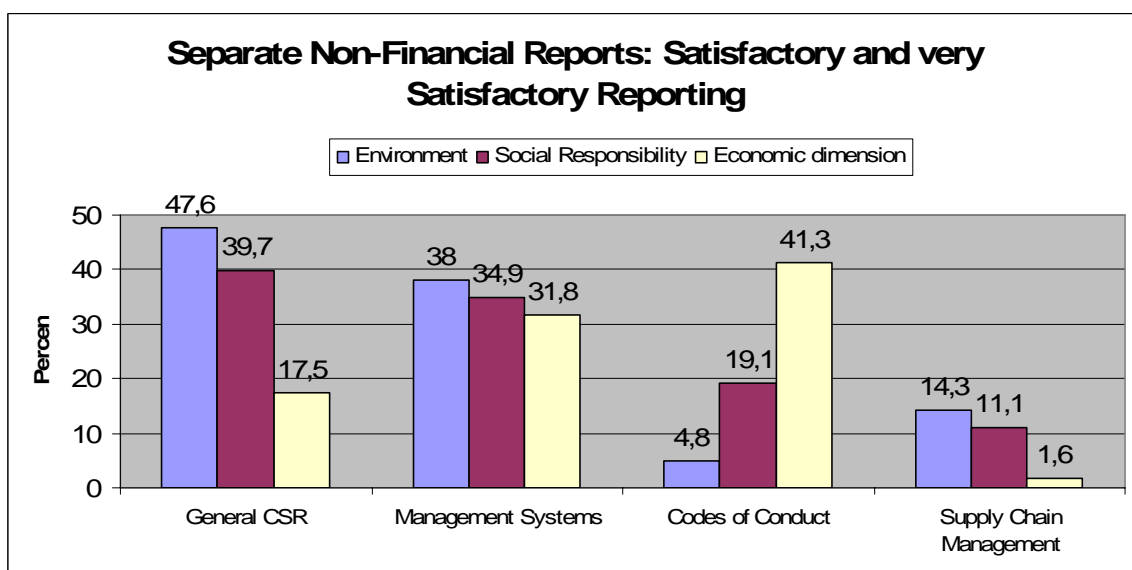


Figure i.2 Separate non-financial reports: Satisfactory and very satisfactory reporting (N=63)

Conclusions

On the whole, the results from the evaluation of CSR reporting in the 102 largest Dutch companies indicate that while a few companies exhibit best practice, the majority of companies fail to report satisfactory both with respect to reporting in annual and separate non-financial reports, although the quality of the latter is considerably better than that of the annual reports.

The 10 companies that score best in our study are listed below. The table shows the scores for the annual report (maximum 52), the separate report (52) and the summation (104).

	Annual reports	Separate Reports	Total Score
Philips	9	48	57
AKZO NOBEL	17	40	57
ING Group	14	42	56
Heineken	14	38	52
Unilever	15	34	49
Shell	5	43	48
Numico	15	32	47
KLM	15	30	45
ASML	6	38	44
OCE	14	29	43

Even within this group the average score of 50 points is well below the maximum of 104. Nevertheless these are the companies that are paving the way in the Netherlands.

Reporting on CSR is apparently not an as widespread business procedure as one would maybe have expected or wished for. There is still a long way to go until companies are reporting extensively along the triple bottom line and include relevant CSR aspects as management systems, supply chain management and codes of conduct.

In sum, it is clear that Dutch companies face major challenges in terms of upgrading the quality of reporting.

1 CORPORATE SOCIAL RESPONSIBILITY REPORTING IN THE NETHERLANDS

1.1 Introduction

Transparency has become a major issue in the debate on Corporate Social Responsibility (CSR). CSR implies that companies are stretching their responsibilities and are entering the public domain. Companies are increasingly expected to respond to challenges relating to many different areas and themes of a non-financial nature. Their roles in local communities, in global product chains, the well-being of their workers, their environmental performance are all examples of topics that have become part of the (strategic) agenda for companies. As a result the interaction, communication and collaboration with various stakeholders, ranging from governments to local communities to suppliers overseas, becomes more intense. As a result, new forms of collaboration between public and private actors and NGOs are emerging (cf. De Bruijn and Norberg-Bohm, 2005). This leads to new claims on being transparent. The European Commission puts it like this:

Transparency is a key element of the CSR debate as it helps businesses to improve their practices and behavior; transparency also enables businesses and third parties to measure the results achieved.¹

This report assesses how transparent the largest Dutch companies are. We have evaluated CSR reporting for the financial year 2004, looking at several important non-financial themes: environmental issues, social issues related to own employees and to society, business ethics and companies' socio-economic impact.

The report provides a comprehensive insight on the status of CSR reporting by evaluating both annual reports and separate reports such as sustainability reports, environmental and social reports, and by mapping out what CSR themes companies successfully report on and what themes they leave out. Of course, the first source of information is found in non-financial reports such as sustainability reports, environmental reports, and CSR reports. In these reports the most dedicated information can be found. We have looked at the annual reports too. The annual report is an important document in itself, both for the company and for various stakeholders. The annual report is sent to all shareholders as well as various stakeholders, and in that way reaches a broader audience than what other separate reports may do. Therefore, it is interesting to see what information is disclosed in annual reports.

It is important to notice, though, that our cases of analysis are companies and not individual reports. It must also be underlined that this report is a study of reporting practices and not CSR performance per se.

The methodology used in this study has been developed by ProSus at the University of Oslo that has also commissioned this research.² This report, therefore, is part of research collaboration that includes CPPU at the University of Cork in Ireland as well. The expansion of the study gives a unique basis to perform a comprehensive and systematic international comparison of CSR reporting. The findings in this report will therefore be compared and assessed in relation to performance of the largest companies in Norway and Ireland. This comparison is not part of this report but will be published separately.

In this first chapter we elaborate on the relationship between CSR, transparency and reporting and we outline the structure of the report.

¹ European Commission 2002:13

² See Jelstad and Gjolberg (2005) and Ruud et al (2005).

1.2 CSR and Transparency

The role of business is rapidly changing. More and more are businesses held accountable for the societal (side) effects of their operations. The level of employment, the reduction of packaging waste and child labor are a few examples of societal issues that are being pushed on the corporate agenda. CSR is taken up by an increasing number of businesses. They realize that they cannot deny their increasing accountability.

The increased attention for the corporate social and environmental agenda has led to a wealth of activities, mostly by forerunners though, and, consequently, there are many different definitions of CSR available. CSR has become a concept with many different meanings in a multidimensional field. On a global level CSR means looking at the triple bottom line: taking care of social, environmental, economic issues (Elkington, 1999). More specifically it means incorporating such different issues as human rights, labor rights, environmental protection, consumer protection, fight of corruption. A well-known definition of CSR is given by the World Business Council on Sustainable Development (WBCSD, 2001): “the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as the local community and society at large”. This definition stresses the importance of the context in which a company operates. A central element of CSR, therefore, is the readiness to respond to legitimate expectations of stakeholders (Mitchell, Agle and Wood, 1997). The expectations and demands of stakeholders dictate to a certain extent what actions are needed by an organization and what responsibilities are to be included. Stakeholder relations are, thus, a crucial element of CSR. An organization can only through the dialogue with society at large (employees, governments, customers, NGOs, etc.) establish the balance between its corporate governance and public governance. Companies must learn how far they need to stretch their responsibilities, what issues to take up, how to give meaning to those issues and how to successfully combine economic, social and environmental strategies. Roome states in this respect (2005: 3): “moving up the innovation hierarchy increases the complexity of the issues, the numbers of actors involved in change, and the number of linked, multiple technological and social options, the innovations and new practices that need to be undertaken and the uncertainties that have to be considered”. Where companies formally interacted mainly with shareholders, its customers and local regulators, CSR requires the involvement of all kinds of actors, also from outside their usual production and consumption systems.

This need for increased interaction has fuelled claims on transparency. Earlier experiences with mandatory disclosure of environmental information have also given rise to hopes that transparency and disclosure will lead to more responsible behavior.

The U.S. Toxics Release Inventory (TRI) is the prominent example of environmental disclosure programs.³ The TRI was created in 1986 as part of the Emergency Planning and Community Right-To-Know Act. The TRI requires most medium and large-scale manufacturing firms to provide facility level data on releases of hundreds of chemicals to all media (air, water and land), as well as on-site and off-site storage, treatment, disposal, recycling and energy recovery. It also requires firms to report qualitatively on source reduction activities and to provide a production index, so that changes in releases and transfers can be related to changes in production. Although originally not intended to change the environmental performance, the TRI is generally seen as a major success, and an important contributor to reductions in releases of chemicals.⁴

These positive experiences have motivated similar approaches worldwide, sometimes with an explicit reference to the TRI, sometimes with only implicit links. The Netherlands introduced legislation on environmental disclosure in 1997. Although the motivation for the legislation

³ See Graham and Miller, 2005

⁴ Graham and Miller (2005) show that the TRI cannot be given credit for the entire decline but that there is a more complicated story behind it.

specifically referred to the success of TRI, its design is quite different. Based on chapter 12 of the Environmental Management Act some 250 (mostly larger) companies have to report yearly on their emissions, energy use and waste management. Next to those some 150 companies have the same obligation resulting from one of the environmental covenants between the government and sectors of industry. Formerly, companies had to issue a popular version for the general public, but since 2005 this is no longer mandatory. The report for the government is regulated to some extent. Compulsory models have been developed for several sectors of industry. These models prescribe overviews of the substances and processes that need to be reported on with quantitative data. There is no third party verification but the legislation requires the data to be based upon reliable internal systems, such as in ISO 14001. Governments have the authority, though, to audit those systems and the resulting data.

On the European level there are also movements towards more regulation for instance with Directive 2003/51/EC concerning annual and consolidated accounts. In that directive it is stated that “the information [in the annual report] should not be restricted to the financial aspects of the company's business. It is expected that, where appropriate, this should lead to an analysis of environmental and social aspects necessary for an understanding of the company's development, performance or position.”⁵

Despite the attempts to regulate CSR reporting to some extent a wide variety of reporting practices can be noticed. It is against this background that we study reporting practices in the Netherlands. The reader has to bear in mind that CSR reporting in the Netherlands is mostly done on a voluntary basis. Legal requirements as the ones mentioned above, are rather meager so far. CSR and CSR reporting are basically voluntary efforts by companies. To underline this, we can quote the Green paper of the European Commission in which CSR was defined as “a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis”.⁶ One of the priorities that the European Commission identified for promoting CSR is the need for credibility and transparency of CSR practices.⁷ The Commission also notices a lack of consistency that hinders effective benchmarking. There are some attempts for more harmonization. The most prominent example is the Global Reporting Initiative. Their model forms the basis for the methodology that is used in this study; see the next chapter.

By studying CSR reporting practices in the Netherlands we aim to contribute to the debate on transparency and harmonization.

1.3 Structure of the report

This remainder of this report consists of four chapters. In chapter 2 we present the methodology that has been used in evaluating the reports. The analysis of the annual reports is described in chapter 3, followed in chapter 4 by the analysis of the separate non-financial reports. In chapter 5, we draw our final conclusions.

⁵ <http://europa.eu.int/eur-lex/lex/LexUriServ/LexUriServ.do?uri=CELEX:32003L0051:EN:NOT>, accessed on March 17 2006

⁶ COM (2001), p. 366.

⁷ Communication of the Commission, http://europa.eu.int/comm/employment_social/soc-dial/csr/csr2002_en.pdf

2 METHODOLOGY – ABOUT THE ANALYSIS

2.1 Introduction

The methodology that is used in this study has been developed by ProSus.⁸ The text in this chapter, therefore, is to a large extent based on Ruud et al (2005). Also, the text in the chapter 3 and 4 that refers to the methodology is kept similar to enable the comparative perspective.

In section 2 we describe the methodological approach that has been taken. In section 3 we present how the selection of companies has been done. Section 4 gives an overview of the variables that have been used.

2.2 Methodological approach

The report provides a comprehensive insight on the status of CSR reporting by evaluating both annual reports and separate reports such as sustainability reports, environmental and social reports, and by mapping out what CSR themes companies successfully report on and what themes they leave out. Of course, the first source of information is found in non-financial reports such as sustainability reports, environmental reports, and CSR reports. In these reports the most dedicated information can be found. We have looked at the annual reports too. The annual report is an important document in itself, both for the company and for various stakeholders. The annual report is sent to all shareholders as well as various stakeholders, and in that way reaches a broader audience than what other separate reports may do. It is important to notice that our cases of analysis are companies and not individual reports. In cases where we received several separate reports we evaluated these jointly to give an assessment of the transparency of the company.

The model for the evaluation as developed by ProSus is based on the concept of the triple bottom line (TBL). The approach is partly based on a methodology developed by SustainAbility, a research consultancy regarded as a pioneer within practical work on corporate social accountability and the role of business and industry in sustainable development, as well as the standards and guidelines that have been developed by GRI.⁹

2.3 Research design and entities

The entities included in this survey are the largest companies in the Netherlands in terms of turnover for the financial year 2004. The list is based on the Compendium which was published in 2004 and ranks Dutch companies based on their yearly turnover.¹⁰ The final number of companies included in the survey is 102, which breaks down to 87 ordinary companies and 15 banks and insurance companies. The differentiation between ordinary companies and banks and insurances is based on the Compendium list. The reason for two more companies is that that Dura Vermeer Groep and Connexion are especially interesting because the former represents a company which reports both in the annual and in the separate report on CSR issues and Connexion represents a company with a focus on CSR reporting only in the annual report.

⁸ See Jelstad and Gjolberg (2005) and Ruud et al (2005).

⁹ See <http://www.sustainability.com/> and <http://www.globalreporting.org/> accessed on 17 March 2005.

¹⁰ See Het Financieele Dagblad (2004). Compendium Nederlands Bedrijfsleven 2004, Het Financieele Dagblad.

The basis material for the analysis was the companies' annual reports for the financial year 2004, plus any separate reports on sustainability, CSR, environment, business ethics, HSE, corporate governance and other similar non-financial themes. All companies have been contacted by phone. We also visited all websites. This resulted in copies of reports being sent to us or downloaded if available on the internet.

There is an increasing tendency for companies to publish non-financial information on their web sites. Reports published on web sites in PDF format, or CSR information that could be downloaded as additional independent documents, were included in the survey. Any other information that appeared on a company's web site was included only if specific web sites were explicitly referred to in a company's hard copy version. The main reason why most web sites were excluded from the evaluation is related to the fact that this sort of web-based information often is under continual revision and updating. A fair and overall comparison of all types of CSR reporting would have been difficult to undertake and demanded greater resources. In addition, a different methodical approach to carrying out the analysis would have been needed. Since many companies view the internet as their most important channel of communication, this choice of methodology could be questioned. Is it justifiable to exclude web sites from the evaluation? In SustainAbility's latest survey, web sites were included (SustainAbility, 2004a). The conclusion here is that rather than contributing to increased transparency, some of these web sites could be described as "black holes" of information, making it nearly impossible to extract the vital and necessary information to get the general picture of a company's CSR performance.

References to a parent company's or subsidiary company's reporting have not been included in our evaluation because this would have given a distorted picture of the company's reporting practice. As an example, the survey did therefore not take into account Siemens's international sustainability report when evaluating Siemens Nederland.

2.4 Variables and categories

As the approach and analysis are based on the work by ProSus, we use the same variables and categories.

The first and second part of this survey examines CSR reporting in the annual report and in separate non-financial reports respectively. Chapter 3 of this report evaluates how companies perform when it comes to non-financial reporting in the annual report. This approach documents what the annual report as a whole contains of reporting on non-financial issues. Consequently, it is the non-financial content of the annual report that is interesting here, regardless of legal requirements.

Chapter 4 evaluates non-financial reporting in different forms of separate reports that the companies published for the financial year 2004. 63 companies issued separate reports in the form of comprehensive CSR- or sustainability reports, or more specific HSE- or environmental reports. In the later years, there has been much focus on separate non-financial reports, and in this context it is interesting to evaluate the content and quality of these reports separately from the annual reports.

In chapter 5, the results from the evaluations of the annual and separate reports are summarized and analyzed in total. Four different variables are considered. First, an assessment of the company's general CSR reporting is conducted. Following this, reporting on three additional variables is considered: Management Systems, Codes of Conduct and Supply Chain Management. These three variables provide more detail and generate more comprehensive information on how the company's CSR work is embedded in the organization and everyday practice. The analysis of the annual reports in chapter 3 and of separate non-financial reports in chapter 4 follows the same methodology.

In the evaluation of the annual reports and the separate reports, we have here chosen the concept of a "triple bottom line" (TBL) as a reference for the assessment. This approach aims to cover the

environmental, social and economic aspects of the firm’s activity. In this case, the economic dimension does not include traditional financial reporting, but business ethics and a company’s economic impact on society, related to issues like local value creation, competence building, innovation and entrepreneurship. The four variables already mentioned: General CSR, Management Systems, Codes of Conduct and Supply Chain Management are therefore divided into three dimensions in accordance with the concept of the triple bottom line: environment, social responsibility and economy. This is illustrated in figure 2.1:

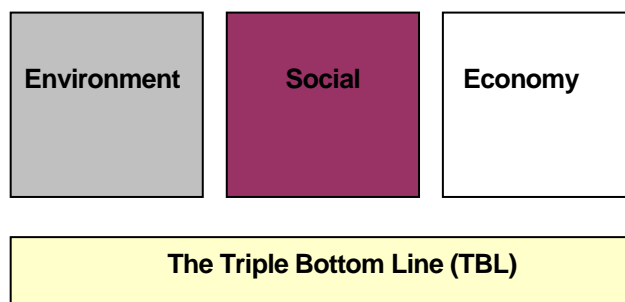


Figure 2.1 The Triple Bottom Line (TBL)

Below we describe the variables and the indicators/questions we used to assess these variables.

Variable 1: General CSR

This variable captures the general impression a company gives of its interpretation and management of CSR. The reporting is evaluated in terms of the company’s own operations. We examine how the companies report on central and relevant challenges, as well as on the presentation of figures, measures and goals.

<i>Environment</i>	core activities influencing the environment, environmental challenges, performance, goals, data on, if possible, production input and output, energy consumption, waste, recycling, discharges, emissions, transport, biodiversity, programs initiated or planned to prevent or reduce negative environmental impact
<i>Social</i> Employees	working environment, health and safety, training and development, gender equality and diversity, surveys on employees’ satisfaction
External stakeholders / society	stakeholder dialogue including NGOs, the local community, government, and other actors, human right challenges, moral or ethical aspects of business, charity work and donations
<i>Economy</i>	impact on stakeholders, business ethics

Variable 2: Management Systems

This variable refers to a company’s description of how, in an organizational and practical sense, it ensures that CSR is managed within the company. This means that the company must inform about the management mechanisms and control systems that exist for ensuring that the company’s CSR policies and codes of conduct are monitored, and that deviations are uncovered and rectified. Reporting on various types of environmental and social certification systems such as ISO and EMAS, as well as information about delegation of responsibility and whether responsibility is consolidated at top management, line management level or in a separate department/division within the company is also included in this variable.

<i>Environment</i>	Is there an EMS in place or not, does the company inform about development, control, and reporting on the company's environmental strategy, measures taken to improve environmental impact?
<i>Social responsibility</i>	Is there a management system for social affairs or not, for internal and external stakeholders, who is responsible for following up, controlling, and reporting on the company's social policies related to health and safety, working environment, stakeholder dialogue, and other social programs/projects/charity, measures to improve social responsibility
<i>Economy</i>	Corporate governance, business ethics and potential dilemmas

Variable 3: Codes of Conduct

This variable examines established codes of conduct for companies' conduct with respect to CSR. This can include themes such as environment, corruption, HSE, employment conditions. It should be guidelines adopted by the company as a whole and comprise items with an overarching, entrenched policy. However, it is not enough to present overriding policies and goals, points are only awarded to those who explicitly present these policies and goals as specific codes of conduct.

<i>Environment</i>	To what extent are the environmental Codes listed in a systematic manner and presented as a separate document? Are the Codes just listed, or are they accompanied by further explanations?
<i>Social responsibility</i>	To what extent are the social Codes listed in a systematic manner and presented as a separate document? Are the Codes just listed, or are they accompanied by further explanations?
<i>Economy</i>	How does the company present Codes of Conduct related to business ethics and/or the company's wider economic impact? A score of 4 requires an extensive presentation of Codes of Conduct related to business ethics. A less extensive presentation of Codes connected to business ethics can also qualify for a 4, if the report in addition presents Codes related to the company's wider economic impact (investments, job creation, entrepreneurial development, etc.)

Variable 4: Supply Chain Management

The fourth variable evaluates how a company communicates what CSR demands it makes towards its suppliers on environmental, social and ethical issues. This involves looking at explicit demands made of suppliers, for instance in the form of a code of conduct. A company's profile on supply chain management sends out signals – not just to suppliers, but also to other stakeholders – about the kind of conduct the company does and does not accept.

<i>Environment</i>	Are there specific environmental standards related to for example recycling and use of chemicals in the production of the products purchased from suppliers?
<i>Social responsibility</i>	Are there specific social standards related to for example working conditions, minimum wages, health and security for the suppliers' employees? Is the company involved in any initiatives related to ethical trade, like Max Havelaar?
<i>Economy</i>	Does the company report on requirements for its suppliers connected to business ethics, or connected to its suppliers' wider economic impact on society? Are specific standards in place to avoid cases of corruption and bribery and to solve ethical dilemmas involving the company's suppliers? Does the company have requirements to the supplier's in terms of economic impact on the community, innovation and entrepreneurial development?

We evaluate the companies' reporting on each of the four variables in terms of five categories, where 0 is the lowest score and 4 the highest. Reporting on each of the variables is categorized according to the following scale:

Category 0: Not mentioned	Theme not mentioned.
Category 1: Mentioned	Theme briefly mentioned in general terms, but minimal reporting on own operations. Alternatively, theme dismissed as irrelevant.
Category 2: Insufficient	Theme described with reference to own enterprise, but reporting has major deficiencies with respect to content and presentation.
Category 3: Satisfactory	Theme described and analyzed with respect to own operations. Problems are identified and challenges and solutions are considered, but reporting has some deficiencies with respect to content and presentation.
Category 4: Very satisfactory	Theme is described and analyzed systematically and comprehensively with respect to the company's operations. The company demonstrates an integrated and overall perspective.

In our opinion, all four variables have relevance for all the companies. An illustrative example is environment. Many regard environmental impact as relevant only to companies involved in heavy industrial production. However, all large companies have some form of environmental impact related to for instance office materials, waste, air travel, energy and water consumption, and to choice of suppliers/cooperation partners. The decisive point is that companies identify and report those aspects of each of the variables that are most relevant for their business operation. We therefore rated all the companies on all the variables, and made no exceptions for office-based companies or holding companies that do not pollute in the conventional sense of the word.

When evaluating reporting practices, an emphasis was placed on a reader-friendly and easily understood presentation. This means that reports that are difficult to follow and laboriously presented, but are complete in terms of information, are placed in category 4, however these companies will not be cited as examples of best practice.

2.5 Validity and reliability

As mentioned before the methodology has been developed by ProSus. Their approach was based on SustainAbility's methodology, which has been tested on international CSR reporting for more than ten years (SustainAbility, 2004b). Regarding the basis for the actual rating, they opted for criteria that were slightly different and more lenient than those adopted by SustainAbility. This is because SustainAbility's design is based on global, leading companies within CSR of whom one has higher expectations than the companies involved in our survey.

Does the methodology rate what it intends to rate? Of course, other variables could be included and other scales could be used to grade the results. The ProSus team has tested and used this methodology for a number of years, with good results. Of course, in preparing this study we also discussed the methodology with ProSus and the Irish research team to clarify the variables and their operationalization. This enhanced the validity of the survey.

The reason for selecting the 102 largest Dutch companies in terms of turnover was made on the grounds that, because of their size and resources, these companies can be expected to deliver the most substantial levels of CSR reporting. It is these companies who have the largest influence on the Dutch economy and society.

Reliability refers to how compliant and reliable the actual data collection is. There are often two challenges one can come up against here. Firstly, there can be deficiencies in the actual data collection itself. In order to remedy this, requests were first sent out by e-mail to all 102 companies. We then followed these up with telephone calls to ensure that we had received all available reports. Secondly, the rating of the variables is to a large degree a discretionary evaluation. In order to counteract unbalanced and inconsistent evaluating, a number of reports were assessed by both researchers. The ratings were then compared and, in cases where assessments differed, agreement was reached after deliberation. This led to a joint understanding of the criteria. Particularly difficult cases were reviewed by both researchers. In this way we could ensure that the rating scale was as consistent as possible for all the companies concerned.

3 CSR REPORTING IN THE ANNUAL REPORT

3.1 Introduction

This report assesses how the 102 largest Dutch companies report on CSR. We have evaluated CSR reporting for the financial year 2004, both for the annual report as for non-financial reports. In this chapter we present the analysis of the annual reports. The annual report is an important document in itself, both for the company and for various stakeholders. The annual report is sent to all shareholders as well as various stakeholders, and in that way reaches a broader audience than what other separate reports may do.

We received 91 annual reports in total. These reports have been evaluated on the following four variables:

- General CSR
- Management Systems
- Codes of Conduct
- Supply Chain Management

The companies have been given scores from 0 to 4, where 0 means the relevant theme is not mentioned at all; while a score of 4 means that the reporting is very satisfactory.

In the sections below we report how the companies score on the four variables. Each section starts with a brief introduction / reminder of the variable and the indicators used.¹¹

3.2 Reporting on General CSR – Annual reports

The variable General CSR, evaluates the general impression a company gives of its understanding and management of CSR in the annual report. The reporting is evaluated in terms of how challenges and goals, figures, measures, and performance are presented, and whether the most important and relevant CSR aspects of the company's activities are discussed. Concrete examples of how the company's CSR work is undertaken, as well as orderly presented and systematic information, is awarded.

3.2.1 General CSR – Environment

This variable measures to what extent and how the company reflects on its impacts on the external environment. To receive a score of 3 (satisfactory) or 4 (very satisfactory), an account should be given of the company's environmental challenges, measures and goals, and the actual environmental impact should be reported. This might include emissions, waste, use of chemicals, energy consumption, recycling, transport, effects on biological diversity, etc.

Figure 3.1 illustrates how the 102 companies report in general on external environment in the annual report:

¹¹ These texts are mostly derived from the ProSus report. See Ruud et al (2005).

CSR performance with respect to the environment

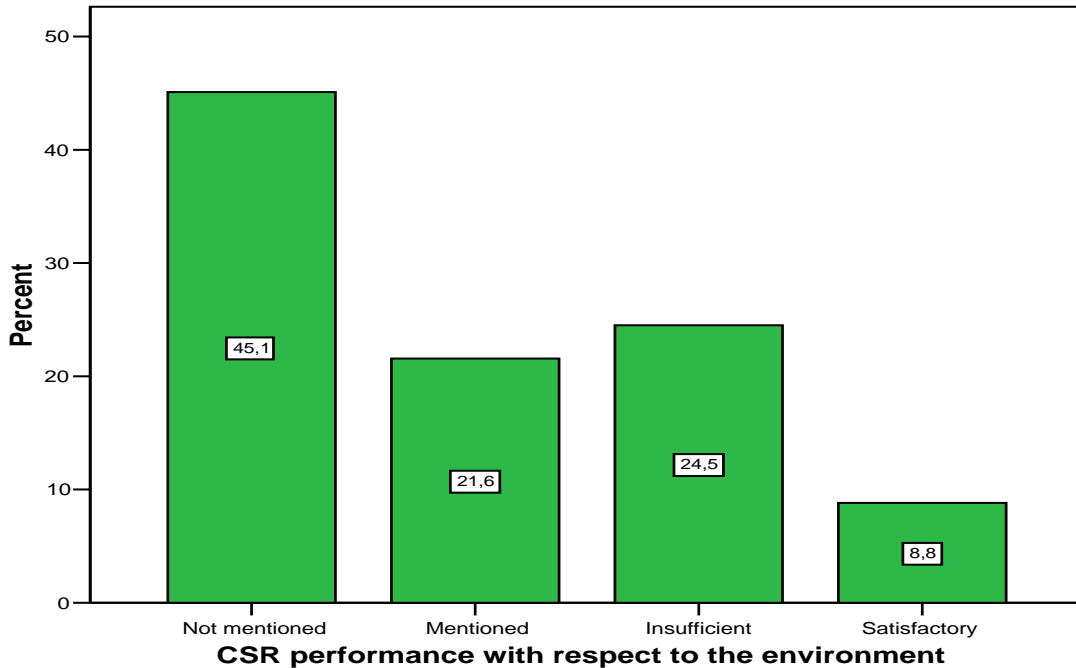


Figure 3.1 Annual reports: General CSR – Environment (N=102)

A 2-3 page presentation with information on the company’s performance, goals, strategies and projects related to the external environment, is sufficient to receive a score of 4 (very satisfactory). Still, only 8.8 percent of the 102 companies report satisfactory on their impact on the external environment. Not a single company of the sample reported very satisfactory on environmental issues. 45 percent of the companies in the Netherlands did not mention environmental issues at all and 21.6 percent mentioned such issues only in a very brief manner. Essent and KLM represent two examples of best practices on this variable.

Essent (energy company) refers to the environment on several occasions all through its annual report. This includes information on the company’s environmental policy, ISO14000 certifications, organization and responsibility for Essent’s environmental work. Moreover, Essent mentions several initiatives to support the diffusion of renewable energy. However, the company does not provide specific information with respect to consumption of raw materials versus recycled paper, energy use, emissions to air and water, waste, noise, transport, environmental investments and biodiversity.

“Essent is involved in activities ranging from the generating of sustainable energy and the development of standards of approval for sustainability, such as Essent’s Green Gold Standard for clean biomass, to the excavation of landfills in developing countries. It also undertakes activities varying from providing free courses to local authority staff on the safety audits of electricity and gas equipment in homes and offices, to getting cogeneration power plants ready for demothballing.”

KLM (airline) provides a systematic presentation on the company’s environmental challenges and strategies. It also presents its management systems (certified through ISO 14001), future goals and programs. Statistics and figures for the years 2000, 2001, 2002, 2003 and 2004 on absolute fuel consumption, fuel consumption to transport 100 kg a distance of 100 km, CO₂ emissions, NO₂ emissions and development of KLM noise at Schipol are presented in a very satisfactory way.

However, the company also emphasizes the importance of a level playing field with respect to environmental standards and international competition in the aviation sector.

“KLM prepares an environmental program each year and its environmental management system is certified in conformity with ISO 14001. KLM studies all relevant processes to make them environmentally friendlier at acceptable cost and without compromising quality. The main environmental performances are continuously monitored and evaluated in accordance with ISO 14001. In addition, all members of staff must continually consider the environmental consequences of their activities and their decisions during the procurement process.”

Despite these good examples, 91 percent of the companies do not report sufficiently.

3.2.2 General CSR – Social responsibility

The social dimension of the triple bottom line refers to the companies' relations to people, both employees and others stakeholders affected by the company's operations. On this variable we have divided the analysis into two parts: one on internal social responsibility and the other on external social responsibility. While internal social responsibility focuses on the company's relations with the employees, referring to health, safety and working environment issues (HSE) and training, external social responsibility deals with the company's social relations to the rest of society and external stakeholders.

Internal social responsibility

The variable internal social responsibility includes working conditions with respect to health and safety, working environment, employee satisfaction, competence development, gender equality, agreements on inclusive working environment, cultural diversity and similar. Figure 3.2 illustrates the distribution of company scores in terms of reporting on internal social responsibility in the annual report:

CSR performance with respect to social internal issues

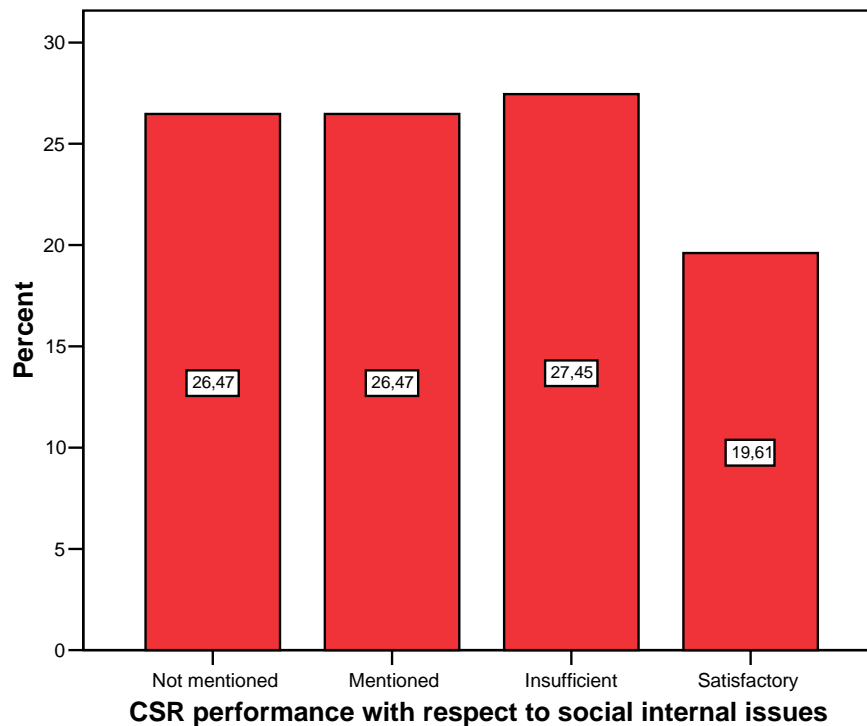


Figure 3.2 Annual reports: General CSR – Internal social responsibility (N=102)

19.6 percent of the 102 companies in the sample report satisfactory. It is again very interesting to notice that not a single company reported very satisfactory. 80 percent of the companies, however, report insufficiently, lacking crucial information on relevant HSE issues, employee satisfaction, management and competence development, and training. 26.5 percent of the sample belongs to the “not mentioned” category, another 26.5 percent fall under the category “mentioned” and have reported only in a few words on internal social issues. Nevertheless, there are a couple of best practice examples, of which two will be presented here: Buhrmann and Univar.

Buhrmann (supplier of office products) provides information on employee policy; educational and training programs, the work environment in general, gender equality, leadership development, and company values. Buhrmann reports on health, safety and environment in quite some detail. For instance, the company lists a number of standards which will get implemented in the near future to reduce the accident frequency rates. However, Buhrmann could provide more specific data with respect to absentees due to illnesses, accidents and incidents.

“Our continued efforts to maintain workplace safety and employee health have enabled us to continue Buhrmann’s favorable track record. In order to stress the importance of this initiative by the management team, regional teams compete every year to be awarded an ‘Outstanding Safety Record’ recognition. In addition, individual operating companies annually organize a ‘Safety Week’.”

Univar reports on internal social responsibilities also on various pages in their annual report. Issues mentioned are employee strategies and individual development plans, diversity and gender equality, the working environment, and established trainee programs. Univar presents its Safety, Health and Environment policy with considerable detail. For instance, the company provides data on its safety performance in the years 2003 and 2004 and mentions the targets for 2005.

“Safe operational practices, healthy working conditions and care for the environment are essential to the well-being of Univar employees and to the company’s success. Therefore, the company is committed to its global Safety, Health and Environment (SHE) policy at all levels of the organization, and it is an integral component of all business operations.”

External social responsibility

This variable focuses on the company’s relations with society and stakeholders outside the company. Does the company reflect upon the impact it has on society and its role as a social actor? Are NGOs and voluntary organizations, the local community, authorities and other actors seen as important in the company’s CSR challenges and strategies? If relevant, are human rights, relations with local populations and indigenous people, use of security forces etc, discussed in the report? Sponsoring and charity work associated with humanitarian organizations, sports and cultural institutions are also encompassed by this variable.

Figure 3.3 illustrates the 102 companies’ reporting on external social responsibility in the annual report:

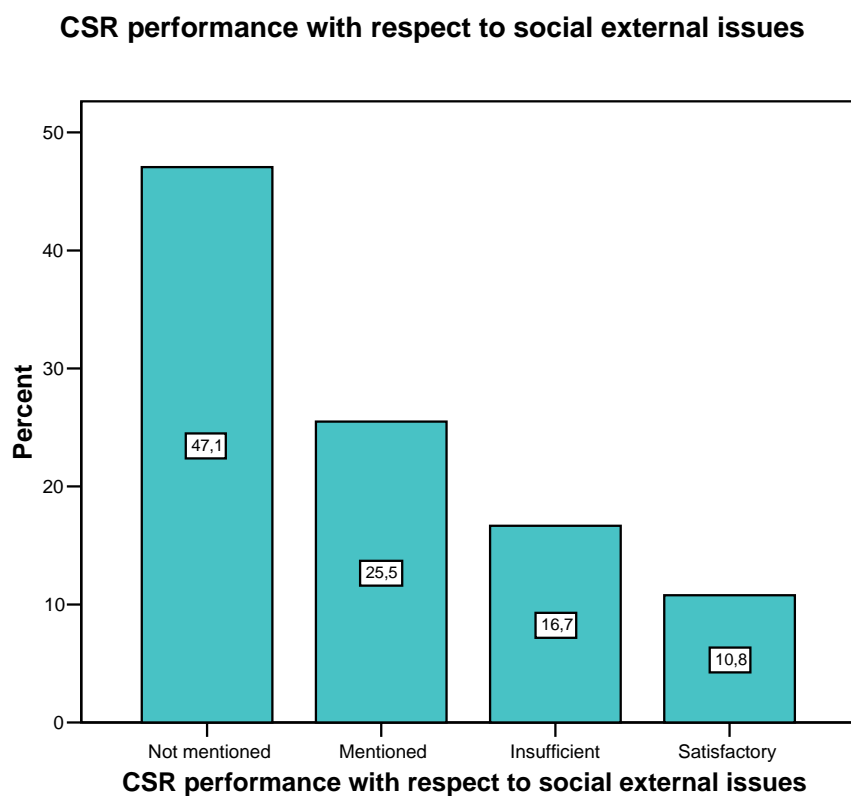


Figure 3.3 Annual reports: General CSR – External social responsibility (N=102)

The results here are similar to the companies’ reporting on the environment and internal social responsibility. Stakeholder dialogue is an integral part of CSR though. Obviously, companies often find it difficult to manage their stakeholder relationships to the outside world. 47 percent do not refer to external social responsibility in the annual report, and only 11 percent of the companies report satisfactory. 17 percent of the companies report insufficiently, while 25.5 percent of the companies mention their external social responsibility only very briefly.

Examples of best practice companies are TPG (mail, express and logistics company) and KLM (airline). TPG reports on stakeholder management schemes and charity initiatives. Their report has detailed information on TPG's partnership with the United Nations World Food Program. Furthermore, the company mentions the charity initiative 'Walk the World', a sponsored walk encompassing over 70 countries.

"The principles include conducting an open dialogue with key sector stakeholders. The dialogue was begun in 2004, when the group asked 182 organizations to provide input on those corporate citizenship issues they believe the sector should focus on. The dialogue continued with a discussion with consumers, which will be followed in 2005 by one with employees. Based on this input, involved companies are selecting Global Reporting Initiative key performance indicators (KPIs) relevant for the sector and encouraging an industry-wide ambition to comply with those KPIs."

KLM reports primarily on stakeholder management and charity activities. The company mentions in detail their involvement in the Schiphol Regional Review Board (Cros), a consultative platform for representatives of the aviation industry, local municipalities, and local residents. Human right issues are not mentioned by both companies. However, the reporting standard on stakeholder dialogue and charity are more than satisfactory. Hence, both companies qualify for an overall satisfactory on the variable external social performance.

"KLM AirCares is a charity sponsorship program that assists less fortunate children. Every quarter, KLM allows a selected project to use its communication channels to reach a large international audience. Through the KLM media, including the in-flight video and in-flight magazine, passengers are asked to donate cash or frequent flyer miles to the charity selected."

3.2.3 General CSR – Economy

It is important to underline that the economic dimension of the triple bottom line (TBL) does not entail traditional financial analysis and reporting, as it appears in a company's annual accounts. In our evaluation, the economic dimension of the TBL has first and foremost to do with business ethics and the company's socio-economic impact at the local, national and global levels, related to issues such as local value creation, competence building, innovation and entrepreneurship. Included here is also the concept of corporate governance. Corporate governance has gained increasing currency in the aftermath of international financial scandals such as Enron and WorldCom. In a strict sense of the term, corporate governance has to do with financial management and with making boards accountable to shareholders by means of control mechanisms between the owners, the board and the company management. The purpose of corporate governance is to build confidence and ensure transparency, and this is incorporated into the broader term 'good corporate governance'; a term associated with CSR. Issues concerning corruption, directors' fees, relations between board and management, the board's independence and possible competence issues are important when discussing good corporate governance.

How do the companies in our sample report on this variable in their annual reports?

CSR performance with respect to economic issues

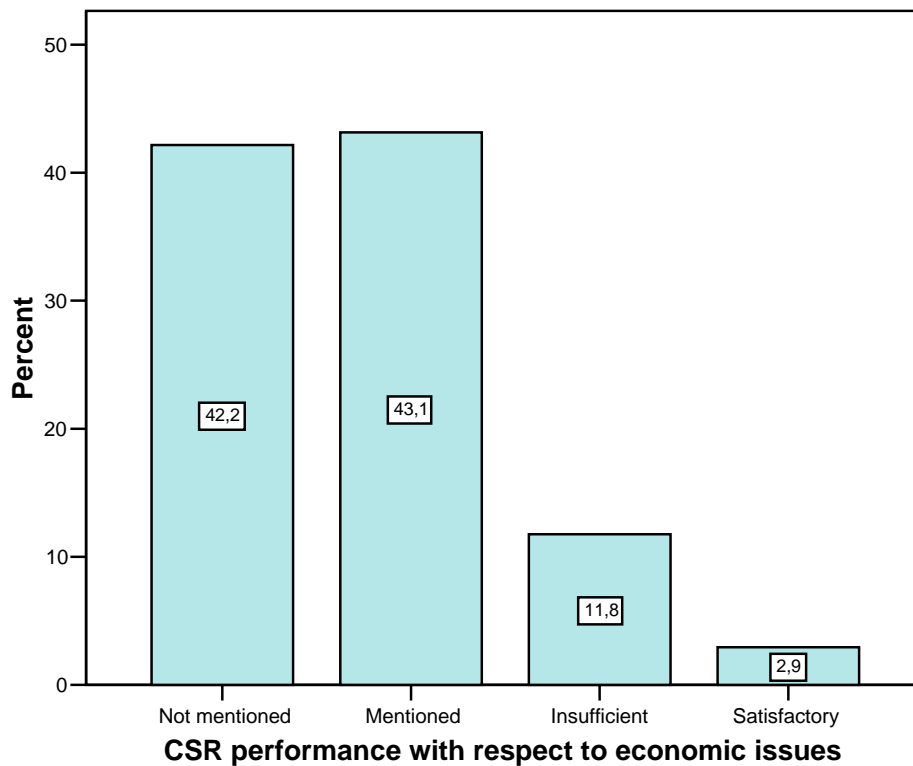


Figure 3.4 Annual reports: General CSR – Economy (N=102)

Reporting on the economic dimension is even weaker than on the other dimensions of the variable General CSR. Only 3 per cent of the companies report satisfactory. Again, not a single company reported in a very satisfactory manner. 42 percent fail to mention any aspect relevant to the economic dimension of the TBL and another 43 percent do so only in briefest possible form.

The Delta Lloyd Group (financial service provider) and VNU (marketing, media and entertainment information services) represent the best reporting of the 102 companies. The strongest part of the Delta Lloyd report with respect to the economic dimension is about business ethics and corporate governance and how the company deals with such issues. The company also states clear objectives in all three dimensions of the triple bottom line.

“The proliferation of laws, guidelines and codes of conduct continued in 2004 and compliance was more intensively supervised in certain areas. Delta Lloyd Group is committed to corporate social responsibility as the best way of guaranteeing customers and the company a secure future, both in the near and longer term.”

VNU reports quite extensively on corporate governance issues related to business ethics. The company emphasizes the importance of reputation and reliability which are inherently connected to business ethics and good corporate behavior. VNU gives the reader considerable insights into the company’s internal risk management and control system. However, VNU also does not provide information on the full dimension of the economic bottom line.

“In the first quarter of 2005, VNU adopted a Whistleblower Policy concerning the reporting of alleged irregularities within VNU of a general, operational and financial nature. Furthermore, a Code of Conduct, including business principles for our employees and rules of conduct was adopted.”

However, it has to be emphasized again that the vast majority of companies does not state anything on the wider economic impact of the business conduct by a company on potentially affected stakeholders. There is certainly much room for improvements on this variable.

3.3 From general CSR reporting to specific CSR reporting

The first variable in the evaluation of the annual report, General CSR, examines the general impression a company gives of its understanding and management of CSR. The variable evaluates how the companies report on challenges and performance, as well as on the presentation of figures, measures and goals. Figure 3.5 shows the percentage of companies with satisfactory reporting on General CSR in their annual report.

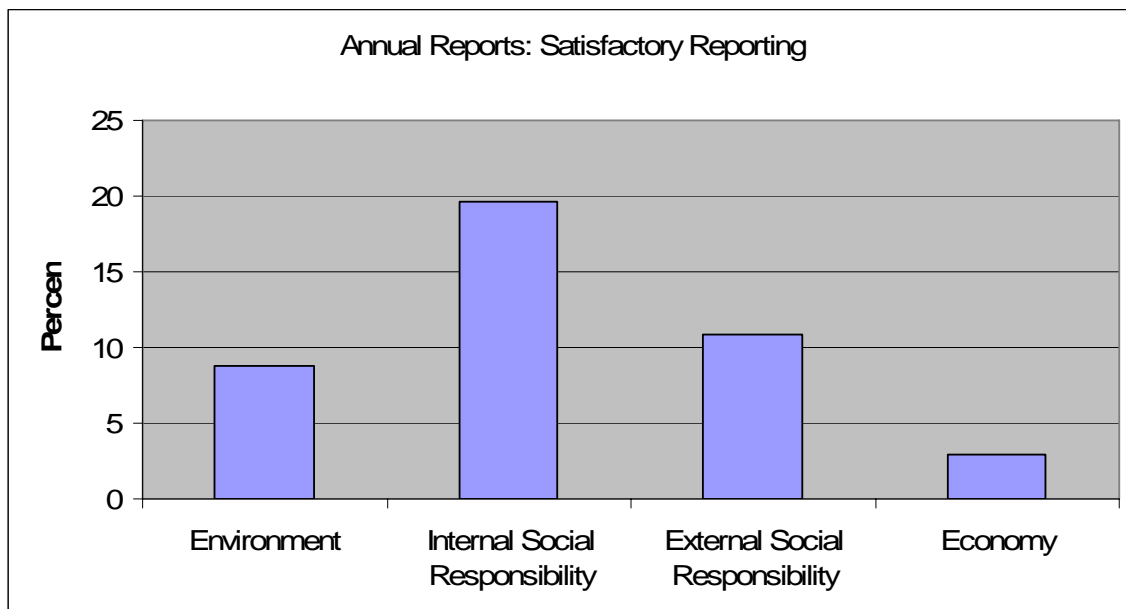


Figure 3.5 Annual Reports: General CSR – Total satisfactory reporting

Obviously, the results are quite weak. The best results are found on internal social responsibility, where 19.6 percent of the companies report satisfactory. The weakest reporting is on the economic dimension of the triple bottom line with only 3 percent satisfactory reporting.

The next three variables to be evaluated: Management Systems, Codes of Conduct, and Supply Chain Management, are much more specific. The variable Management Systems refers to a company’s description of how, in an organizational and practical sense, it ensures that CSR is handled within the company. The variable Codes of Conduct examines information on established company guidelines with respect to CSR. The last variable, Supply Chain Management, evaluates how a company communicates what CSR demands it makes of its suppliers.

For these three variables too, we have followed the ProSus methodology that draws distinctions with respect to aspects that can be grouped under environment, social responsibility and the economic dimension of the triple bottom line. However, reporting on social responsibility is no longer split up in one internal and one external dimension.

To receive a score of 3 or 4 on General CSR, quite extensive and systematic information is required. We have been more lenient in our requirements when we have evaluated the next three variables. A score of 4 indicates good information on the relevant aspect, but for most companies there is still room for improvements in this category. Improvements are not necessarily related to the quantity of information presented, but rather to the quality of it.

3.4 Reporting on management systems – Annual reports

To be able to present a reliable and trustworthy CSR strategy, a company should provide information on management systems connected to their CSR work. This second variable includes reporting on delegation of responsibility and the organization of the CSR work. In addition, information on control systems, reporting procedures and routines, positive or negative sanctions relating to employee conduct, environmental or social certifications, as well as presentations of corporate governance are included. Relevant questions here are: To what extent does the report provide information on the existence of a management system for the environment and for social affairs with respect to internal and external stakeholders, who is responsible for following up, controlling, and reporting on the company's environmental and social policies related to issues such as environmental standards, health and safety, working environment, stakeholder dialogue, and other social programs/projects/charity, measures to improve social responsibility? To what extent do companies provide information on corporate governance, business ethics and related potential dilemmas?

3.4.1 Management systems – Environment

Under this variable we examine how a company, in the annual report, describes the organization of its environmental work, where responsibility is consolidated, whether any concrete management systems are in place and whether the business activity, or parts of it, have certifications, for example from ISO or EMAS. The results can be seen in figure 3.6:

Management system with respect to environmental issues

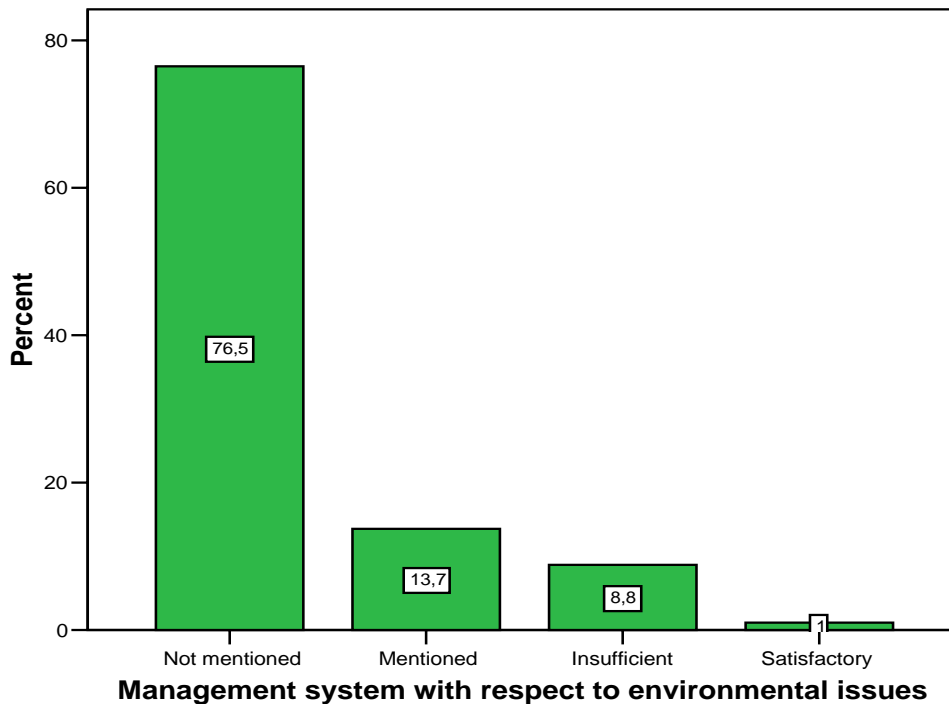


Figure 3.6 Annual reports: Management systems – Environment (N=102)

Only 1 percent of the companies report satisfactory on environmental management systems while a few lines on the division of responsibilities and the organizational structure of the environmental work as well as mentioning a concrete management system (ISO14000, EMAS) would be sufficient. 76.5 percent of the companies do not mention environmental management systems at all in their annual report while 14 percent only mention that some sort of system is in place without any specification.

EVC International (Europe's largest producer of PVC) can be seen as a good example with respect to reporting on environmental management systems in annual reports. EVC International presents information on how the company deals with environmental responsibilities and who is in charge for leading the process. EVC International also refers to ISO14001 certificated entities in the company. The company states several achievements with respect to the environmental dimension but also goals for the future. For instance, EVC states that dust emissions to air are down by 54 percent and copper discharges to water by 87 percent since 1994. Furthermore, the company refers to a specific management system which has been developed in cooperation with the internationally respected risk management group Det Norske Veritas (DNV).

“EVC remains committed to achieving and maintaining ISO 14001 environmental management standards at all its polymer sites as well as its Film plants in Europe. The system for managing SHE is the ‘EVC Rating System’ (EVCRS) which reflects the specific hazards and priorities of EVC’s various businesses. All the requirements needed to achieve ISO 14001 standards are already incorporated in EVCRS.”

3.4.2 Management systems – Social responsibility

For the variable Management Systems – Social Responsibility, we assess the following information in the annual report: organization and delegation of responsibility, concrete management systems and control procedures related to HSE and other social themes relevant for employees. In addition, management systems related to a company’s external social responsibility and relations with relevant stakeholders outside the company, like NGOs, the local community, local and national governments and international organizations are considered. The results of the evaluation on this variable are shown in figure 3.7:

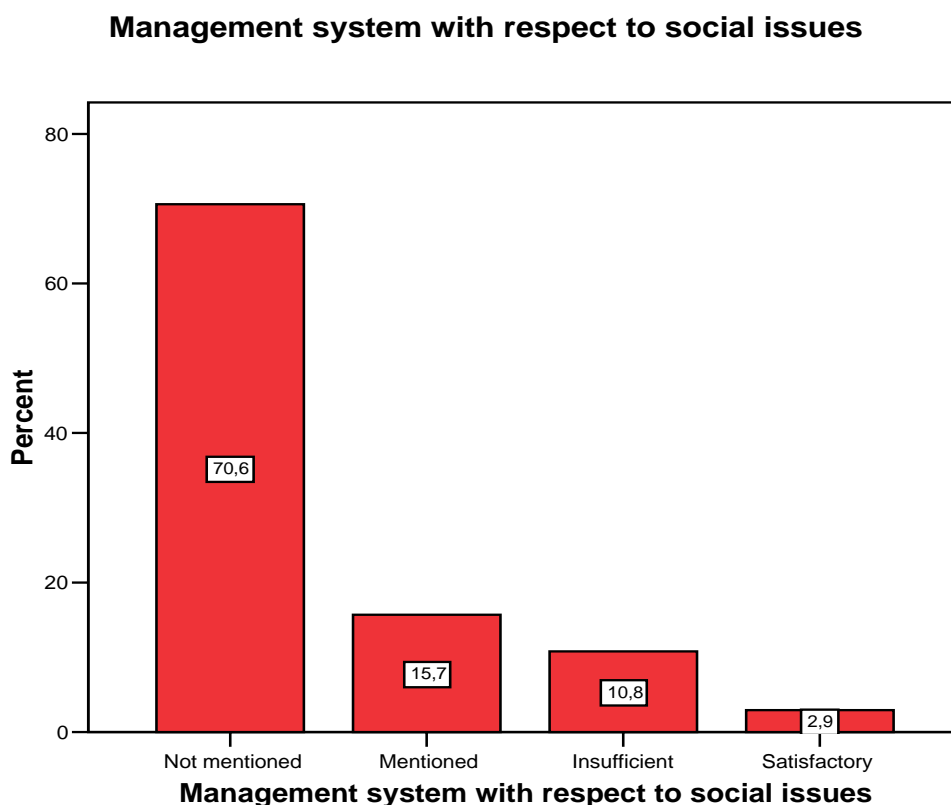


Figure 3.7 Annual reports: Management Systems – Social responsibility (N=102)

3 percent of the companies report satisfactory on social management systems in their annual report. Another 11 percent of the 102 companies report insufficiently and receive a score of 2. 16 percent only mention organization structures or some sort of management system related to social issues in very general terms, while the overall majority of 70.6 percent do not mention this at all in their annual report.

Univar can be seen as an example of best practice with respect to social management systems. The company reports on responsibilities and organization of the HSE work, reporting routines, on a steering committee established at management level to help share best practices, policies and procedures. Furthermore, Univar provides information on different types of relevant standards and reviews, especially with regard to organization and communication, standards and procedures, security, training and education, reporting, assessment and controls, and change management.

Univar management in each business unit is responsible for the local implementation of the SHE standards that have been established on a company-wide basis in the global SHE policy. In 2004, the company's SHE Steering Committee, which is responsible for helping the company consistently address the SHE challenges it faces around the world, continued its follow-up on the site assessments conducted in 2003. The purpose of the site assessments was to ensure the consistent application of the company's SHE standards. These assessments supplemented the standard SHE audits conducted regularly within each business unit, in which each facility is audited at least once every two years and many facilities are audited more frequently."

Although Univar reports well and systematically on organization and management systems related to internal social responsibility, they fail to report on routines for dialogue with other external stakeholders.

3.4.3 Management systems – Economy

Management systems for the economic dimension of the triple bottom line are first of all linked to the debate on good corporate governance. On this variable, points are mainly awarded for information on how the company is managed and led in order to secure sound and ethically defensible economic management, and how the company handles business ethical issues relating to corruption and bribery.

Companies presenting a standard description of corporate governance are given a score of 2, while companies linking corporate governance to CSR and/or presenting further information on relevant management systems for business ethics are given a score of 3. To receive a score of 4, it is also necessary to include information on management systems related to the company's work and policy on economic impact.

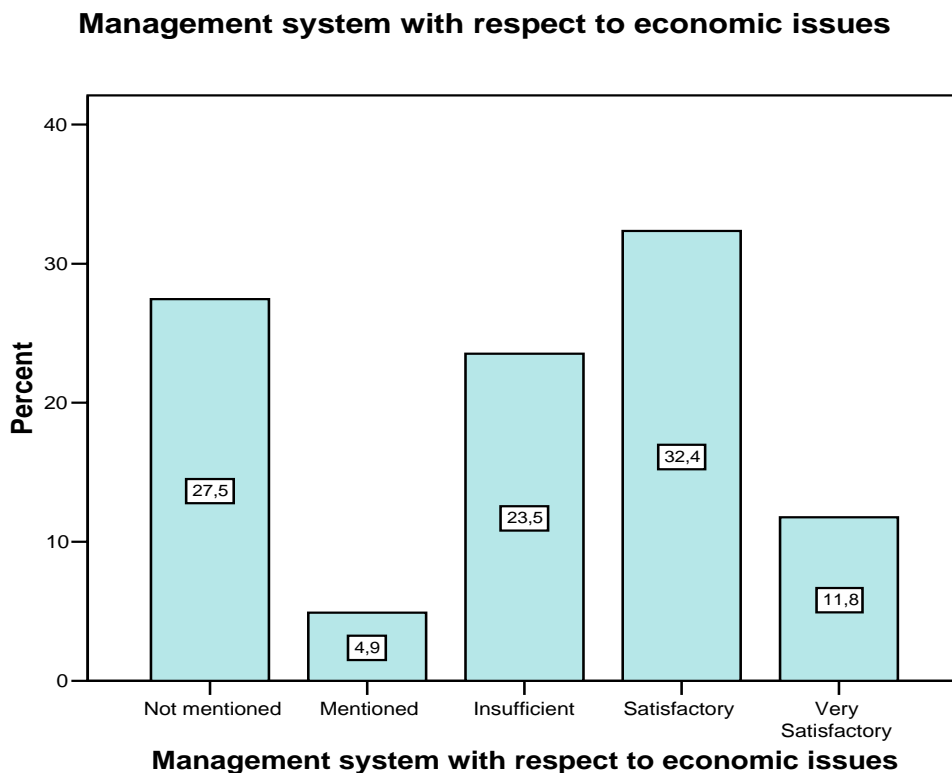


Figure 3.8 Annual reports: Management systems – Economy (N=102)

The best reporting on management systems is found here with 44 percent of the companies scoring at least satisfactory. These companies report well on corporate governance by viewing it in a broader context and connecting it to CSR, sustainable development and/or the triple bottom line concept. Mostly they report on systems and routines established to secure board and management independence and to avoid corruption and bribery. What is lacking though is if and how the economic impact on society is included in the management.

23.5 percent of the 102 companies report insufficiently. Usually, a company in this category gives just standard accounts of corporate governance without any reference to CSR. 5 percent of the companies in our sample mention corporate governance in one or two sentences in their annual report. 27.5 percent of the companies do not touch on corporate governance at all. Nevertheless, it has to be emphasized again that reporting on the economic dimension of management systems is far better than reporting on the two other dimensions of the triple bottom line.

TPG (mail, express and logistics company) and the Royal BAM Group (construction industry) can be presented as examples of good practice here. TPG presents its corporate governance structure and mentions their ethical codes. The report also mentions how these codes are distributed to all employees. TPG's annual report also includes information on who to contact in cases of 'whistle blowing'. The company provides also clear information on managerial aspects with respect to corporate governance and business ethical issues. For instance, TPG has an ethics committee set up to ensure full compliance with the code of business principles, the whistleblower policy and procedure and other internal procedures. The committee reports to the company's board of management. Furthermore, TPG strongly emphasizes business integrity, reliability of public reporting, facilitating payments, obeying the law, and compliance.

"Business integrity: We neither pay nor accept bribes to gain or render orders, services or financial benefits. TPG employees are instructed to turn down any attempt of bribery immediately. Violation of business integrity can lead to disciplinary measures, dismissal and civil or criminal prosecution. TPG does not tolerate fraud, theft, loss through recklessness, waste or use of TPG's business assets for private use."

The Royal BAM Group is another example of a best practice. Integrity has a very high status in Royal Bam's annual report. For instance, the subject of integrity was addressed at various meetings of the managers and employees of the operating companies during the year and possible real life dilemmas were discussed to illustrate how the code of conduct regarding integrity applies in day-to-day practice. The high reporting level on economic management issues of the Royal BAM Group can partly be explained with irregularities in the construction industry in 2001. The company made significant improvements since that time and implemented several schemes to avoid such a scandal from happening again.

"In order to make integrity a fundamental part of day-to-day activities, the subject is regularly revisited. The Executive Board has appointed a Central Compliance Officer. This officer promotes compliance with the Code of Conduct and gives advice on questions involving issues of integrity. The operating companies, too, have their own compliance officers, to whom breaches of the code of conduct can and must be reported."

3.5 Reporting on codes of conduct – Annual reports

Codes of conduct, in the form of a separately adopted document containing fixed guidelines, is an important tool in a company's CSR work. In addition to increasing transparency and credibility

externally, reporting on codes of conduct can contribute to increasing familiarity with these guidelines internally and allow for third parties to examine the companies' performance in relation to its codes of conduct. Codes of conduct become more and more a common standard in the business. Codes of conduct usually encompass issues such as business integrity, assets and information, general commitment including human right issues and environmental protection, commitment towards employees, and commitment towards suppliers and business partners. However, it is also quite common to find different labels for codes of conducts such as business principles or ethical principles. For those companies who have drawn up their own code of conduct, it is easy to make these known through non-financial reporting. Nevertheless, our analysis revealed minimal reporting on codes of conduct in the companies' annual report.

It is important to note here that in order to score points on this variable, it is not sufficient to mention some general policies, goals or values. To receive a score of 4, the report must explicitly present the codes as actual codes of conduct, not as general goals or similar, and at least 3-4 of the codes must be listed and explained. The report should also make it clear that the codes have been adopted in the form of a binding document that obligates the company and its employees.

3.5.1 Codes of Conduct – Environment

How many of the 102 companies report on codes of conduct related to the external environment in the annual report? Figure 3.9 illustrates that the results are not impressive. Very few of the companies give information in the annual report on their environmental codes of conduct.

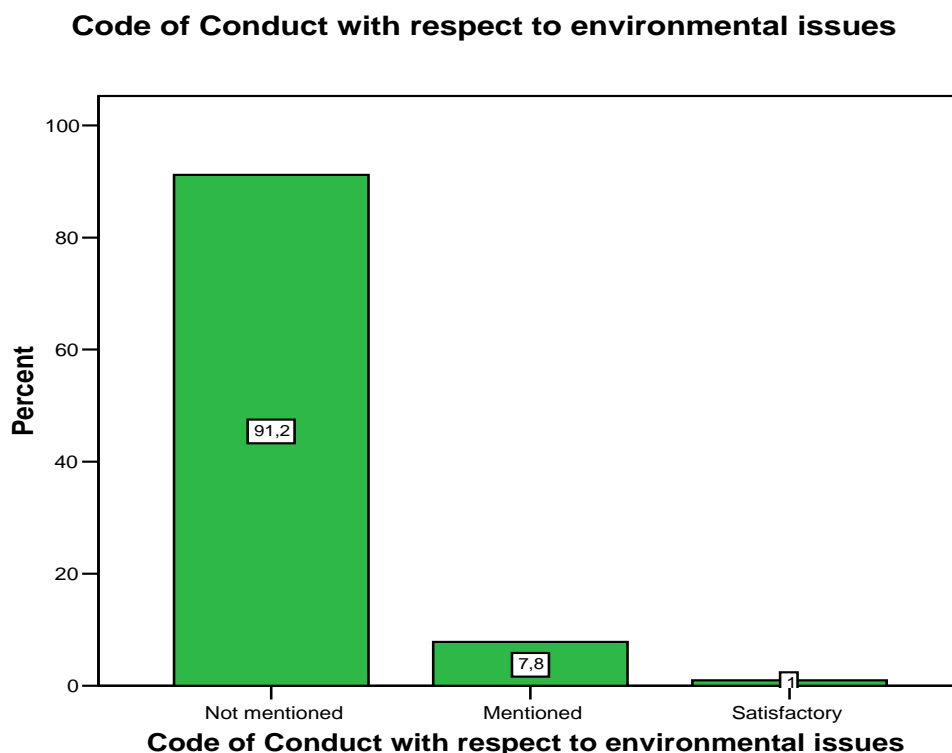


Figure 3.9 Annual reports: Codes of conduct – Environment (N=102)

91 percent of the companies do not mention environmental codes of conduct in their annual report. However, TPG (mail, express and logistics company) can be seen as the exception with a rating of satisfactory. The company presents general information on their approach to the environment (TPG Code of Business Principles) although without more concrete details. Several other companies

mention that they have codes related to external environment, but without further details on what this involves.

3.5.2 Codes of conduct – Social responsibility

Codes related to internal responsibility concern health, security and working environment. Codes related to external social responsibility are connected to the company's relations to external stakeholders (NGOs, local and indigenous populations, governments etc) or related to human rights, social development projects and programs, sponsoring and charity, etc.

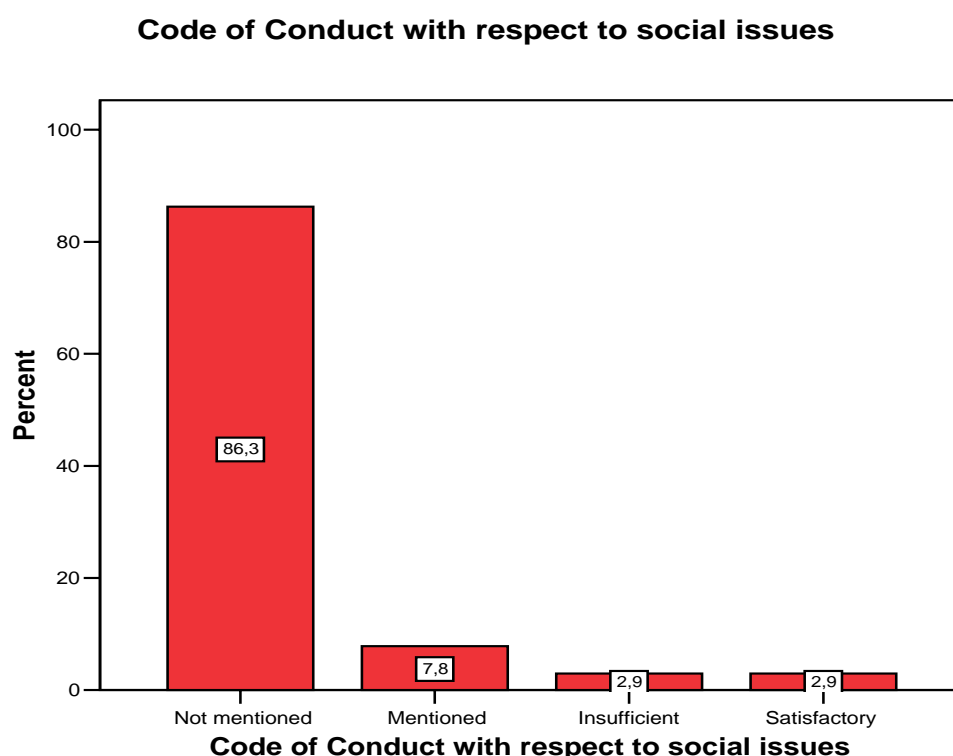


Figure 3.10 Annual reports: Codes of Conduct – Social responsibility (N=102)

Figure 3.10 illustrates the same tendency as for environmental codes. Satisfactory reporting on this theme in the annual report could be observed with only 3 percent. 8 percent of the 102 companies mention in one general sentence that they have established some kind of social codes or guidelines, but without any details, while 86 percent do not mention this theme at all in the annual report.

A few examples of best practice can therefore be shown: TPG, Univar and the Eneco Holding represent companies with satisfactory reporting with respect to social codes of conduct. TPG connects its social codes of conduct to the company's partnership with the UN Global Compact. The main issues TPG deals with in its code of conduct are human resources and safety. Univar and the Eneco Holding refer to implemented Codes of Conduct; however both companies remain rather vague. The general picture on environmental and social codes of conduct is that a considerable number of companies mention codes of conduct in one sentence without any substantial information. Hence, on the variable codes of conduct there is considerable room for improvement.

3.5.3 Codes of conduct – Economy

In order to score a good mark on this variable, the company must present codes of conduct related to business ethics and/or the company’s socio-economic impact.

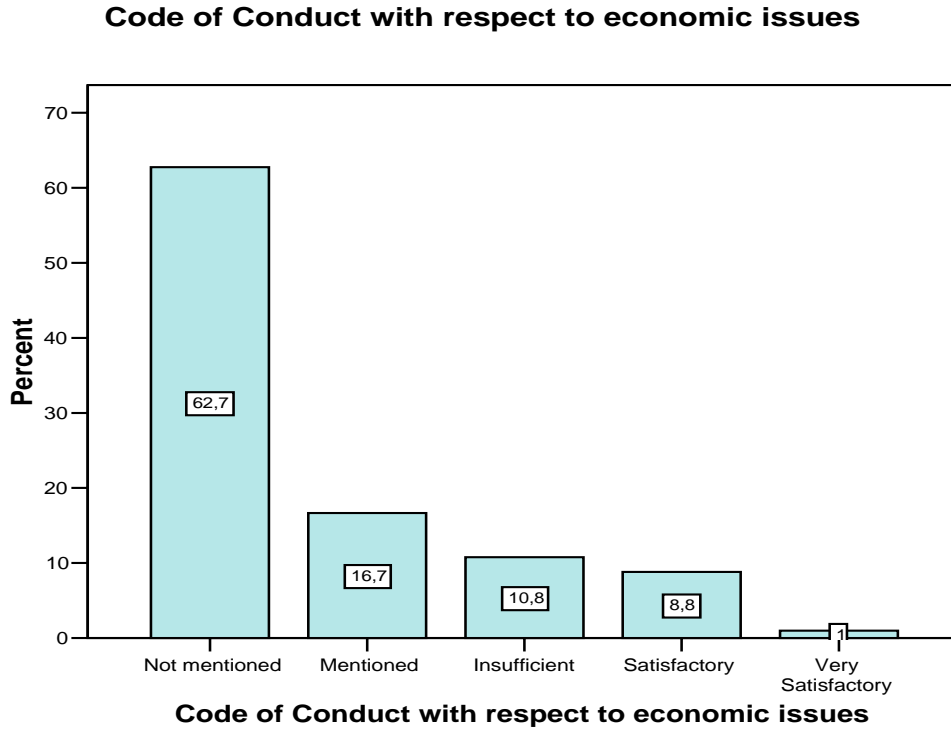


Figure 3.11 Annual reports: Codes of conduct – Economy (N=102)

The results for codes related to the economic dimension of the triple bottom line are slightly better than the results for environmental and social codes. The reason for this is probably the greater interest in business ethical codes after scandals with for instance ENRON and Ahold. Still, figure 3.11 shows that the majority of companies do not mention any code. 9 percent of the companies receive a score of 3 (satisfactory) for their reporting on this variable in the annual report and 1 percent even very satisfactory. This includes 10 companies altogether, where TPG can be seen as an example of best practice. Similar to the previous variable related to the economic dimension (Management Systems – Economy), the presentation of codes among the best companies is most of the time limited to business ethics, and almost none of them provide information on codes related to their economic impact on society and external stakeholders. Only TPG is awarded a score of 4 and can be seen as a true best practice example with respect to economic code of conduct reporting.

TPG presents information on the implementation of business ethical codes and on specific issues such as conflicts of interest, business integrity, facilitating payments, obeying the law, application, whistle blowing, and compliance.

“Conflicts of Interest: We expect our employees to avoid any improper personal benefits for themselves or their family members that result from the employee’s position at TPG or personal, family, financial and other interests or actions that could conflict with the commitment to perform their jobs objectively and effectively. Employees must report to TPG management any material transaction or relationship that could reasonably be expected to give rise to a conflict of interest and will be given appropriate guidance upon request. TPG employees also may not take business opportunities for themselves that properly belong to TPG, use TPG assets for personal gain or compete with TPG.”

3.6 Reporting on supply chain management – Annual reports

How do the 102 companies report on supply chain management? Do they disclose whether CSR demands are put on the companies' suppliers, for example in the form of codes of conduct or certifications similar to that of the buyer company? Are control mechanisms in place for monitoring the follow up of demands made? Like for the previous variables, we have here distinguished between demands that can be grouped under environment, social responsibility and the economic dimensions of the triple bottom line. Similar to the results for reporting on codes of conduct, the results on supply chain management reporting are also weak. The major bulk of the 102 companies do not mention any non-financial demands to their suppliers in their annual report.

3.6.1 Supply Chain Management – Environment

Reporting on environmental demands to suppliers in the annual report is generally weak: a total of 90 percent of the companies do not report on environmental supply chain management at all in their annual report. Figure 3.12 illustrates that only 1 percent – i.e. one company – has satisfactory reporting in the annual report on this variable.

Supply chain included with respect to environmental issues

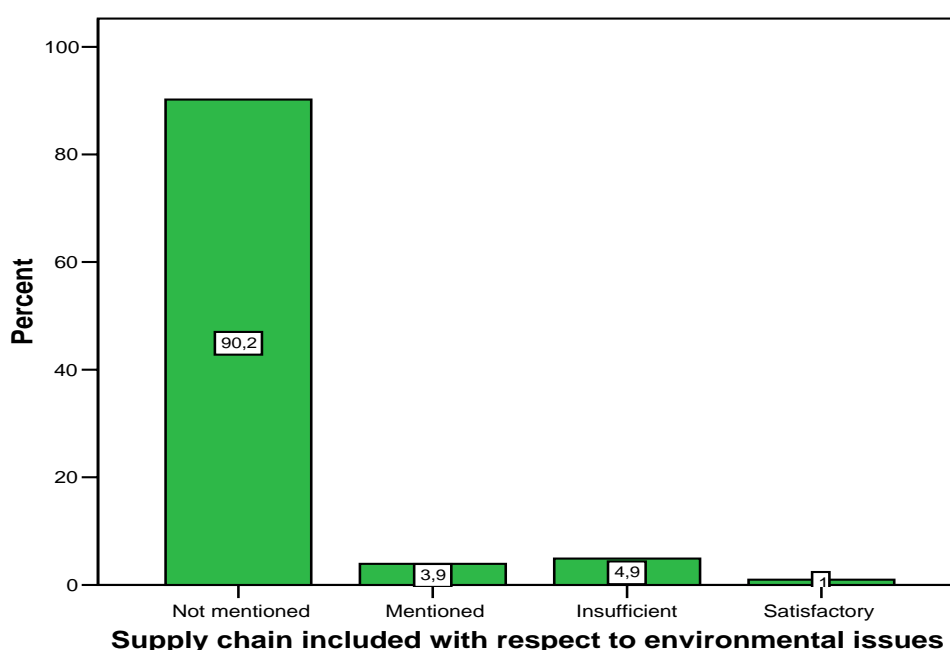


Figure 3.12 Annual reports: Supply chain management – Environment (N=102)

None of the companies qualify for category 4 (very satisfactory reporting), while 5 percent of the companies list only one general environmental demand on suppliers. 4 percent of the companies mention that they put environmental demands on their suppliers, without any further specifications.

The best company is Siemens Nederland that mentions on several places that they are working with other partners on optimizing the value chain. The report also mentions that environmental requirements are included in contracts with suppliers with respect to packaging.

“Aggravated purchase requirements have been a stimulus for suppliers to deliver their goods in neutral and therefore reusable packaging. The amount of packaging has also been reduced through clustering larger quantities in containers.”

3.6.2 Supply chain management – Social responsibility

With respect to reporting on social supplier demands, the figures are as poor as on the previous variable. The results are illustrated in figure 3.13 below.



Figure 3.13 Annual report: Supply chain management – Social responsibility (N=102)

9 percent mention social demands on suppliers in one general sentence in the annual report. 89 percent of the companies do not mention social demands on suppliers at all in the annual report.

Only 2 of the 102 companies can be said to report very satisfactory in the annual report on social demands on suppliers. This is Buhrmann and Vendex KBB. Vendex KBB (non-food retailer) reports on the regularly conducted visits to suppliers, to serve as a preventive measure. Furthermore, Vendex KBB joined a certification system developed by the Foreign Trade Association of German Retail Companies (AVE) on working conditions in production countries in the Far East.

“Suppliers and manufacturers are obliged to meet the conditions that the group sets for such as working conditions in the factories that work for the operation companies. In accordance with the group’s business code, all countries must respect basic living and working conditions. The requirements are based on the guidelines of the International Labor Organization (ILO). During the reporting year, AVE organized a number of workshops for suppliers, in which they explained the requirements for working and production conditions and how compliance with those requirements is checked.”

Buhrmann (supplier of office products) also has social standards for suppliers mentioned in the annual report. However, the company does not provide any information on sanctions in case of non-compliance by suppliers which can be considered a major weakness.

“Our operating companies require suppliers to ensure that products purchased are not manufactured by slave, indentured, or child labor or in any manner contrary to standards of fair treatment. Included is the requirement that suppliers periodically visit and inspect production location and require in purchase arrangements that labor conditions will not reflect unfavorably on our business or the products to be sold and are not contrary to standards of fair treatment as generally recognized in destination countries. Independent certification by appropriate certifying entities is further required.”

3.6.3 Supply chain management – Economy

This variable measures how companies report on demands to suppliers with respect to general business ethics, corruption and bribery; and also in relation to economic impact on society (local value creation, competence building, innovation and entrepreneurship).

Supply chain included with respect to economic issues

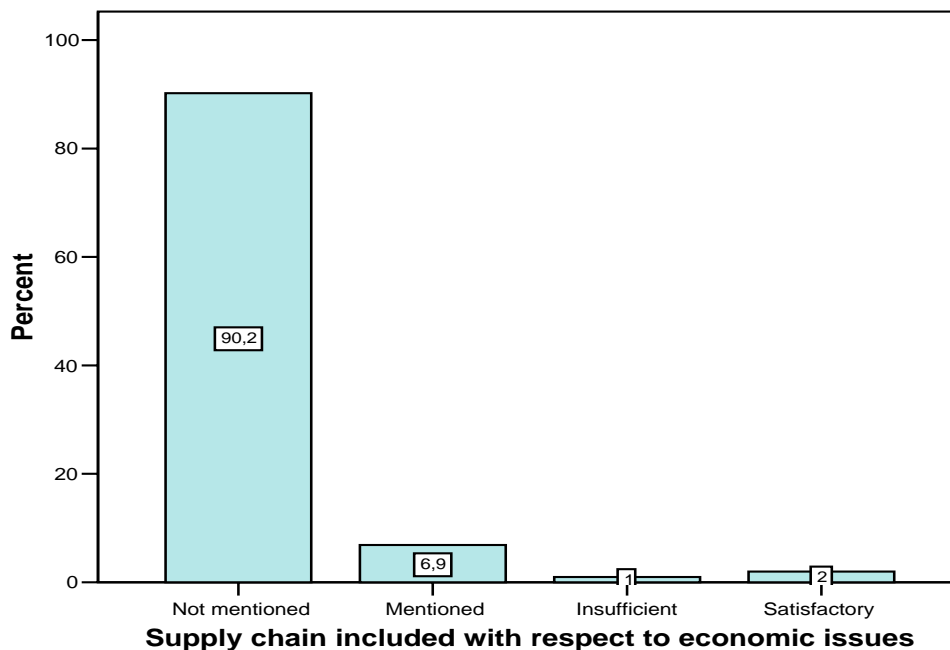


Figure 3.14 Annual reports: Supply chain management – Economy (N=102)

Figure 3.14 shows similar weak results as the two previous variables on supply chains did. None of the 102 companies reports very satisfactory. Only two companies receive a score of satisfactory. One company touches on the issue at several places, however not in a sufficient manner. 7 percent mention business ethical demands on suppliers in one general sentence, while the great majority of the companies – 90 per cent – do not touch upon this issue in their annual report. The two exceptions are Siemens Nederland and the Van Lanschot Bank.

The Van Lanschot Bank is aware of its special role in society. The banking institute considers customer due diligence as an essential element in risk management because doing business with clients can pose a threat if the bank has insufficient knowledge of its clients and activities. For the Van Lanschot Bank this goes beyond preventing the bank from becoming involved in laundering, fraud, financing terrorism, corruption, and capital outflows to maintain the bank’s reputation in a wider sense.

“Procedures are in place for client acceptance, client identification and client and amount monitoring with a view to managing risk. Such monitoring serves identification of risks of clients in combination with services and products acquired.”

3.7 Annual report: Summary of findings

Figure 3.15 shows the percentage of the 102 companies reporting satisfactory or very satisfactory in their annual reports on all four variables respectively: General CSR; Management Systems; Codes of Conduct and Supply Chain Management.

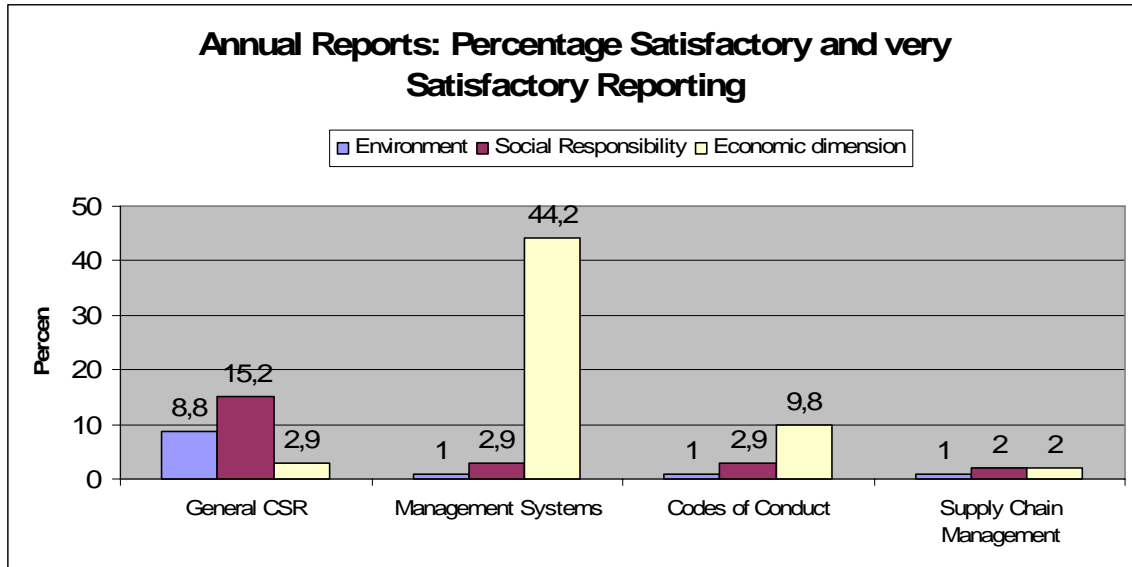


Figure 3.15 Percentage satisfactory and very satisfactory reporting in annual reports (N=102)

Although some variance can be observed with respect to the different variables, the main conclusion is that the transparency of CSR through the annual report is not strong. 90 out of the 91 annual reports received from companies include additional CSR information in the annual report. Quite often, this additional information is relatively marginal with only a few paragraphs on environmental issues or health and safety. None of the companies use the annual report to present the company’s CSR strategy and performance in a comprehensive and systematic manner. Overall, the results demonstrate that the majority of the companies report unsatisfactory with respect to CSR policy and practice in their annual report, see the figure below. The exception is the reporting on corporate governance. On this aspect 44% of the companies report on aspects as systems and routines established to secure board and management independence and to avoid corruption and bribery. What is lacking though is if and how the economic impact on society is included in the management system.

TPG, Buhrmann and Univar are the companies with the best and most comprehensive CSR reporting in the annual report. These three companies scored between 23 and 20 points out of possible 52 points. They all show good results with respect to General CSR, Management Systems and Code of Conducts; however the reporting on Supply Chain issues is considerably weaker. TPG has the best result in the variable Code of Conduct with only satisfactory and very satisfactory assessments. Nevertheless, it can also be said that these three companies report well on all three dimensions of the triple bottom line. KLM scored best on General CSR providing the most encompassing information and data on their business conduct (satisfactory on all three dimensions of the triple bottom line). Siemens Nederland scored 18 points and has the best results in the variable

Supply Chain of all companies in the sample. Nevertheless, the overwhelming conclusion is that there is considerable room for improvement with respect to CSR reporting in annual reports.

4 CSR REPORTING IN SEPARATE REPORTS

4.1 Introduction

The second part of this report evaluates CSR reporting in separate reports. This includes general CSR and sustainability reports, as well as more specific social and environmental reports. 63 of the 102 companies in our sample provide separate reports for the financial year 2004. Again, we stress that our case of analysis is the company and not individual firms. In some cases we received more than one separate report from a company. The scores on those separate reports were aggregated to get a total score for the company.

The variables are the same as for the evaluation of the CSR reporting in the annual report: General CSR, Management Systems, Codes of Conduct and Supply Chain Management. These four variables are divided into three dimensions in accordance with the concept of the triple bottom line: environment, social responsibility and economy.

4.2 Reporting on general CSR – Separate reports

The variable General CSR reflects the general quality of the company's CSR reporting. We examine how the companies report on central and relevant challenges, as well as on the presentation of figures, measures and goals. The best results in the evaluation of separate reports are found on this variable. Of the 63 reports evaluated, Philips, Unilever and the ING Group receive the highest total score on General CSR with excellent and systematic reporting reflecting all three dimensions of the triple bottom line. Some examples from their reports will be given below.

4.2.1 General CSR – Environment

Figure 4.1 illustrates that while almost 48 percent report at least satisfactory, almost 40 percent do not mention the environment in their separate reports. This certainly has to do with the kind of separate reports published, however it is still interesting to see such a great portion of companies not reporting on environmental issues. There are apparently two fractions of companies: companies who report well on the environment and companies who do not mention such issues at all. Several of the companies in the first fraction could be presented as examples of best practice. Three of them are: Shell, Unilever and Philips.

CSR performance with respect to the environment

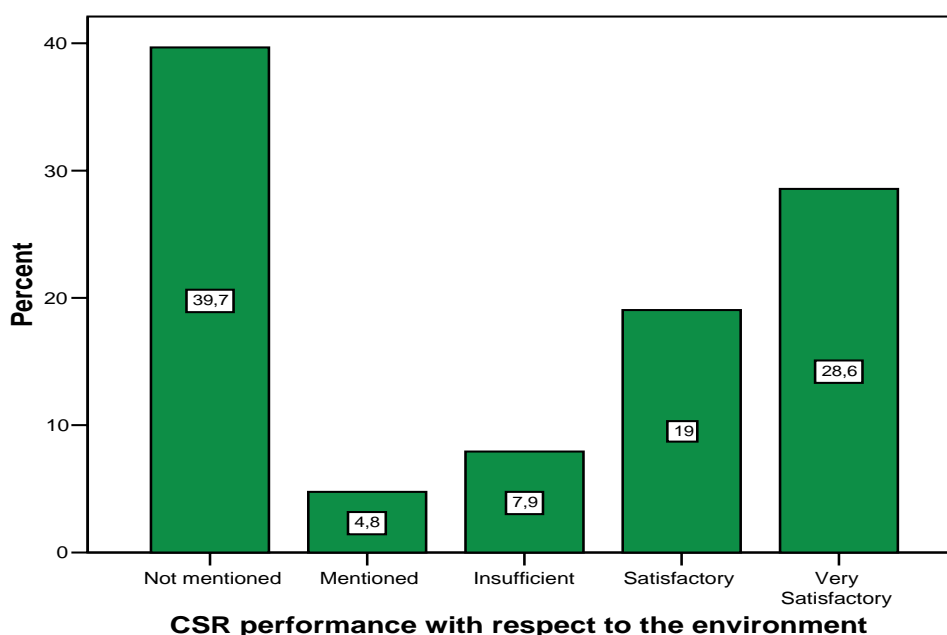


Figure 4.1 Separate non-financial reports: General CSR – Environment (N=63)

Philips’s separate report is named sustainability report which presents the company’s strategy, a list of relevant environmental challenges and potential risks, environmental data and figures for the years 2000 to 2004, a general presentation of performance, different projects and programs in place, and a summary of payments for fines and incidents in 2004. Philips provides data and information on the environment in an excellent manner and fully in line with the triple-bottom-line approach. For instance, the company presents detailed information on energy, CO₂ emissions, waste, water consumption, management of chemical substance in production, and emissions to air and water.

“We regard environmental improvement as an opportunity for innovation, and we work to minimize the impacts of products, processes and services. To meet this challenge, we began establishing a series of four-year action programs more than a decade ago.”

Shell presents its goals, policy, performance and data/figures also in a separate report named the ‘The Shell Report’. Information is given both for Shell as a whole and separately for a number of production locations around the world. The report includes statistics on energy consumption, emissions of various kinds, and waste production. Shell also writes about environmental challenges related to the oil and gas business.

Shell provides a full picture of its business with respect to the environment including information on especially energy efficiency, flaring in exploration and production, oil spills, fines, cases of bribery, fatal accidents, and the use of armed security forces. Hence, Shell puts great emphasis on transparency in the separate report.

“Shell: We paid \$244 million in environmental clean-up costs, up from \$175 million in 2003 mainly due to a \$62.5 million payment for contamination of groundwater by MTBE in Santa Monica in the USA. At the end of the year, we had provisions in place of \$907 million for future environmental clean-up (\$972 million in 2003), and \$5.9 billion for facility decommissioning and site restoration, up from \$4 billion in 2003, mainly because of increased estimates of decommissioning costs.”

4.2.2 General CSR – Social responsibility

The 63 separate reports are also evaluated on information given on social responsibility – both related to the company’s own employees (internal) and to society and external stakeholders (external). What is the general impression from reading the reports? Are relevant social challenges, risks, goals and results presented in a systematic and easy-to-read manner?

Internal social responsibility

The results on this variable are somewhat comparable to the results on environmental reporting (see figure 4.2). The overall results on internal social responsibility reporting are a bit better because the rate of companies not stating anything on such issues is lower. 48 percent of the companies report satisfactory or better on internal social responsibility while 25 percent do not touch the issue at all. Here, it is worth noting that some of these reports do not aim to be full CSR reports, but are pure environmental reports or social reports.

CSR performance with respect to social internal issues

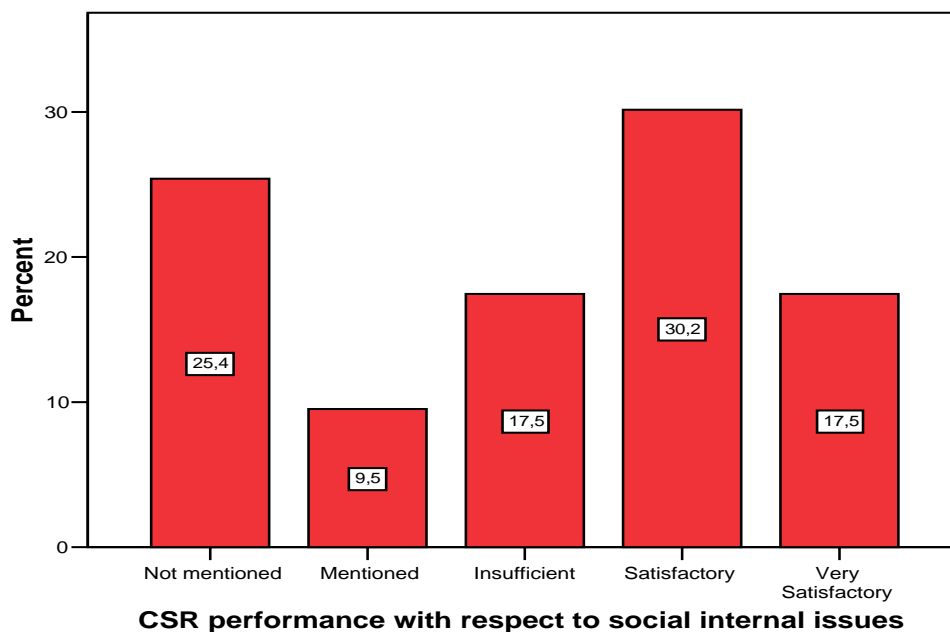


Figure 4.2 Separate non-financial reports: General CSR – Internal Social Responsibility (N=63)

Philips and Akzo Nobel (pharma, coating, and chemical industry) can be mentioned as examples of best practice. Philips and Akzo Nobel both report on the company’s policy and performance including gender and diversity issues, courses and training sessions, and absentee levels due to illnesses. Philips provides detailed information on accidents and illness in the form of lost work time rate and lost workday injuries figures. In addition, Philips gives information on its learning program ‘Generic Core

Curriculum’, which includes learning programs in a number of areas – personal effectiveness, people management, working together and company awareness. Both companies have also specific programs for improving safety among the employees in place.

Philips: “We create the kind of work environment that helps our employees around the world reach their full potential. We launched 33 Generic Core Curriculum courses during 2004. Enrolment began with more than 1.000 participants in the first quarter and approached 5.000 by year-end. The target for 2005 is to double the number of participants.”

Akzo Nobel: “We routinely record key health parameters of our employees. Through monitoring Lost Time Injuries Frequency Rate (LTI-FR) and Total Illness Absence Rate (TIAR), and linking these to targets for their improvement, Akzo Nobel aims to positively influence behavior and attitudes with respect to safety and health.”

External social responsibility

How do the 63 companies report on their societal impacts and their relations to society and external stakeholders? This variable evaluates information on dialogue and co-operation with different kinds of NGOs and voluntary organizations, the local community, authorities and other relevant actors. Reporting on human rights, social projects as well as sponsoring and charity work associated with humanitarian organizations, sports and cultural institutions are also included.

CSR performance with respect to social external issues

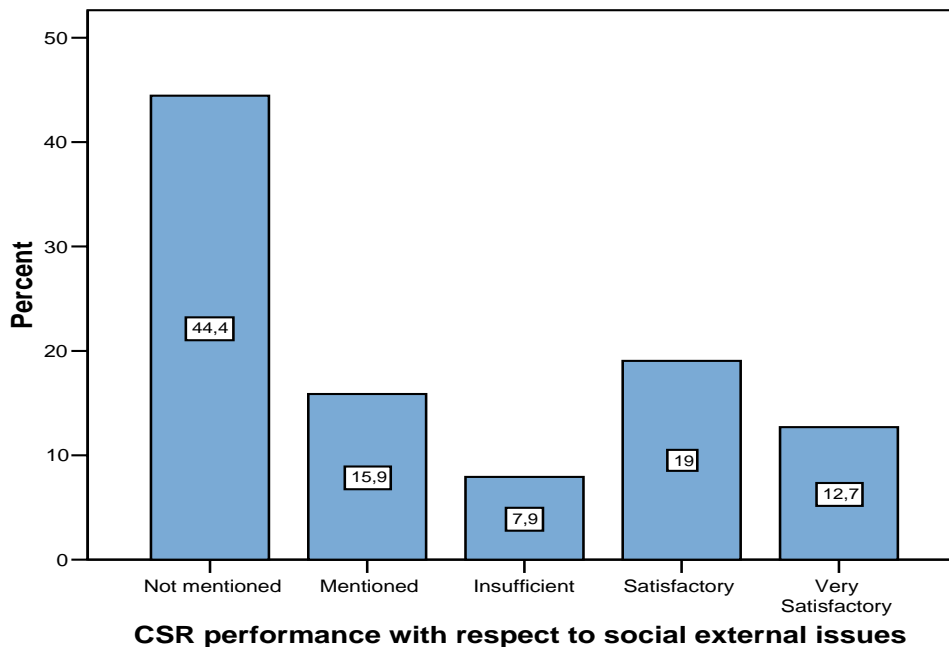


Figure 4.3 Separate non-financial reports: General CSR – External Social Responsibility (N=63)

Looking at figure 4.3, we can see the split that we observed with previous variables too. About 32 percent of the companies report at least satisfactory while 44.4 percent of the total sample do not mention social responsibility related to society and external stakeholders in their separate reports. Overall, the variable on external social issues shows much weaker results compared to the two previous ones. This finding is very much in line with the result in the annual reports on external

social issues. It is apparently not so much in the focus of companies to report on their external social impacts and relationships.

Among the best companies are Shell, Philips and Unilever. Shell writes several pages about the company's effects on local society and the company's response at locations identified as having social concerns that significantly affect the company's reputation and business performance. For instance, Shell provides substantial information on Nigeria, Sakhalin, Norco, Port Arthur, Sapref, and Pandacan. The report also includes information on social investments and various programs in developing countries where Shell operates. An example of such programs is an initiative on HIV/AIDS in Gabon, the Ivory Coast, Kenya, Nigeria, and South Africa.

Shell: "Some of Sakhalin's 3.300 indigenous people have a traditional way of life based on fishing, hunting and reindeer herding that could be damaged by the oil and gas development on the island. We continue to engage with indigenous communities, particularly those directly affected by our operations. We participate in a forum to understand and address their concerns with representatives from local government, business and the indigenous people."

Unilever (consumer goods company) also reports very satisfactory on external social responsibilities. The company is a founding signatory of the United Nations Global Compact. Unilever is involved in several partnerships around the world. For instance, in 2004, Unilever established an alliance with UNICEF, the United Nations Children's Fund with the aim to improve the health of children and their families in Africa, Asia, and Latin America. Furthermore, the company supports some 13.000 community organizations around the world, and with the help of Unilever an estimated one in ten employees engaged in community activity.

"Working in partnership with others is typical of Unilever's way of doing business. Simply put, we can achieve more by combining our expertise and resources with the complementary abilities of others – whether it is another company, a research institute or a local community. It is a practical way to achieve our business goals and maximize the contribution we can make to society."

The major weakness in the 63 companies' reporting on external social responsibility is the lack of quantitative information, like statistics and figures but also more qualitative information is lacking. For instance, it is quite common to find the term "stakeholder dialogue" mentioned somewhere in the reports, however the stakeholders involved in the dialogue are most of the time not mentioned, and if then only in a general way. To name stakeholders in the separate reports was the exception. It is apparent that stakeholder management is still not really anchored in the business world, let alone practiced in a systematic manner. Companies still have substantial difficulties in implementing systematic communication patterns to their external stakeholders.

4.2.3 General CSR – Economy

In our evaluation, the economic dimension of the triple bottom line includes reporting on corporate governance, business ethics and the company's wider economic impact related to issues like local value creation, competence building, innovation and entrepreneurship. It does not entail traditional financial analysis and reporting.

How do the 63 companies report in general on this variable in their separate reports?

CSR performance with respect to economic issues

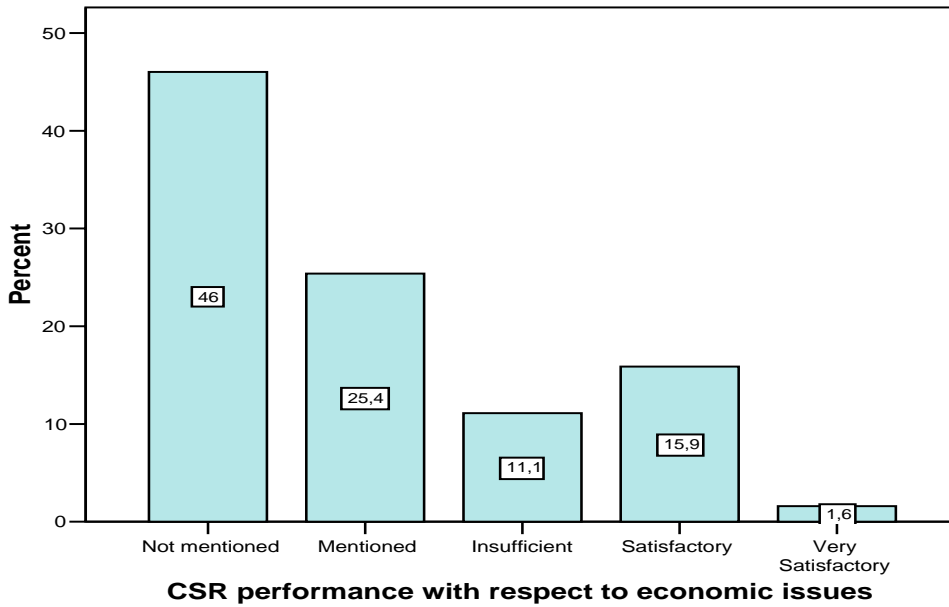


Figure 4.4 Separate non-financial reports: General CSR – Economy (N=63)

Compared to general environmental and social reporting, the weakest reporting on general CSR is found on the economic dimension. Only one of the 63 companies reports very satisfactory on economic impact on society and business ethics, while this aspect is not mentioned at all in 46 percent of all separate reports. The findings in the separate reports on economic issues are very much in line with the results in the annual reports. Companies in general do not focus on economic issues in their reporting efforts. A reason for that might be that companies do not perceive the economic dimension as important in the separate reports as they perceive the environmental and social dimensions.

Philips is the example of a best practice with a score of 4. A number of companies report fairly well on their economic impact on society and also quite well on business ethics in their separate reports. Among these companies are Shell, Unilever, KPN, Akzo Nobel, Reed Elsevier, KLM, Wolters Kluwer, OCE, Fortis and the ING Group.

In its CSR report, Philips has a separate chapter on the economic impact on society. Philips has a clear understanding of its economic responsibility because the company acknowledges that the economic performance of the company goes beyond the traditional performance indicators such as profitability, balance sheet ratios and cash flows; it covers the various components that represent the cash outflow to all economic stakeholders. Philips’ report also dedicates substantial room for business ethics and relevant challenges related to corruption and bribery.

Philips: “From a societal perspective, the economic performance of our company goes beyond the traditional performance indicators such as profitability, balance sheet ratios and cash flows. It covers the various components that represent the cash outflow to all economic stakeholders.”

The ING Group reports in a very good manner on the economic dimension of CSR. The company provides an excellent overview on economic contributions to its stakeholders and has an own chapter on ethical standards.

ING Group: “The Economic Contribution model illustrates the economic role of ING in society and it indicates how our contribution is spread out among our stakeholder groups. It is more than the traditional Added Value model which focuses on the value that is added for shareholders, employees and the authorities. Banks and insurance companies fulfill an important role in meeting the demand and supply for capital.”

4.2.4 Part Summary: General CSR Reporting

Figure 4.5, sums up the results of reporting on General CSR in the separate report, by showing the share of companies who report satisfactory or very satisfactory:

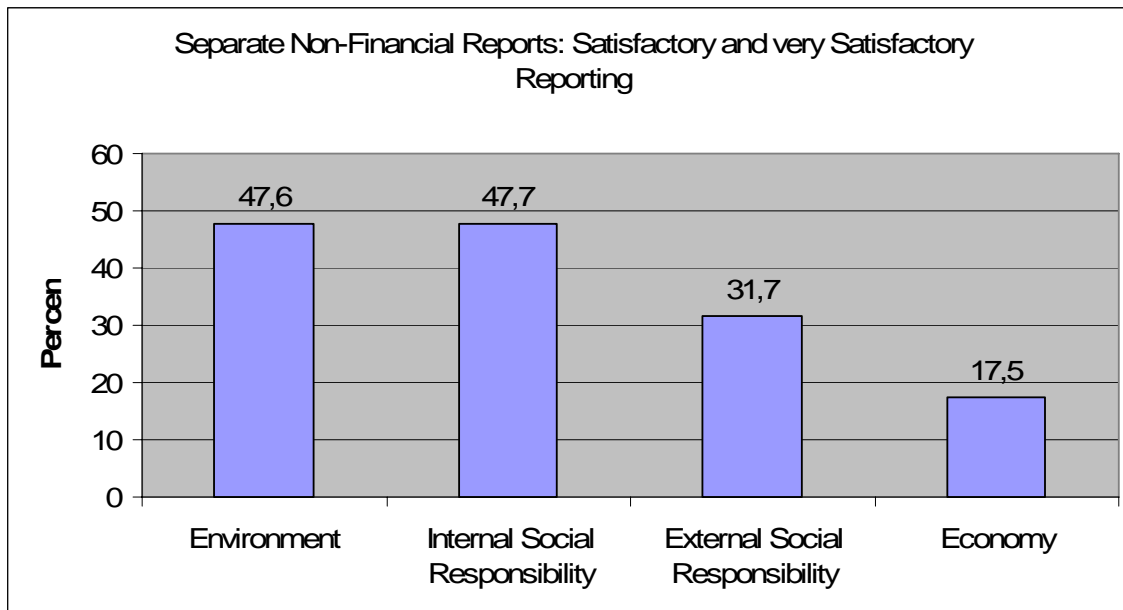


Figure 4.5 Separate non-financial reports: General CSR – Total satisfactory and very satisfactory reporting (N=63)

The best results on General CSR could be identified on the environment and internal social responsibility, where on each variable almost 48 percent of the companies report well on environmental challenges and performances as well as on internal social programs and performances. The results are a little weaker on external social reporting where 32 percent of the companies report satisfactory on external social responsibility, while 17.5 percent report well on the economic dimension of the triple bottom line. Not surprisingly, the results from the separate reports are considerably better on all three dimension of the triple bottom line compared to the results of the annual reports. A reason is certainly the relatively high number of specific environmental and HSE reports in the total sample of separate reports. Similar to the findings in the annual reports, the weakest reporting is on the economic dimension of the triple bottom line. Companies overwhelmingly do not report on their economic responsibility apart from the traditional narrow conceptualization of economic responsibility which usually circles around profitability, balance sheet ratios and cash flows.

4.3 Reporting on Management Systems – Separate Reports

The variable Management Systems includes reporting on the delegation of responsibility and organization of CSR. It also evaluates information on control systems, reporting procedures and routines, positive or negative sanctions relating to employee conduct, environmental or social certification, as well as corporate governance.

Philips and the ING Group receive the best total score on this variable, with excellent reporting on environmental, social and economic management systems. Shell reports also excellent on social and economic management systems, but leaves out a bit on the environmental dimension of the triple bottom line.

4.3.1 Management systems – Environment

How transparent are the 63 companies with respect to the organizational structure of their environmental work, responsibilities, concrete management systems and/or environmental certification systems like ISO14000 or EMAS in their separate reports?

38 percent of the companies report at least satisfactory on environmental management systems. However, the vast majority of companies (41 percent) do not report on this dimension at all. It is interesting to notice that while 47.6 percent of the companies reported satisfactory or better on the environmental dimension in general, only 38 percent do so with regard to environmental management systems. This finding shows that the substance of the information and data provided by the companies lacks some detail in the more specific variables Management Systems, Code of Conduct and Supply Chain.

Management system with respect to environmental issues

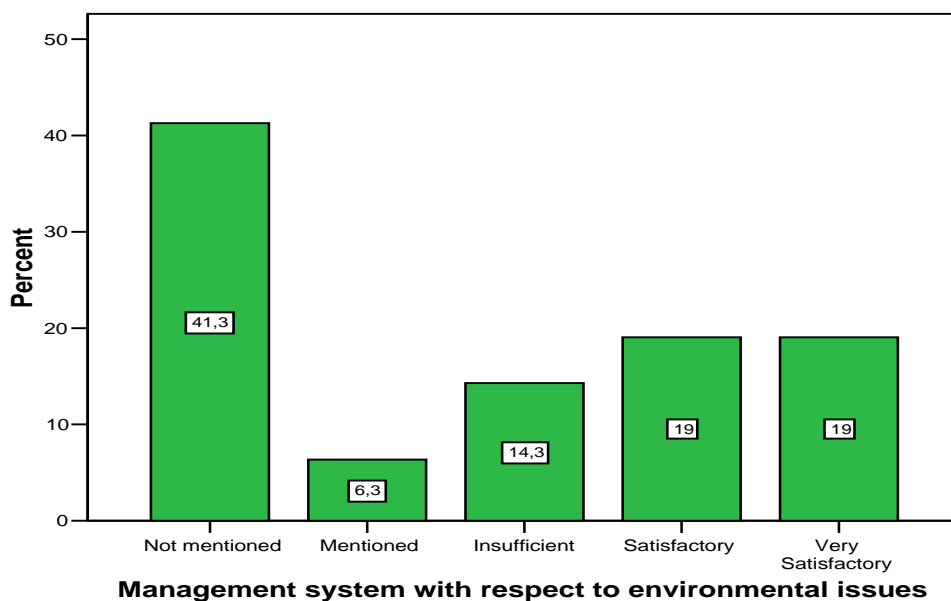


Figure 4.6 Separate non-financial reports: Management systems – Environment (N=63)

Examples of best practice are observable with a number of companies. For instance, Unilever and Philips have management systems implemented, which include clear environmental responsibilities, concrete management systems and environmental certification systems like ISO14000. Shell also has a systematic presentation of its environmental reporting routines. The report also has a well-arranged presentation of environmental goals, challenges and measures for 2005, which indicates that a functioning environmental management system is in place. For instance, Shell addresses environmental challenges the company faces in an extensive manner such as climate change and operating in environmentally sensitive areas.

Philips: "Company policy requires that all manufacturing sites achieve ISO 14001 certification and introduce environmental management systems to realize this goal. The percentage of certified units at year-end 2004 rose to 92 percent. The result includes 12 newly certified reporting organizations, 12 certified reporting organizations that were divested and four whose certificates expired."

Unilever: "All companies are required to include compliance with Unilever SHE (Safety Health and Environment) Standards within their annual positive assurance report. Sites are subject to an environmental audit at least once every three years. In addition, business regions and categories annually review their environmental performance and progress against targets as part of a continuous improvement process. Internal benchmark studies highlight key sites for improvement."

Shell: "Our increased focus on waste management led to a 13 percent drop in the volume of hazardous and non-hazardous waste we produced compared with 2003. In 2004, Oil Products included waste control in its environmental management standards and appointed a full-time environment and waste advisor to co-ordinate waste reduction efforts worldwide."

4.3.2 Management systems – Social responsibility

Figure 4.7 shows the results for reporting on management systems related to the social dimension of the triple bottom line. This variable relates both to the company’s own employees and external stakeholders. It evaluates information on the organization of responsibility, concrete management systems and control procedures related to HSE as well as other social themes related to employees. This variable also includes management systems related to a company’s external social responsibility and relations with relevant stakeholders outside the company.

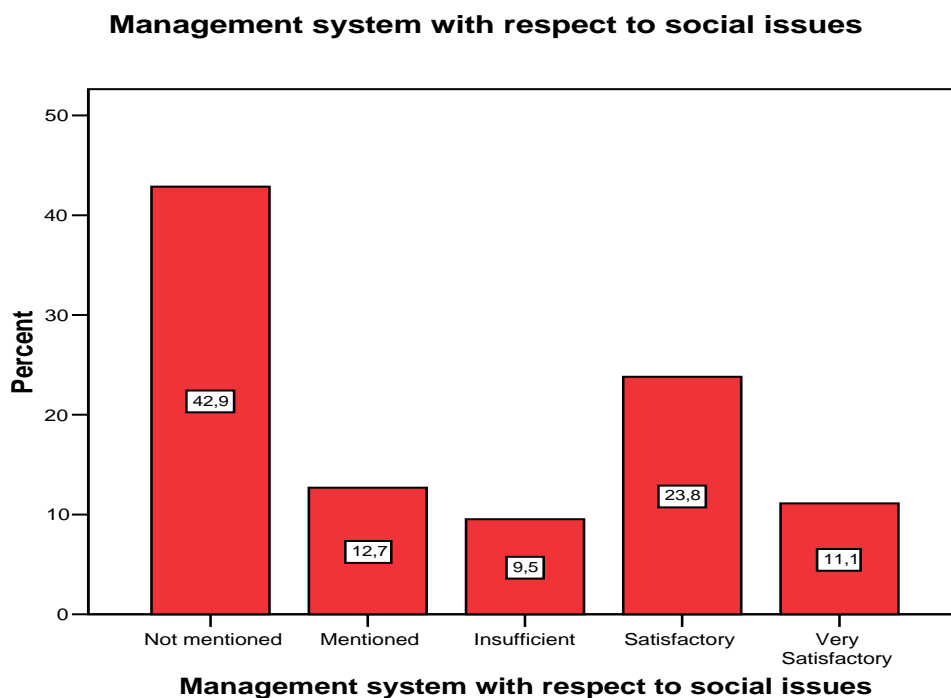


Figure 4.7 Separate non-financial reports: Management systems – Social responsibility (N=63)

35 percent of the companies report satisfactory or better on this variable. However, it has to be mentioned that the companies usually report better on internal social management systems and weaker on external social management systems. 9.5 percent report insufficiently and another 13

percent of the companies touch the issue only in a very brief manner. The majority of companies do not report on social management systems at all (43 percent).

ASML (semiconductor industry) and Akzo Nobel are two examples of companies who receive the top score of 4 for very satisfactory reporting on this variable. Both companies write about managements systems implemented to systematically improve the working environment, training programs for employees and leaders, and the health and safety of employees in general. Akzo Nobel presents a very good overview on performance with respect to health and safety, on implemented programs and actions, on the monitoring process, and on challenging targets for the future. ASML provides detailed information on its organizational structure with respect to environmental, health and safety management. Furthermore, ASML state a number of initiatives to support the development and learning of its employees such as a new performance management approach, a management development review process, leadership development programs, and job-oriented learning.

“ASML believes that effective EHS management depends on timely and direct communication and control, and this is reflected in our management system, which focuses on regional management and limited central directives. ASML employs 12 environmental, health and/or safety specialists to monitor and manage EHS issues, and our production locations employ full-time EHS staff. Within our Customer Support group, EHS management in the field is carried out by EHS managers, coordinators and facilitators on a part-time basis, as part of their engineering role.”

Akzo Nobel: “Safety and health parameters are audited within our internal HSE Audit System. Although full management responsibility lies with the Bus, since the mid-1990s every production site is visited once every five years (around 60 sites annually) by a qualified team of corporate HSE auditors, who check whether corporate HSE guidelines and company best practices are being applied. Any problem areas are targeted in improvement plans and corrective actions, which are carefully monitored by management. Any accidents are reported to corporate staff and analyzed statistically.

4.3.3 Management systems – Economy

Management systems related to the economic dimension of the triple bottom line includes organizational structures and systems related to business ethics and socio-economic impact. It also includes corporate governance, which has to do with financial management and with making boards of directors accountable to shareholders by means of control mechanisms between the owners, the board of directors and the company management. Issues concerning corruption, directors’ fees, relations between board and management, the board’s independence and possible competence issues are important when discussing good corporate governance.

Management system with respect to economic issues

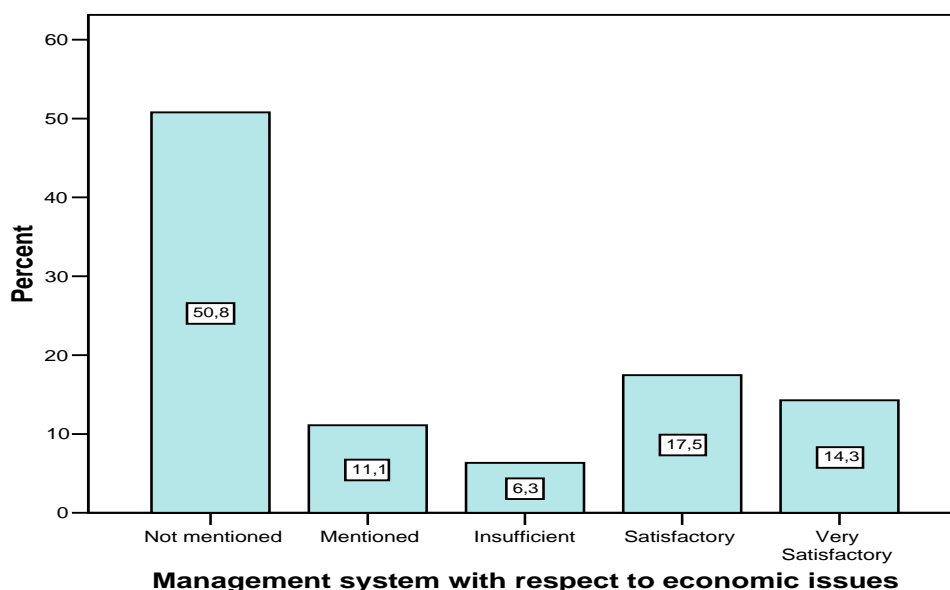


Figure 4.8 Separate non-financial reports: Management systems – Economy (N=63)

14 percent of the companies report very satisfactory on this variable. These companies have a very good presentation of corporate governance with links to CSR and a good presentation of business ethical management systems. 17.5 percent report satisfactory, which means that they either have a good presentation of corporate governance connected to CSR and the triple bottom line approach, or that they have a good presentation of business ethical management systems. 6 percent of the companies report insufficiently and another 11 percent mention economic management systems with respect to CSR in only a few lines. However, half of the companies do not mention corporate governance or relevant management systems at all in their separate report.

The companies reporting with the highest standards are Shell, Philips, ING Group, Akzo Nobel, Heineken, Numico, Getronic, ABN-AMRO and the OPG Group. The ING Group refers on several pages to business ethics, which includes information on financial and economic crime, ethical standards, and corporate governance. Integrity is of considerable importance for the company and therefore, the ING Group implemented an operational risk management and compliance framework to protect the company's integrity from internal misconduct.

ING Group: "We have an obligation to prevent our banking, insurance and asset management infrastructure from criminal activity. In 2004, we implemented a new corporate policy on financial economic crime (FEC policy) that complies with international laws and regulations on money laundering, fraud and terrorist financing. In countries where ING's FEC policy is stricter than local rules, ING's policy is followed."

Shell has no corporate governance presentation in its CSR report but refers to issues related to business ethics on several occasions. More specifically, Shell mentions several relevant aspects related to management systems such as business ethical internal reporting, control routines, and approved ethical standards and guidelines. Special attention is dedicated to issues such as integrity, competition, contracts, political payments, strengthening compliance. Shell set up an internal audit system which reports all cases of bribery and fraud to the Group Audit Committee. In 2004, 16 bribery incidents and 123 fraud cases were reported by the company, resulting in the dismissal or resignation of 203 staff and contractors. Shell deals with its business integrity problems in a very transparent way and provides the reader with considerable information.

Shell: "In 2004, we continued to improve detection of bribery, facilitation payments and other incidents of fraud. Our companies in 114 countries now offer staff hotlines, whistle-blowing schemes and other confidential ways to report possible incidents, up from 109 in 2003. Staff in 106 countries participated in awareness sessions about the use of intermediaries. In more than 100 countries, our companies have formal procedures to prevent facilitation payments by staff, contractors and suppliers, up from 90 in 2003."

4.4 Reporting on codes of conduct – Separate reports

This variable examines the companies' presentation of established codes of conduct. It is not sufficient that the company mentions a general policy, goals or values; the codes must be presented as actual codes of conduct. Preferably, the report should make clear that the codes have been adopted in the form of a binding document that obligates the company and its employees.

Most of the companies do not mention codes of conduct whatsoever in their separate reports and only a couple of companies have satisfactory reporting on this variable. Philips, Vendex KBB, ASML, IHC Calland/SBM Offshore and the ING Group have the highest scores.

4.4.1 Codes of conduct – Environment

63.5 percent of the companies do not mention environmental codes of conduct (figure 4.9). None of the companies present very satisfactory reporting in their separate reports. 5 percent of the companies report satisfactory, 11 percent insufficiently, and 20.6 percent do so only in a very brief manner.

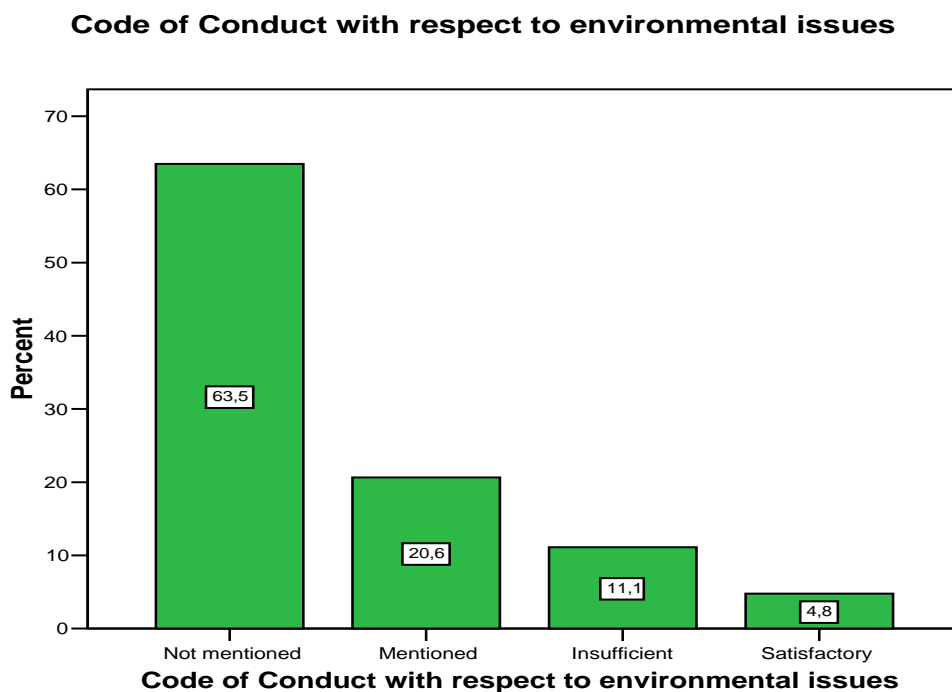


Figure 4.9 Separate non-financial reports: Codes of conduct – Environment (N=63)

The best reporting on environmental codes of conduct is provided by IHC Calland/SBM Offshore, ASML and ING Group. Still, there is room for improvement. ASML produces a social report and ASML Principles of Ethical Business Conduct. The principles of ethical business conduct are

comparable to a code of conduct-document, presenting the company’s codes on all three dimension of the triple bottom line. Furthermore, the company provides answers on dilemmas and difficult questions for the employees. This gives ASML good scores on Codes of Conduct, as well as on the last remaining variable (supply chain).

ASML: “Follow all laws and ASML regulations and procedures on sustainable environmental development. Follow all necessary procedures to dispose of hazardous waste on an environmentally sound basis. Always respect the procedures for the separation of waste.”

4.4.2 Codes of Conduct – Social Responsibility

The results on social codes of conduct are somewhat stronger. 19 percent of the companies report satisfactory or better. The companies with the best reporting results are Philips, Vendex KBB and IHC Calland/SBM Offshore. 16 percent of the companies mention social codes in one general sentence. However, 44.4 percent of the companies do not mention social codes of conduct at all. Nevertheless, it can be said that social issues are more in the focus of companies with respect to codes of conduct than environmental ones.

Code of Conduct with respect to social issues

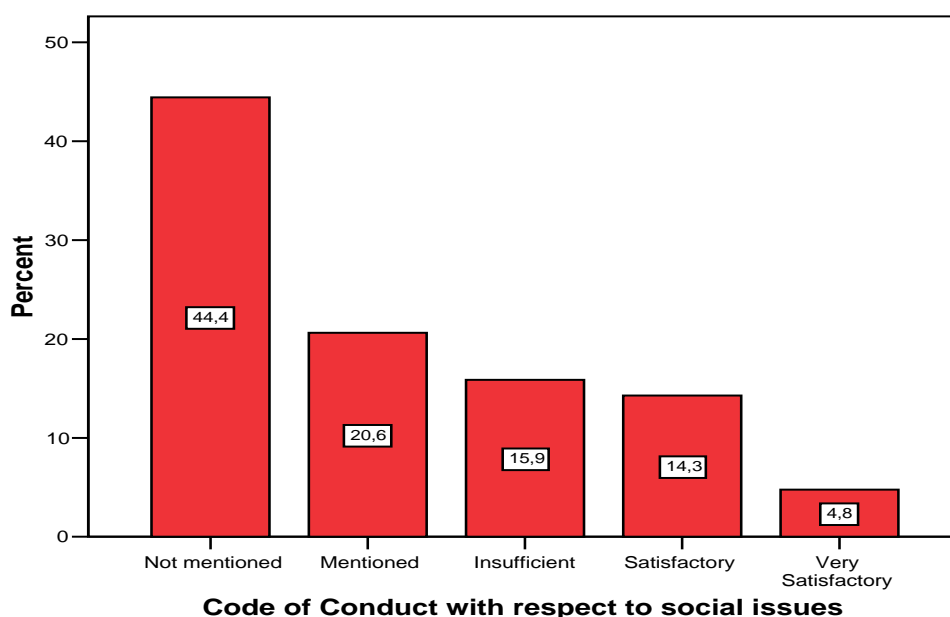


Figure 4.10 Separate non-financial reports: Codes of Conduct – Social responsibility (N=63)

Vendex KBB reports extensively on social codes of conduct. The codes are concerned with positive engagement and dialogue with the employees, working conditions, personal development, and discrimination. Philips’s information on its code of conduct with respect to social aspects deals with issues such as human rights, child, bonded and forced labor, right to organize for the employees, equal and fair treatment, health and safety, and wages and payment. Philips makes clear that these social business principles are not all-encompassing but should rather be seen as minimum requirements of behavior. They leave room for product divisions and country management to specify further local rules of business conduct.

“Philips recognizes and respects the freedom of employees to choose whether or not to establish, or to associate with, any organization. Philips respects – within the framework of (local) law, regulations and prevailing labor relations and employment practices – the right of its employees to be represented by labor unions and other employee organizations, and Philips will engage in negotiations, either on its own behalf or through employers’ associations, with a view to reaching agreement on employment conditions.”

4.4.3 Codes of Conduct – Economy

We see a different tendency on economic codes of conduct because, on the one side, the number of companies not touching the issue is smaller, and on the other side, the portion of companies reporting satisfactory or better is considerably larger. 40 percent of the companies do not mention the economic codes of conduct and 41 percent report in a satisfactory or better way. Therefore, with respect to codes of conduct in the economic dimension, a large fraction of laggards and a large one of forerunners can be observed. Figure 4.11 illustrates the results on the variable economic codes of conduct:

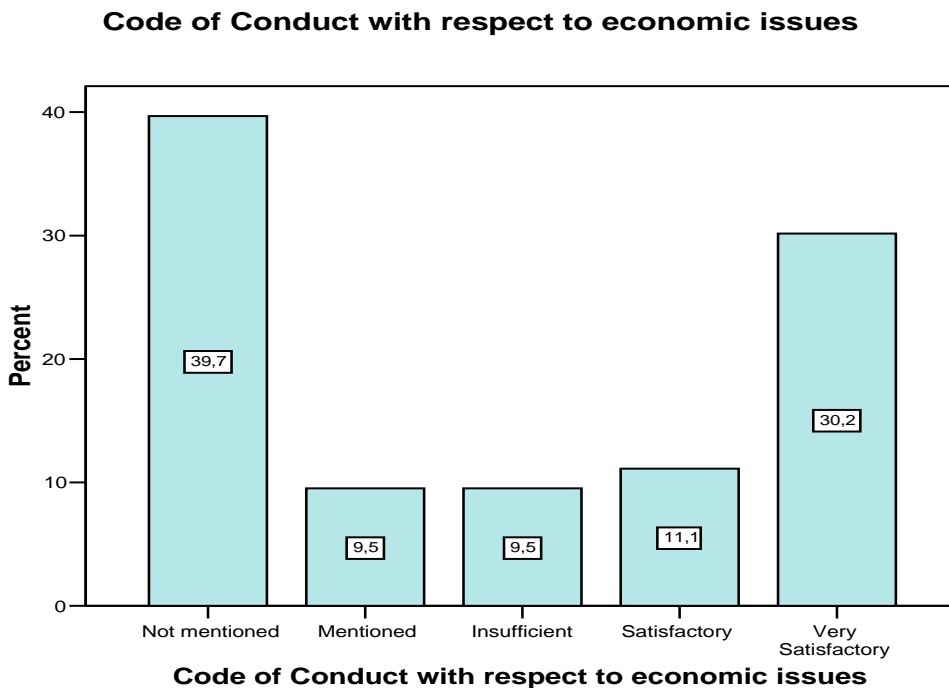


Figure 4.11 Separate non-financial reports: Codes of Conduct – Economy (N=63)

Companies that report very good on economic codes of conduct are Shell, Ahold and Nutreco among others. The Delta Lloyd Group refers to codes developed in the financial sector such as the Dutch Insurers’ Code of Conduct and the Data Processing Code of Conduct for Financial Institutions. Apart from this general framework with respect to codes of conduct in the financial sector, the Delta Lloyd Group has also formulated internal codes of conduct to ensure integrity in business operations. The Code of Conduct for Business Gifts, Invitations, Other Positions, and Participating Interests, for instance, lays down specific rules for contacts with customers and suppliers and for activities outside of work. The company presents also substantial information on the organizational structure with respect to economic codes of conduct. Philips’s ethical codes of conduct deal with many of the same issues. However, Philips also stresses additional issues such as insider trading, improper disclosure, third-party interests, sanctions, whistleblower policy, and compliance.

“Delta Lloyd Group has also formulated internal codes of conduct to ensure integrity in business operations. The Code of Conduct for Business Gifts, Invitations, Other Positions and Participating Interests, for instance, lays down specific rules for contacts with customers and suppliers and for activities outside of work. The codes are included in the employment contracts and therefore apply to every staff member.”

4.5 Reporting on supply chain management – Separate reports

How do the 63 companies report on CSR related demands placed on their suppliers? For example, do the companies demand certification or codes of conduct, in line with their own? Similar to the results on codes of conduct, we find very weak reporting on supply chain management in the companies’ separate reports. The best report with respect to the economic dimension of Supply Chain management is published by Shell, with Philips being again among the companies with the best scores.

4.5.1 Supply chain management – Environment

Figure 4.12 shows that only one of the 63 companies’ reports very satisfactory on supply chain management, while 55.6 percent of the companies do not even mention this theme in their separate reports.

Supply chain included with respect to environmental issues

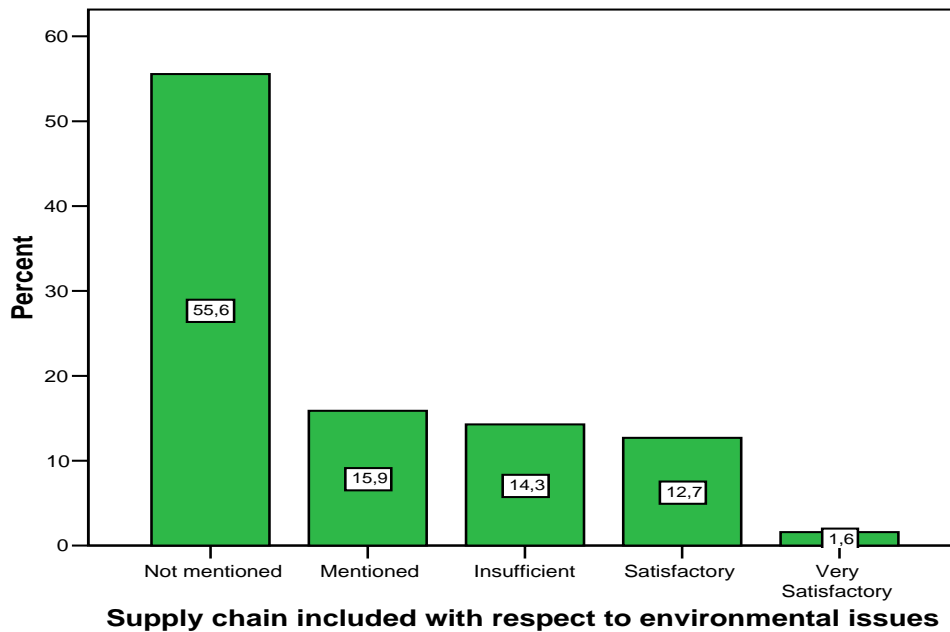


Figure 4.12 Separate non-financial reports: Codes of Conduct – Economy (N=63)

Philips has the best reporting on this variable, presenting specific environmental codes for the suppliers in an extra contract which all suppliers of Philips have to sign in order to stay in business with the company. If a supplier fails to comply with the signed contract then a scheme of sanctions comes into force which can lead to a potential canceling of the business relationship.

Philips: "Supplier shall have ISO 14001 certification or a plan to become certified. Alternatively supplier must provide documented objective evidence of an operational environmental management system for ISO 14001 or demonstrate equivalency which shows continual environmental improvement. Suppliers must comply with requirements of the respective Product Division, including banned/hazardous substances content."

Philips: "Supplier certification reviews for key suppliers are performed under the provision of qualified internal auditors or selected external auditors. More than 100 Philips managers have taken the supplier assessment training, which will enable us to conclude supplier assessments on a larger scale in 2005. Initial supplier assessments have led to corrective action plans with a number of suppliers and the phasing-out of at least one supplier."

4.5.2 Supply chain management – Social responsibility

With respect to social aspects of supply chain management, only a small number of companies report in a very satisfactory manner. Issues demanded from suppliers by best practice companies are usually to follow national laws, forced labor and child labor is not accepted and discrimination based on race, color, sex, age, language, religion, political or other opinion, national or social origin, property, birth, or other status is not to occur. The demands can also cover apprentice contracts, union organization and collective bargaining, wages, working hours and working conditions.

Supply chain included with respect to social issues

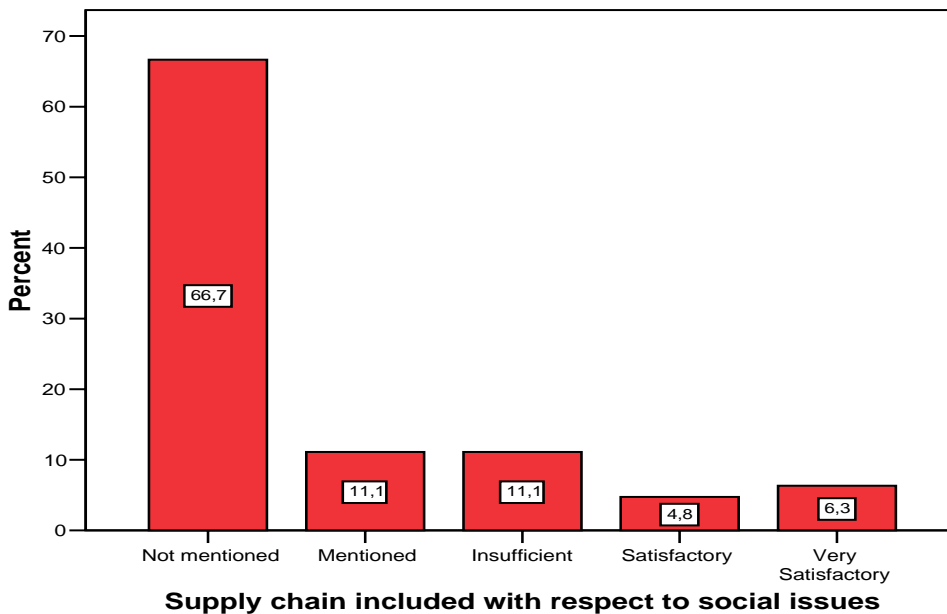


Figure 4.13 Separate non-financial reports: Codes of Conduct – Social Responsibility (N=63)

Philips, Akzo Nobel, Reed Elsevier, and Vendex KBB are reporting in a very good manner and receive the best possible mark. Akzo Nobel demands from its suppliers to sign Akzo Nobel’s Vendor Policy which covers all aspects of the triple bottom line.

Akzo Nobel: “Your employees are recruited, hired and promoted on the sole basis of suitability for their job; you provide safe and healthy working conditions to your employees; harassment of any kind and exploitation of child labor is prohibited; ...”

Philips: “Health and safety: Supplier shall do all that is reasonable and practicable to protect the health and safety of employees and contract labor and minimize any adverse work conditions; implement safe and healthful work practices to prevent injury, illness and property damage; minimize occupational exposures to potentially hazardous materials and unsafe work conditions by maintaining appropriate safety systems and effective controls; implement an emergency response program that addresses the most likely anticipated emergencies;...”

While the four companies mentioned provide the only cases of very satisfactory reporting, 5 percent other companies report satisfactory. However, the vast majority of companies (67 percent) do not mention any social demands on their suppliers.

4.5.3 Supply chain management – Economy

The weakest results for reporting on supply chain management are found on the economic dimension of the triple bottom line. None of the 63 companies present very satisfactory information on demands made towards their suppliers in relation to business ethics and economic impact on society in their separate reports.

Supply chain included with respect to economic issues

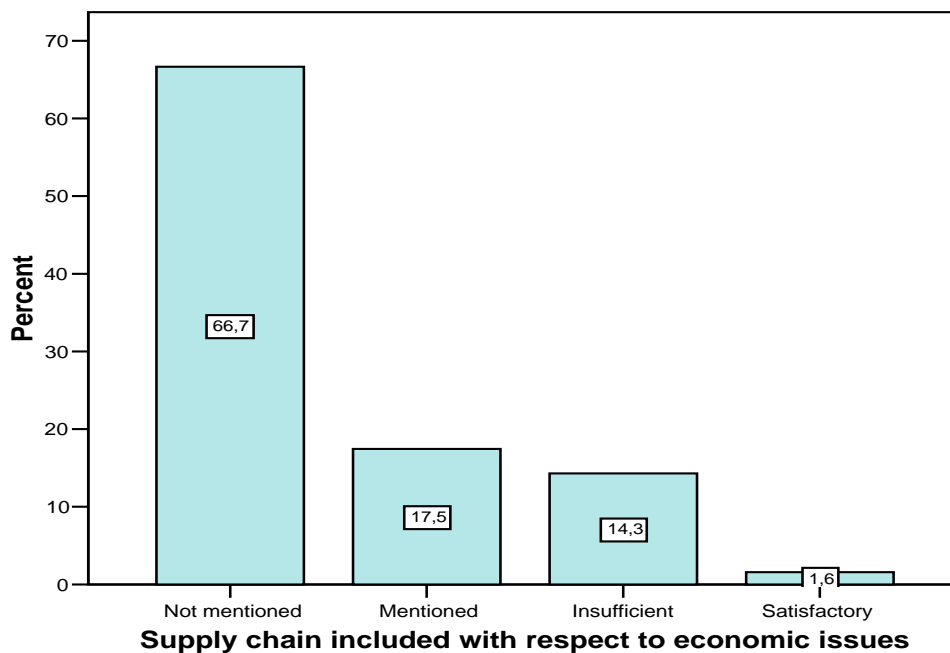


Figure 4.14 Separate non-financial reports: Codes of Conduct – Economy (N=63)

The best score on this variable is satisfactory, given to only one of the 63 companies. This is Shell, who mentions that suppliers will be chosen partly based on ethical criteria. Shell’s suppliers are required to have established codes for ethics and legal compliance that are in accordance with the company’s values and goals. Shell makes it very clear that if similar HSE policies and business principles including ethical principles cannot be adopted by its suppliers within a reasonable time, then Shell will end the relationship. However, the overwhelming majority (98 percent) of companies

do not provide sufficient information on supply chain management issues with respect to the economic dimension.

Shell: "We cancelled 64 contracts in 2004 due in part to concerns about the contractors' ability or willingness to operate in line with our Business Principles and Group policies. This is up from 49 in 2003. We also stepped up our anti-corruption campaign for staff, contractors and suppliers. Increased use of our whistle-blowing facility led to investigations that resulted in the firing of seven staff and the dismissal of 19 contractors. In 2004, we began publishing each proven case of corruption on our internal website."

4.6 Separate reports: Summary of findings

Figure 4.15 shows the distribution of companies with satisfactory and very satisfactory reporting on the four different variables: General CSR, Management Systems, Codes of Conduct and Supply Chain Management.

63 of the 102 largest companies in the Netherlands published separate non-financial reports for the financial year 2004, for instance sustainability, CSR or environmental reports. A considerable percentage of the separate reports have satisfactory information on challenges and performance related to the environmental, social and economic responsibility. The reporting on both Codes of Conduct and Supply Chain Management is very weak though. The exception is reporting on the economic dimension of the Codes of Conduct variable where a notable 41 percent of the companies report satisfactory or better. It can be said that information on business ethics and good governance is again well represented in separate non-financial reports. Furthermore, the weakest reporting is found on the economic dimension, suggesting that this may be a particular challenge

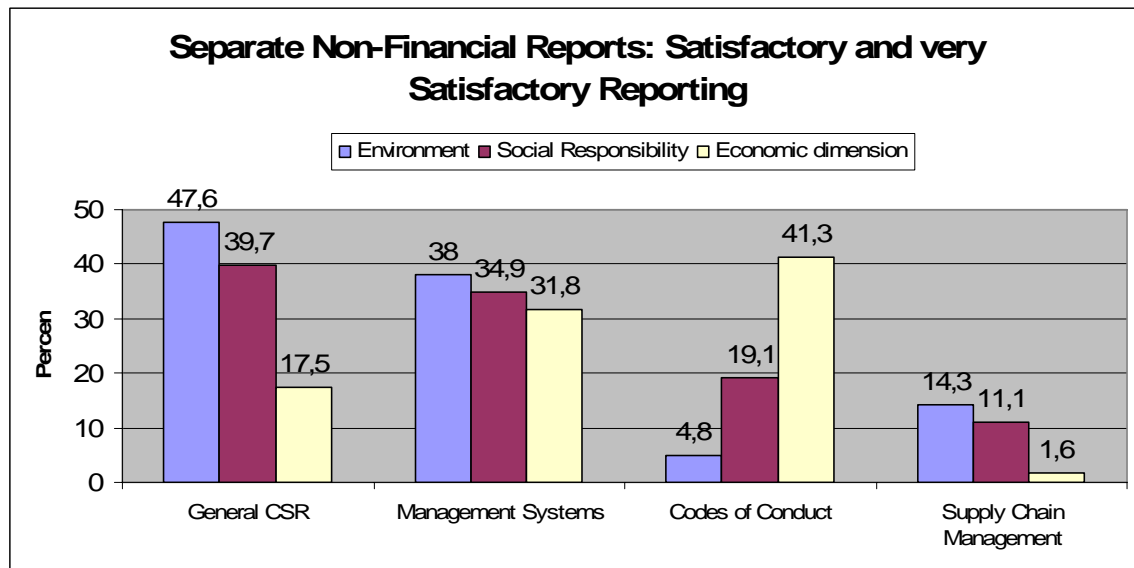


Figure 4.15 Separate non-financial reports: Satisfactory and very satisfactory reporting (N=63)

It is clear that the quality of the separate reports is generally better than the quality of annual reports, but also here there is considerable room for improvement. Philips, Shell, the ING Group, Akzo Nobel Heineken and ASML are the top performers. However, even for these companies there is room for major improvements, especially in relation to information provided on codes of conduct and supply chain management. In general, it also seems that the greatest room for improvement is found in relation to the economic dimension of the triple bottom line.

5 DISCUSSION OF MAIN RESULTS

5.1 Introduction

This study has evaluated the transparency of the largest Dutch companies. We have looked at four variables in particular: CSR reporting in general, management systems, codes of conduct and supply chain management. Each variable is furthermore specified in accordance with the concept of the triple bottom line, and thus split into three dimensions: environment, social responsibility and economy. In the previous chapters we have presented our findings on respectively the annual reports and non-financial reports. In this chapter we bring the main results together and we discuss the conclusions the results lead to in terms of transparency of the Dutch business sector.

5.2 Annual reports – main findings

Chapter 3 provides an assessment of CSR reporting in companies' annual reports. 91 out of 102 companies provided an annual report. 90 out of these 91 annual reports include additional CSR information in the annual report. Quite often, this additional information consists of only a few paragraphs on environment, health, safety and working environment (HSE), corporate governance etc. Some companies report comprehensively and systematically on CSR performance and goals in general, but relatively few companies report satisfactory on management systems connected to their CSR strategy. Very few companies provide any information whatsoever on CSR related codes of conduct or demands on suppliers. None of the companies use the annual report to present the company's CSR strategy and performance in a comprehensive and systematic manner. Overall, the results demonstrate that the majority of the companies report unsatisfactory with regards to CSR policy and practice in their annual report as witnessed in figure 5.1.

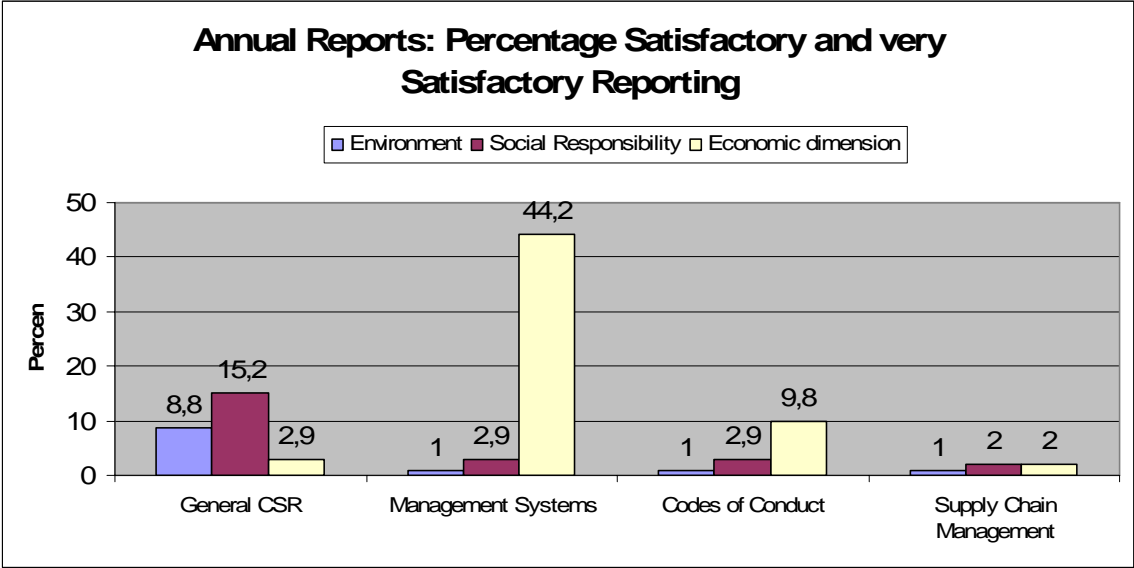


Figure 5.1 Annual Reports: Percentage satisfactory and very satisfactory reporting (N=102)
The annual reports fall short in providing transparency. The only positive category is formed by reporting on corporate governance: 44 Percent report satisfactory. Obviously, transparency on corporate governance has gotten much attention following the business scandals with for instance

Enron and Ahold. On the whole, the results are poor, although a handful of companies provide satisfactory reports. The three best annual reports are produced by TPG, Buhrmann and Univar which all receive between 23 and 20 points. Furthermore, the Eneco Holding B.V., Siemens Nederland, Essent, Mittal Steel and Akzo Nobel report fairly well with a minimum score of 17. The average score for companies however is only 8.3 out of 52 possible points.

5.3 Separate non-financial reports – main findings

An important source of information next to the annual reports is found in non-financial reports such as sustainability reports, environmental reports, and CSR reports. In these reports the most dedicated information on CSR can be found. 63 of the 102 largest companies in the Netherlands published separate non-financial reports for the financial year 2004. Some of these reports are comprehensive CSR/triple bottom line reports, some are pure environmental reports or HSE reports, and a few are codes of conduct reports.

A considerable percentage of the separate reports have satisfactory information on challenges and performance related to the environmental, social and economic responsibility. The reporting on both Codes of Conduct and Supply Chain Management is weak though. The exception is reporting on the economic dimension of the Codes of Conduct variable where a notable 41 percent of the companies report satisfactory or better. Information on business ethics and good governance is, therefore, again well represented. Furthermore, the weakest reporting is found on the economic dimension, suggesting that this may be a particular challenge.

The separate reports generally hold more and better information than the annual reports, see the figure below. But also here there is major room for improvement.

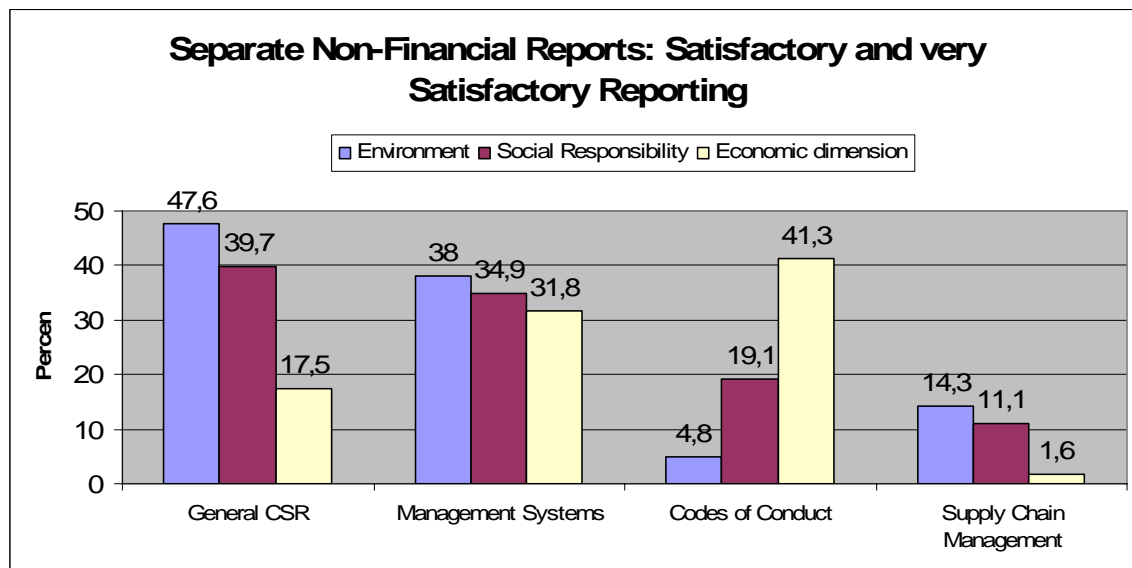


Figure 5.2 Separate non-financial reports: Satisfactory and very satisfactory reporting (N=63)

Again we have to conclude that reporting on Codes of Conduct and Supply Chain Management is particularly weak. The exception is the result on business ethical codes with 41 percent of the companies reporting in a satisfactory manner. Issues connected to business ethics and good governance (avoidance of corruption, bribery and fraud) are apparently higher on the agenda of business and thus better implemented in the yearly reports.

It is clear that the quality of the separate reports is generally better than the quality of annual reports, although there is ample room for improvement here too. The average score for companies'

separate non-financial reports is only 16.5 out of 52 points. Reporting on CSR is apparently not as widespread a business procedure as one would maybe have expected or wished for. Philips, Shell, the ING Group, Akzo Nobel, Heineken, ASML and Reed Elsevier publish the best separate reports.

5.4 Differences in reporting practices – due to company size?

Reporting in a systematic manner fits larger companies, often with specialized staff functions, better than smaller companies. When it comes to CSR and specialized reporting a common assumption is that larger companies are more likely to publish separate reports and of better quality, as they generally are more familiar with the concept of CSR, and because they have the resources necessary to produce them. Following this assumption, the results that we have found are therefore likely not to be representative of the Dutch business sector as a whole with its many small companies. In this section we explore the relationship between reporting on CSR and company size. Do the largest companies provide superior and more extensive CSR reports compared to the smaller companies?

Figure 5.3 illustrates the distribution of overall scores for the CSR reporting in the annual report, ranked by size of company. As the figure shows, there is a slight tendency for larger companies to score higher in terms of quality of CSR reporting in their annual report. In other words, the bigger the companies are, the more likely it is that CSR reporting in annual reports is of better quality.¹²

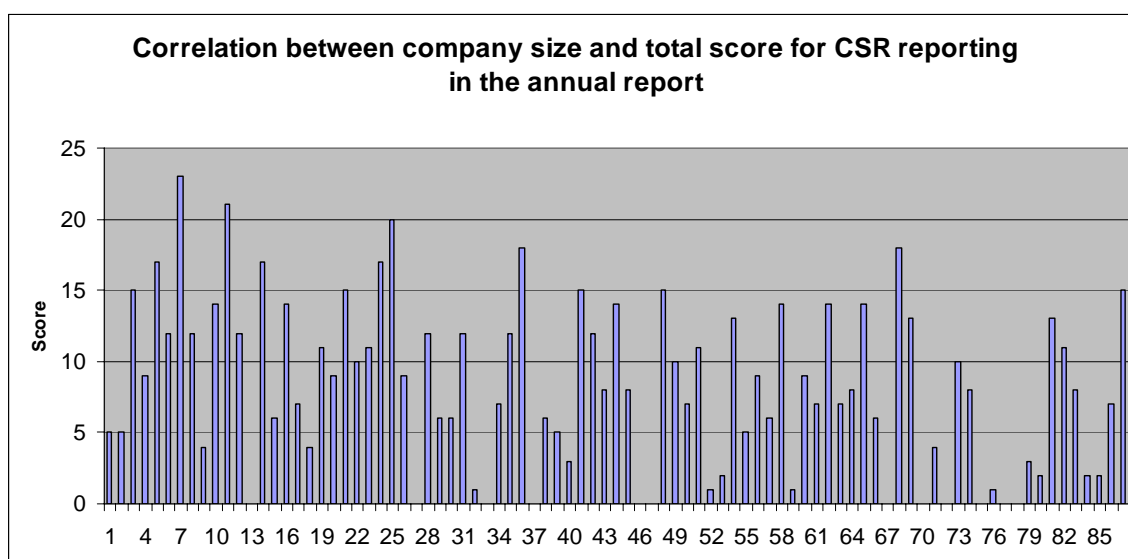


Figure 5.3 Relation between company size and total score for CSR reporting in the annual report (N=87)

Figure 5.4 looks at the relationship between company size and the quality of the separate reports. Also here, the positive expectation is confirmed. In other words, the bigger the companies are, the more likely it is that CSR reporting in separate non-financial reports is of better quality. This further confirms the proposition that there is a positive correlation between the quality of CSR reporting and company size. Moreover, it should be kept in mind that this assessment includes the 87 largest companies in the Netherlands. If our sample would have matched the structure of the Dutch business sector, with its many small companies, the relationship between company size and CSR reporting would likely to have been much stronger.

¹² The list is based on yearly turnover; however the original list treats banks and insurance companies differently with respect to turnover figures which makes the ranking of companies based on turnover difficult. For this reason the companies listed with the numbers between 88 and 102 have not been included in the analysis on correlations between company size and the publishing of annual and separate reports. The authors have therefore decided not to include these companies in the correlation analysis.

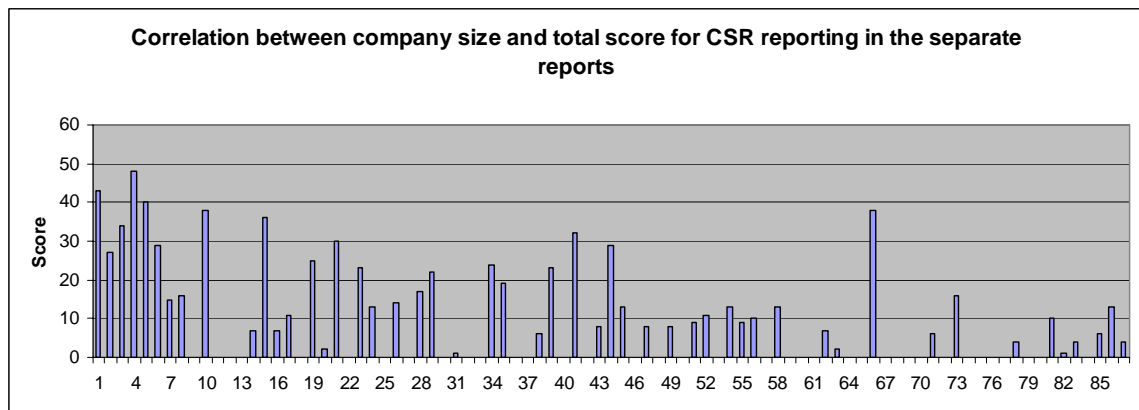


Figure 5.4 Correlation between company size and publishing of separate non-financial reports (N=87)

5.5 CSR reporting in the Netherlands: A summary of results and tendencies

Reporting on non-financial issues is getting more and more attention as CSR practices are being strengthened. Also, external pressures and demands for more transparency, including some regulation of mainly environmental issues, require action by the Dutch business sector. A comparable study on reporting also notices that the number of sustainability reports has been increasing during recent years.¹³ Nevertheless, our analyses show that the quality of the reporting practices is far from satisfactory yet. Especially in annual reports too little relevant information is found. Although of better quality, we also have to conclude that the non-financial reports fall short, with a few exceptions. Reporting on CSR is apparently not an as widespread business procedure as one would maybe have expected or wished for. There is still a long way to go until companies are reporting extensively along the triple bottom line.

In general, it appears that Dutch firms report particularly unsatisfactory on issues related to the economic dimension, compared to the environmental and social dimensions. By and large, companies report fairly satisfactory concerning environmental impact (in separate non-financial reports) and ad-hoc social projects, however reporting on the utilization, implementation and performance of management systems, codes of conduct and supply chain management generally stands as particularly inadequate. Environmental issues have been on the business agenda for a couple of years, in part because of some regulation as explained in chapter 1; hence it does not come unexpected to find fairly good reporting results on the environmental dimension in separate reports. In annual reports, companies generally report somewhat better on the social dimension, while in separate non-financial reports, companies report better on the environmental dimension. Furthermore, it is clear that companies find it relatively uncomplicated to report on internal issues related to their own employees, as opposed to their policy and performance regarding external social issues related to external stakeholders.

Overall scores

Our decision to split up the evaluations of information presented in the annual reports and in separate non-financial reports makes it harder to get an overview over a company's voluntary CSR reporting as a whole. We realize that this is a methodological choice that can be called into question, and that some value is lost as the voluntary CSR reporting is not evaluated as a whole, regardless of where the information is found. However, the reason for making this distinction is that the annual report is an important document in itself, both for the company and for various stakeholders. All companies are

¹³ Berenschot (2005).

required to provide annual accounts and these are often presented in the annual report along with other relevant information on the company's operations for the previous year. The annual report is sent to all shareholders as well as various stakeholders, and in that way reaches a broader audience than what other separate reports such as CSR reports may do. The annual report therefore becomes an important way for companies to channel information on the enterprise. Nevertheless, in this final section we add up the scores for the annual and the separate reports. Although a simple summation can be questioned as well, the resulting scores do tell us something about forerunners and laggards¹⁴.

The population of companies studied in this report can be divided into three groups: forerunners, laggards and the peloton. The first group consists of the 10 companies that have the highest overall scores. The following companies have qualified for this group:

	Annual reports	Separate Reports	Total Score
Philips	9	48	57
AKZO NOBEL	17	40	57
ING Group	14	42	56
Heineken	14	38	52
Unilever	15	34	49
Shell	5	43	48
Numico	15	32	47
KLM	15	30	45
ASML	6	38	44
OCE	14	29	43

Even within this group the average score of 50 points is well below the maximum.¹⁵ Nevertheless these are the companies that are paving the way in the Netherlands.

As is shown in an annex to this report the score of the rest of the companies shows a sliding scale. That makes it hard to precisely define laggards and the peloton. Nevertheless, we believe that companies that score less than 13 points overall can be considered laggards. A score of less than 13 points means that they score less than 1 point (meaning an aspect is only mentioned) on average for the 13 categories in both the annual and the separate report. Obviously, these companies are not yet fully aware of the importance of transparency. The remaining companies form the peloton. Although these companies are working on their transparency, there is major room for improvement as their overall scores range from 14 to just over 40. Again, the border between the group of laggards and the peloton can be discussed, but our analysis shows that about half of the companies in the sample would qualify as laggard and the other half form the peloton.

In sum, it is clear that Dutch companies face major challenges in terms of upgrading the quality of reporting.

Some final comments

Of course, the model that is used also determines the outcomes. In our analysis we have concentrated on transparency and CSR. We have not looked extensively at for instance company profiles, although this is an element of transparency. Another research project that is conducted yearly is the transparency benchmark, commissioned by the Dutch ministry of Economic Affairs (Berenschot, 2005). Their results resemble ours to some extent; half of the top-10 companies overlap. The differences can be explained mainly by a different model that is used in the Berenschot report. More

¹⁴ In theory, when a company just reprints information in the annual report from a separate report, this leads to a high score overall. Given the different audiences we have chosen not to correct for duplication.

¹⁵ For both the annual and the separate report we have 13 categories with maximum 4 points. The maximum overall score, therefore, is 104.

emphasis is put on the company profile, format of the reporting and verification. So again, the reader should bear in mind what variables we used in our assessment.

Furthermore, our analyses have focused on the reporting by companies. Reporting, however, is only one of the elements necessary for transparency. Already back in 1997 other researchers who looked at environmental reports and environmental statements that these lacked the basic conditions enabling public scrutiny and dialogue and that the reports are used too little as an opportunity for dialogue with the public.¹⁶ Whether the current reports score better on how well they enable a real dialogue is subject to further research.

Finally, it should be noted that our analysis has focused on the question how transparent companies are when it comes to CSR. Whether a company with higher scores also performs better is also subject to further analysis.

¹⁶ Freimann 1996 and Clausen and Fichter; reported in De Bruijn et al. 1997.

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APPENDIX 1: LIST OF COMPANIES AND THEIR SCORES

The order of the list is based on the Compendium which was published in 2004 and ranks Dutch companies based on their yearly turnover:

		Annual reports	Separate Reports	Total Score
1	Shell	5	43	48
2	Ahold	5	27	32
3	Unilever	15	34	49
4	Philips	9	48	57
5	AKZO NOBEL	17	40	57
6	KPN	12	29	41
7	TPG	23	15	38
8	N.V. Nederlandse Gasunie	12	16	28
9	SHV Holdings	4	0	4
10	Heineken	14	38	52
11	Buhrmann	21	0	21
12	BAM	12	0	12
13	Canon Europe	0	0	0
14	Essent	17	7	24
15	Reed Elsevier	6	36	42
16	Hagemeyer	14	7	21
17	Royal P&O Nedlloyd N.V.	7	11	18
18	Petroplus International	4	0	4
19	DSM	11	25	36
20	Vedior	9	2	11
21	KLM	15	30	45
22	Randstad	10	0	10
23	Nuon	11	23	34
24	Mittal Steel	17	13	30
25	Univar	20	0	20
26	Friesland Food	9	14	23
27	Cargill	0	0	0
28	Vendex KBB	12	17	29
29	CSM	6	22	28
30	Laurus	6	0	6
31	VNU	12	1	13
32	Energie Beheer Nederland B.V.	1	0	1
33	Superunie	0	0	0
34	Nutreco	7	24	31
35	Campina	12	19	31
36	Eneco Holding B.V.	18	0	18
37	BCD	0	0	0
38	VolkerWessels	6	6	12
39	Wolters Kluwer	5	23	28
40	Schuitema	3	0	3

		Annual reports	Separate Reports	Total Score
41	Numico	15	32	47
42	Best Agrifund/Sovion	12	0	12
43	Kappa Packaging	8	8	16
44	OCE	14	29	43
45	Getronics	8	13	21
46	Gucci Group	0	0	0
47	DAF Trucks	0	8	8
48	Heijmans	15	0	15
49	Nederlandse Spoorwegen	10	8	18
50	Gilden Holding/Lekkerland	7	0	7
51	Wessanen	11	9	20
52	Netherlands Car	1	11	12
53	Blokker	2	0	2
54	Imtech	13	13	26
55	OPG Group	5	9	14
56	Stork	9	10	19
57	Flora Holland	6	0	6
58	IHC Caland/SBM Offshore	14	13	27
59	Kuwait Petroleum Nederland	1	0	1
60	TBI Holding	9	0	9
61	Hunter Douglas	7	0	7
62	Ballast Nedam	14	7	21
63	VBA	7	2	9
64	Greenery (The)	8	0	8
65	Provimi Holding	14	0	14
66	ASML	6	38	44
67	UGC Europe	0	0	0
68	Siemens Nederland	18	0	18
69	Draka Holding	13	0	13
70	Intergamma	0	0	0
71	Sligro Food Group	4	6	10
72	Hoogwegt Group	0	0	0
73	Cosun Royal	10	16	26
74	United Services Group	8	0	8
75	Esprit Europe	0	0	0
76	Sperwer Groep	1	0	1
77	Merck Sharp & Dohme	0	0	0
78	Total Nederland	0	4	4
79	Intres	3	0	3
80	Euretco Holding	2	0	2
81	Boskalis Westminster	13	10	23
82	EVC International	11	1	12
83	Frans Maas Group	8	4	12
84	Kroymans Corporation	2	0	2
85	Nutsbedrijf Delta	2	6	8
86	Dura Vermeer Groep	7	13	20
87	Connexion	15	4	19
88	Fortis	13	26	39
89	ABN-AMRO	8	27	35

		Annual reports	Separate Reports	Total Score
90	ING Group	14	42	56
91	Rabobank Group	13	23	36
92	Aegon	7	9	16
93	Bank Nederlandse Gemeenten	12	2	14
94	SNS Reaal	4	25	29
95	Eureko/Achmea	7	0	7
96	De Nederlandse Bank	4	2	6
97	Nederlandse Waterschapsbank	5	0	5
98	NIB Capital	4	0	4
99	Van Lanschot	10	5	15
100	KAS Bank	9	4	13
101	Friesland Bank	2	4	6
102	Delta Lloyd Group	13	29	42