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An Evaluation of Sustainability in Large British Companies

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A. Introduction

Large companies have always played a significant part in the world and had a great impact on global economic systems, something that has become even more pronounced as time has moved on. They employ large numbers of people, produce and sell many of the goods and services which we purchase on a regular basis and influence political institutions at the local, regional, national and international level. Yet notwithstanding the fact that sustainability has been a concern in the world for many years and to many people, until the past 25 years or so relatively little was said by many large companies about sustainability and their role in contributing to sustainability across society. Many companies conveniently ignored the issue either because they saw it as unimportant or something that could deflect them from their aim of increasing shareholder value. But for some time, because of the greater concentration on sustainability in communities all around the world and the greater publicity given to it, many companies have incorporated, or begun to incorporate, sustainability considerations into their decision-making processes and in the way that their companies operate.[1] Certainly the fostering of sustainability has 'moved [it] from the margins to the mainstreams of corporate activity.'[2] An increasing number of companies, and particularly those which can be categorised as large multinational companies, are reporting on sustainability performance,[3] alongside other concerns such as profit maximisation and cost reduction. Companies have adopted sustainability strategies and introduced voluntary codes of conduct into practice together with formulating environmental[4] and wide-ranging

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[1] A. Wiese, J. Kellner, B. Lietke, W. Toporowski and S. Zielke, 'Sustainability in retailing – a summative content analysis' (2012) 40 *International Journal of Retail and Distribution Management* 318, 318; T. Thomas, and E. Lamm, 'Legitimacy and Organizational Sustainability' (2012) 110 *Journal of Business Ethics* 191, 192.

[2] A. Klettner, T. Clarke and M. Boersma, 'The Governance of Corporate Sustainability' (2014) 122 *Journal of Business Ethics* 145, 145.

[3] D. Kiron, G. Unruh, N. Kruschwitz, M. Reeves, H. Rubeland A. Meyer Zum Felde, *Sustainability at a Crossroads*, MIT Sloane Management Review Research Report, (MIT, 2017), 3.

[4] M. Anderson and T. Skjoett-Larsen, 'Corporate social responsibility in global supply chains' (2009) 14 *Supply Chain Management: An International Journal* 75.

sustainability reports. The greater emphasis on sustainability in companies can be illustrated by the 2010 survey of chief executive officers that was conducted for the United Nations. It found that 93% of CEOs saw sustainability as important or very important to the future success of companies and 96% were of the opinion that sustainability issues should be fully integrated into the strategy and business operations of companies.[5] Companies are now ranked annually according to how sustainable they are[6] and a high ranking is seen as akin to a badge of honour.[7] Finally, sustainability has now been recognised by many as an important aspect of corporate law.[8]

Given the increasing widespread acceptance of the importance of sustainability this paper undertakes an assessment of the sustainability efforts of some of the largest companies that are listed on the FTSE 100, a share index composed of the 100 largest UK companies that are listed on the London Stock Exchange according to market capitalisation. By way of an extended content analysis of the corporate documents of these companies we aim to provide empirical insights into how they are addressing sustainability and then to assess how far they have gone in terms of incorporating sustainability factors into their corporate life. We ask: what is the attitude of the companies to sustainability and how are they contributing to a sustainable world? The paper endeavours to deliver a descriptive presentation of material reported by the companies and to provide an interpretive analysis of the data examined in order to gain greater understanding of what the companies are communicating and the attitude that they are taking in relation to sustainability concerns. The study seeks to determine whether companies are embedding sustainability in their strategy and operations or are they some way off doing so. This is important as the literature suggests that sustainability should be integrated in the company's strategy and business plan as well as connections made between sustainability and strategy[9] and the

[5] UNGC (United Nations Global Compact), 'A new era of sustainability: UN Global Compact –Accenture CEO Study,' (UN, 2010), 12.

[6] Forbes, 'The World's Most Sustainable Companies 2018' (Forbes, 2018): <https://www.forbes.com/sites/karstenstrauss/2018/01/23/the-worlds-most-sustainable-companies-2018/#f0a630e32b0f> accessed 14 September 2018.

[7] For instance, see the Neste website: <https://www.neste.com/neste-ranked-2nd-most-sustainable-company-world> accessed 11 July 2018.

[8] For example, see B. Sjåfjell and B. Richardson (eds), *Company Law and Sustainability: Legal Barriers and Opportunities*, (CUP, 2015).

[9] Federation of European Accountants, *Environmental Social and Governance indicators in annual reports : An introduction to the current frameworks,* Brussels, Federation of European Accountants, 2011, 5

integration of sustainability into existing goals and targets.[10] This work contributes to the field in that it uses modern categories in order to provide a study of large companies listed on a leading equity market and to determine where companies are actually situated in sustainability terms. It also adds to the corpus of relatively few empirical studies undertaken in relation to the sustainability practices of companies.
The research undertaken both describes what companies disclose they are doing in terms of sustainability and analyses where companies stand as far as the sustainability agenda is concerned.

The paper is structured as follows. First, there is a consideration of the sustainability literature with some discussion of the position in the UK in relation to sustainability. Secondly, the paper explains the nature of the study and what was done. Importantly, this section of the paper explains the research method employed, the data analysed and what categories were used in order to code the data. Thirdly, the paper explains the findings of the study and analyses the results. We evaluate, on the basis of our findings, the commitment to and practice of behaviours of the companies studied that are pertinent to sustainability. Fourthly, the paper discusses the limitations of the study. Finally, there are some concluding remarks.

B. Sustainability

Due to the constraints of space we will only briefly place this study in a theoretical context. Much has been said on the idea of, and rationale for, sustainability and we do not need to repeat it. The volume of literature is partly due to the ongoing debates as what sustainability actually means and encompasses, and partly because the concept is a complex

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and 9 <http://effas.net/pdf/cesg/ESG_indicators_in_annual_reports_An_introduction_to_current_frameworks_1105_Colour2652011551650.pdf> accessed 6 November 2018.

[10] C. Searcy, 'Corporate sustainability Performance Measurement Systems: A Review and Research Agenda' (2012) 107 *Journal of Business Ethics* 239, 240.

one.[11] Some even argue that it cannot be defined.[12] Certainly its meaning is contested.[13] Others have branded the concept vague, ambiguous, pluralistic, and based on various value systems. A variety of definitions have been given in different fields of study, with a considerable amount of overlap.[14] This means that there has been confusion, and sustainability has come to mean different things to different people,[15] Definitions that have been provided range from the very broad to the very detailed and narrow.[16] It has been said that sustainability involves a given activity being able to be continued indefinitely,[17] while Dyllick and Hockerts have been more expansive and said that it involves 'meeting the needs of the firm's direct and indirect stakeholders…without compromising its ability to meet future stakeholder needs as well'.[18] In its simplest form it has been said to be nothing more than an extension and re-interpretation of Hicksian income and traditional notions of capital maintenance which sees a level that ensures maintenance of the planet's capital.[19] At its broadest the word has been seen to mean the effect that something in the present has on the options available in the future.[20]

Commonly sustainability is said to have three elements to it – the economic, the environmental and the social[21] – and this is often referred to as the triple bottom line. Sustainability is determined frequently to be synonymous with sustainable development[22] or at least inextricably linked to it.[23] Constanza and Patten have asserted that most

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11 Ibid, 239; I. Montiel and J. Delgado-Ceballos, 'Defining and Measuring Corporate Sustainability: Are We There Yet?' (2014) 27 *Organization and Environment* 113, 123

12 R. Costanza and B. Patten, 'Defining and predicting sustainability' (1995) 15 *Ecological Economics* 193, 193.

13 D. Clifton and A. Amran, 'The Stakeholder Approach: A Sustainability Perspective' (2011) 98 *Journal of Business Ethics* 121, 122.

14 G. Aras and D. Crowther, 'Governance and Sustainability' (2008) 46 *Management Decision* 433, 435; Wiese et al (n 1), 320

15 P. Johnston, M. Everard, D. Santillo and K. Robèrt, 'Reclaiming the Definition of Sustainability' (2007) 14 *Environmental Science and Pollution Research* 60, 61.

16 Wiese et al (n 1), 320.

17 Johnston et al (n 15).

18 'Beyond the business case for corporate sustainability' (2002) 11 *Business Strategy and the Environment* 130, 131.

19 R. Gray, 'Accounting and Environmentalism: An Exploration of the Challenge of Gently Accounting for Accountability, Transparency and Sustainability' (1992) 17 *Accounting Organizations and Society* 399, 417.

20 Aras and Crowther (n 14), 433

21 J. Elkington, *Cannibals with Forks – The Triple Bottom Line of 21st Century Business*, (New Society, 1997).

22 Aras and Crowther (n 14), 435.

23 A. Basiago, 'Methods of Defining 'Sustainability'' 3 *Sustainable Development* 109, 111.

definitions include elements of sustainable scale, equitable distribution and efficient allocation of resources.[24] The most widely employed definition of sustainable development is probably that of the Brundtland Report : 'Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs'.[25] In like manner the UK's Department for Environment, Food and Rural Affairs has seen it as 'continuous economic and social progress that respects the limits of the Earth's ecosystem, and meets the needs and aspirations of everyone for a better quality of life, now and for future generations to come.'[26]

Sustainability then is clearly aimed at achieving human development but at the same time considering both present and future generations. While the emphasis has been on the three elements of the financial, the social and the environmental, it has clearly become broader than that over time and has encompassed a much wider range of issues[27] and especially in relation to social concerns.[28] The scope of sustainability is not now limited to the three elements just mentioned, but embraces matters such as justice[29] and risk management.[30] There is a need for companies to balance their economic growth against wider matters which can broadly be subsumed under social and environmental concerns.[31]

Sustainability was an issue thousands of years in the past.[32] More recently it was seen the 1880s with the response of people to the damage caused to the environment by the

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[24] Costanza and Patten, (n 12).

[25] World Commission on Environment and Development, 'From One Earth to Our World: An Overview, (OUP, 1987), para 27: <http://www.un-documents.net/ocf-ov.htm> accessed 14 September 2018.

[26] Department for Environment, Food and Rural Affairs, 'Changing Patterns: UK Government Framework for Sustainable Consumption and Production' 2003, 6 <http://webarchive.nationalarchives.gov.uk/20040105163332/http://www.defra.gov.uk/environment/business/scp/changing-patterns.pdf> accessed 14 September 2018.

[27] Gray (n 19), 416; A. Quarshie, A. Salmi and R. Leuschner, 'Sustainability and corporate social responsibility in supply chains: The state of research in supply chain management and business ethics journals' (2016) 22 *Journal of Purchasing and Supply Management* 82, 83.

[28] Basiago (n 23), 111

[29] Clifton and Amran, (n 13).

[30] C. Carter and D. Rogers, 'A framework of sustainable supply chain management: moving towards new theory' (2008) 38 *International Journal of Physical Distribution and Logistics Management* 360, 367.

[31] A. Klettner, 'The Governance of Sustainability' UTS, 2011, 8: <https://www.uts.edu.au/sites/default/files/Catalyst.pdf> accessed 14 September 2018.

[32] J. Hughes, *An Environmental History of the World*. (Routledge, 2001) and referred to in Clifton and Amran (n 13).

industrial revolution.[33] John Ehrenfeld has said that it is an idea that arose when people began to be aware that humans could no longer maintain the push to continue to have economic growth without depleting totally the world's finite resources.[34] It is a topic that appeared in the general management literature in 1995[35] and has since been referred to regularly in various disciplinary and inter-disciplinary literature.

What is practised in terms of sustainability may have universal significance,[36] but the majority of actions and policies undertaken by companies is on a voluntary basis more or less.[37] Guidelines exist in various instruments that are furnished in order to provide direction for companies which wish to undertake a greater amount of sustainability, and examples are the United Nations Global Compact, Global Reporting Initiative's Sustainability Reporting Guidelines and the Dow Jones Sustainability Index. In early 2016 the United Nations Sustainable Development Goals (SDGs)[38] which are a set of global initiatives that aim to end poverty, promote equality and well-being and preserve the environment, became operational. These documents only provide broad principles and reporting frameworks and allow the company to exercise discretion as far as its application of the principles.[39] Also, there have been a myriad of initiatives springing up, accompanied by codes or collections of principles which provide guidance, which have varying structures and focus.[40]

While sustainability is not usually mandated by government legislation, it can be said that at times in the past the UK has been one of the more active governments in the construction

33 Clifton and Amran, (n 13).
34 'The Roots of Sustainability' (2003) 46 *MIT Sloan Management Review* 23, 23.
35 Montiel Delgado-Ceballos (n 11), 115.
36 Klettner et al (n 2), 150.
37 R. Steurer, M. Langer, A. Konrad and A. Matinuzzi. 'Stakeholders and Sustainable Development (2005) 61 *Journal of Business Ethics* 263.
38 A recent report showed that 88% of 158 large companies whose reporting was surveyed acknowledged SDGs in some way : World Business Council for Sustainable Development, 'Reporting Matters' 2018, 7 : <https://www.wbcsd.org/Programs/Redefining-Value/External-Disclosure/Reporting-matters/Resources/Reporting-matters-2018> accessed 7 November 2018
39 Klettner et al (n 2).
40 OECD, 2009. *Annual Report on the OECD guidelines for multinational enterprises 2008*, (Paris, OECD): <https://www.oecd-ilibrary.org/governance/annual-report-on-the-oecd-guidelines-for-multinational-enterprises-2008_mne-2008-en> accessed 14 September 2018; Federation of European Accountants (n 9).

of a political sustainability framework.[41] Although the UK has no specific corporate law provisions that require sustainability, s 172(1) of the Companies Act 2006 can be said to do so indirectly. The provision states that:

> 'A director of a company must act in a way that he considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to –
>
> (a)The likely consequences of any decision in the long term
> (b)the interests of the company's employees
> (c)the need to foster the company's business relationships with suppliers, customers and others
> (d)the impact of the company's operations on the community and the environment
> (e)the desirability of the company maintaining a reputation for high standards of business conduct, and
> (f)the need to act fairly between the members of the company.'

This provision together with the reporting requirement under the Strategic Report introduced what is known as enlightened shareholder value ('ESV').[42] It does not take the UK away from a shareholder value approach because ultimately whatever directors do they are to act in a way that ultimately benefits the members,[43] yet the sub-section makes it a requirement that directors take into account the factors listed in (a)-(f) in taking any actions. The introduction of the factors seems to point towards sustainability.

ESV was proposed originally because many directors were managing their companies in order to achieve maximisation of shareholder wealth in a short-termist manner and it was to ensure that directors had 'regard to the need to build long-term and trusting relationships with employees, suppliers, customers and others in order to secure the success of the enterprise over time.'[44] However, various empirical studies have

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41 L. Albareda, J. Lozano, A. Tencati, A. Middtun and F. Perrini, 'The changing role of governments in corporate social responsibility: Drivers and responses,' (2008) 17 *Business Ethics: A European Review* 347.

42 Section 414A of the Act provides for the preparation of a Strategic Report. The Report must explain how the directors have performed their duty under s 172.

43 A. Keay, *The Enlightened Shareholder Value Principle and Corporate Governance*, (Routledge, 2013).

44 Company Law Review, *Modern Company Law for a Competitive Economy*: Strategic Framework, (DTI, 1999) para 5.1.22.

demonstrated over the years that the impact of the provision is very limited[45] as have responses to a government Green Paper in 2016[46] in which the government was seeking evidence of how ESV had impacted on commercial life. This finding is in line with the views of some commentators.[47]

Directors are entitled to engage in sustainability type activity as they can usually justify their actions as promoting the success of the company. However, there are two major problems that exist. First, where there is concern that directors have not had regard for the factors in (a)-(f) in making decisions it is likely to be difficult in many situations to establish that directors did in fact fail to consider the factors. Second, even if it might be established that directors did not in fact have regard for those factors set out in the provision and so they are technically in breach of their duty, little can be done in legal terms, for if the company does not take action against errant directors, the shareholders, who might be able to bring proceedings for breaches of duty, are unlikely to do so unless the actions of the directors have harmed them.

C. The Elements of the Study

1. The Method

To address the aim of the research we studied relevant documents produced by large UK companies. The study was based on a form of content analysis of the documents. Content analysis is a methodology[48] which covers a number of different strategies.[49] It is a tool that enables researchers objectively and systematically to identify the characteristics and constituents of textual information to enable them to be able to draw inferences.[50] Hsieh

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45 For example, S. Fettiplace and R. Addis, 'Evaluation of the Companies Act 2006,' 2010, 77 <http://webarchive.nationalarchives.gov.uk/20121205013304/http://www.bis.gov.uk/assets/BISCore/business-law/docs/E/10-1360-evaluation-companies-act-2006-volume-1.pdf> accessed 11 September 2018.

46 Department of Business, Energy and Industrial Strategy, 'Corporate Governance Reform.'

47 For example, see A. Keay, ' The Duty to Promote the Success of the Company : Is it Fit for Purpose?' 2010 :<https://papers.ssrn.com/sol3/papers.cfm?abstract_id=1662411> accessed 7 November 2018; A. Johnston, 'The Shrinking Scope of CSR in UK Corporate Law' (2017) 74 *Washington and Lee Law Review* 1001.

48 M. White and E. Marsh, 'Content Analysis: A Flexible Methodology' (2006) 55 *Library Trends* 22; S. Elo and H. Kyngas, 'The qualitative content analysis process' (2007) 62 *Journal of Advanced Nursing* 107.

49 M. Vaismoradi and T. Bondas, 'Content analysis and thematic analysis: implications for conducting a qualitative descriptive study' (2013) 15 *Nursing and Health Sciences* 399.

50 C. Beck, D. Campbell and P. Shrives, 'Content analysis in environment reporting research' (2010) 42 *British Accounting Review* 207, 208.

and Shannon define it as ‘a research method for the subjective interpretation of the content of text data through the systematic classification process of coding and identifying themes or patterns.’ [51]

Content analysis has been used by scholars in various disciplines within the social sciences and humanities to analyse communications of different kinds. Specifically, it has been the research method most frequently employed to assess the social and environmental disclosures of organisations[52] and used several times to study corporate reports.[53] We elected to undertake a qualitative kind of content analysis that employed a form of deductive content analysis. This constituted the *a priori* identification of categories and sub-categories as codes against which the companies’ documents (the unit of analysis) were reviewed.[54] This strategy was adopted as it was determined that it would enable results to be more reliable.

The categories (and sub-categories) were derived from a study of the relevant sustainability and corporate social responsibility literature as well as the leading issues relating to sustainability and that have been dealt with by major organisations, such as in government and quasi-government reports.[55] The sub-categories were formulated so as to explain the broad categories identified and to assist in the coding of the unit of analysis.

The categories that we identified were the most relevant and valid. We analysed the data that is described in the next section of the paper and placed it in the various pre-determined categories and sub-categories, an approach employed in many other studies.[56] This process relied partly on subjective judgment, and in order to limit the subjectivity and to ensure reliability, transparency and internal validity we conducted a pilot study before undertaking

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51 H. Hsieh and S. Shannon, ‘Three Approaches to Qualitative Context Analysis’ (2005) 15 *Qualitative Health Research* 1277, 1282.

52 M. Milne and R. Adler, ‘Exploring the reliability of social and environmental disclosures content analysis’ (1999) 12 *Accounting, Auditing and Accountability* 237.

53 F. Li, ‘Textual Analysis of Corporate Disclosures: A Survey of the Literature’ (2010) 29 *Journal of Accounting Literature* 143, 145.

54 H. Kyngas and L. Vanhanen, ‘Content analysis as a research method’ (1999) 11 *Hoitoteide* 3 and referred to in Hsieh and Shannon (n 51), 1286.

55 For example, see White and Marsh, (n 48), 39.

56 See, R. Gray, R. Kouhy, and S. Lavers, ‘Constructing a research database of social and environmental reporting by UK companies’ (1995) 8 *Accounting Auditing and Accountability* 78.

the study discussed here. The pilot study was also designed to test aspects of the research design and to allow necessary adjustment before final commitment to the design for this much larger and broader project. The pilot study involved an examination of the three largest retail companies listed on the FTSE 100. The retail sector was chosen for several reasons, including the fact that retailing is a large, diverse and dynamic sector of the economy, and it is the UK's largest private sector employer with 2.9 million people employed, and in 2016 it generated £321 billion.[57]

With the pilot study both researchers analysed independently the documents of the companies, and subsequently compared their findings and discussed any classifications that were ambiguous or questionable. The study confirmed the appropriateness of the categories and sub-categories and provided the necessary guidance for undertaking the larger study.

2. The Sample

In order to address the aim of the study, it was decided to investigate the two largest companies by market capitalisation listed on the FTSE 100 in each of eight different sectors of industry, thus giving us 16 companies as our sample. Sectors are determined by the London Stock Exchange. The ones chosen were media, mining, food and drug retailers, household goods and home construction, life insurance, support services, pharmaceuticals and biotechnology, and travel and leisure. This provided the study with a good range of different types of companies, which, we reasoned, should enable us to draw reasonably broad conclusions. The companies considered are set out below in Table 1.

The data analysed was text data gathered from public corporate documents that were generated by the companies to communicate their approach and strategy in relation to pertinent issues. The documents examined were Annual Reports and CSR/Sustainability Reports for the year 2017. Usually public companies produce annual reports due to mandatory requirements that exist in a majority of Western economies. The annual report is an integral method for financial communication among shareholders, management and

[57] Retail Appointment, 2017: <https://www.retailappointment.co.uk/career-advice/talking-shop/uk-retail-facts-and-figures> accessed 6 November 2018.

others[58] and it is a way of communicating a company's identity; it operates as a link between a company's identity and image.[59] Some have asserted that it is the most important mechanism used for corporate communication,[60] and an avenue permitting persons outside of the company to gain insights concerning the company's values and methods.[61] It is considered to have credibility as a communication tool because it includes legally required and audited financial statements.[62] Also, of importance, is the fact that the company knows that it and other publicly available documents will be scrutinised.[63] The CSR/Sustainability reports were analysed because these reports are usually focused on issues relevant to sustainability.[64] The inclusion of CSR type disclosures in the annual report or a separate CSR/Sustainability report is designed to establish the company's legitimacy,[65] and to inform shareholders and other stakeholders.[66] Also, the documents are important as they are the medium by which companies communicate with the public.[67] Companies providing disclosure in reports is one critical way they can influence and, perhaps, change external perceptions of them as companies and the way that they conduct their businesses.[68] The reports of corporate activity were taken from the website and this provides a more complete picture than viewing statutory reports as everything in the statutory reporting is included together with more detail.[69]

[58] S. Bartlett and R. Chandler, 'The Corporate Report and the Private Shareholder: Lee & Tweedie Twenty Years On' (1997) 29 *British Accounting Review* 245.
[59] B. Parguel, F. Benoit-Moreau and F. Larceneux, 'How Sustainability Ratings Might Deter 'Greenwashing'' (2011) 102 *Journal of Business Ethics* 15, 16.
[60] C. Adams, A. Coutts and G. Harte, 'Corporate Equal Opportunities (Non-) Disclosure' (1995) 28 *British Accounting Review* 87, 92.
[61] J. Bebbington and R. Gray, 'Accounts of Sustainable Development : The Construction of Meaning Within Environmental Reporting' 2000, 15 <https://papers.ssrn.com/sol3/papers.cfm?abstract_id=257438> accessed 6 November 2018.
[62] R. Hines, 'The Usefulness of Annual Reports: the Anomaly between the Efficient Markets Hypothesis and Shareholder Surveys' (1982) 12 *Accounting and Business Research* 296.
[63] Bebbington and Gray (n 61), 6
[64] The requirements for the preparation, distribution and filing of accounts and reports are set out in Part 15, ss 380-474, of the Companies Act 2006
[65] C. Deegan, 'The legitimising effect of social and environmental disclosures - a theoretical foundation' (2002) 14 *Accounting, Auditing and Accountability Journal* 282, 283.
[66] S. Aureli, 'A comparison of content analysis usage and text mining in CSR corporate disclosure' (2017) 17 *International Journal of Digital Accounting Research* 1, 1.
[67] Klettner et al (n 2), 153
[68] Deegan (n 65), 292
[69] Aras and Crowther (n 14), 442

Table 1 Sample Companies
1. Tesco plc (Food & Drug Retailers)
2. Sainsbury's plc (Food & Drug Retailers)
3. GlaxoSmithKline plc (Pharmaceuticals and Biotechnology)
4. AstraZeneca plc (Pharmaceuticals and Biotechnology)
5. Reckitt Benckiser Group plc (Household Goods and Home Construction)
6. Barratt Developments plc (Household Goods and Home Construction)
7. Prudential plc (Life Insurance)
8. Aviva plc (Life Insurance)
9. WPP plc (Media)
10. Sky plc (Media)
11. Glencore plc (Mining)
12. Rio Tinto plc (Mining)
13. Ferguson plc (Support Services)
14. DCC plc (Support Services)
15. Compass Group plc (Travel and Leisure)
16. Whitbread plc (Travel and Leisure)

3. The Categories

The second stage involved the development of categories, which can be perceived as compartments into which the unit of analysis is coded;[70] the categories are in fact the means of describing the contents of the unit of analysis.[71] They provide a focus for the studying of the documents that form the sample and it enables a story to be told about what they say.[72] We identified four broad categories that we used as our code for the analysis of the data. From the literature we then identified appropriate sub-categories. These were designed to expand the categories already identified so that the coding can be more specific. We discuss

[70] D. Prasad, 'Content Analysis : A method in Social Science Research,' 2008 <http://www.css.ac.in/download/Content%20Analysis.%20A%20method%20of%20Social%20Science%20Research.pdf> accessed 15 September 2018.

[71] Elo and Kyngas, (n 48), 109.

[72] Bebbington and Gray, (n 61).

the sub-categories below under the category to which they relate and the following draws on our pilot study.[73]

(a) *Disclosure*

This category involves consideration of the disclosures that are made and that relate to sustainability. Companies disclose information about their sustainability activities both to manifest a commitment to sustainability and to account to stakeholders.[74] In relation to this category, we identified the following sub-categories.

(i) Demonstration

We considered how the company referred to sustainability and in what context. The data included in this sub-category constituted general comments that were made by companies about sustainability and not more specific matters, the latter being included in other sub-categories.

(ii) Accountability Systems

Having accountability systems is regarded as an element of CSR and also it has been considered frequently in the context of sustainability.[75] If companies are more accountable then this provides an incentive for them to engage in more sustainable activity and to follow through with their goals and plans.[76] The study sought to identify accountability systems which might help sustainability develop and flourish. This sub-category also covered transparency, something that is generally related to accountability, especially in corporate governance.[77]

(iii) Code of conduct/ key performance indicators /policies/ principles/guidelines

We sought to ascertain what, if any, code of conduct, key performance indicators, policies, principles or guidelines were set out in relation to fostering sustainability, and against which the company is to report.

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73 This is published as A. Keay and T. Iqbal, "Sustainability in large UK listed retail companies: a sectoral analysis" (2018) 23 *Deakin Law Review* 209.

74 P. Perego and A. Kolk, 'Multinationals' Accountability on Sustainability' (2012) 110 *Journal of Business Ethics* 173, 174.

75 C. Villiers, 'Directors' duties and the company's internal structures under the UK Companies Act 2006: obstacles for sustainable development' (2011) 8 *International and Comparative Corporate Law Journal* 47.

76 A. Iles, 'Seeing Sustainability in Business Operations: US and British Food Retailer Experiments with Accountability' (2007) 16 *Business Strategy and the Environment* 290, 290.

77 A. Keay, 'Exploring the Rationale for Board Accountability in Corporate Governance' (2014) 29 *Australian Journal of Corporate Law* 115, 116 and 117.

(iv) Values base

The study examined whether the unit of analysis disclosed any value base or philosophical approach/policy as a foundation for the company's sustainability efforts.

(v) Enlightened shareholder value

The study explored the unit of analysis to locate any consideration by the company of the notion of ESV and what it said about directors' duties as it appeared to be linked to sustainability concerns, as mentioned earlier.

(b) Engagement

Engagement in the field of sustainability means having meaningful contact with the issues that pertain to sustainability and being involved in the process of developing sustainability.[78]

(i) Stakeholders

In the sustainability literature there are many references to the need to address stakeholder requirements.[79] Stakeholders can be a very wide classification. The primary stakeholders are usually seen as: shareholders, employees, creditors, customers, the local, national and even the international community, and the environment. The study endeavoured to determine if there were references to and discussion of stakeholders in the unit of analysis as well as any mention of interaction with, and openness to, stakeholders and their needs and interests. We considered how each of the primary stakeholders were referred to in the unit of analysis and this is reported in the findings.

(ii) Supply chains

Supply chains are very important to many, if not all, industries in some form or other. How retailers deal with those people and organisations in the chain is critical for all concerned. The study sought to ascertain if there were references to, and discussion of, supply chains and issues pertaining to them.

(iii) Monitoring and Compliance

Monitoring and compliance are related factors that contribute to the issue of engagement. Companies need to undertake monitoring of what is being done and reported[80] to ensure

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78 See, P. Sloan, 'Redefining Stakeholder Engagement : From Control to Collaboration' (2009) 36 *Journal of Corporate Citizenship* 25, 26.

79 Searcy, (n 10), 239.

80 International Finance Company, 'CG Updates' IFC Corporate Governance Group, IFC, June- September 2017, 14.

that there is compliance with corporate principles and international guidelines on the basis that it is a critical element of the discharge of any policy. Monitoring involves ascertaining what is being done and compliance goes further to determine if what has been observed in fact complies with identified principles and/or policy that the company has formulated. Evidence suggest that external organisations are increasingly being employed in the process of monitoring for compliance.[81] The emergence of international standards, such as the Global Reporting Initiative ('GRI') and the AccountAbility AA1000 Assurance Standard, which endeavour to promote greater sustainability practice and accountability, enables the development of benchmarking for compliance.

(iv) Verification/Assurance

It is necessary, in relation to sustainability undertakings that are made by companies that impact on others and are being relied on by third parties, that they are verified. Has the company in fact complied with applicable guidelines/policies? To be credible the verification should be undertaken by an independent and external body or person. It has been recorded that the vast majority of statements of compliance with sustainability principles and policy is verified by accounting firms (especially the 'Big Four'), while other verifications are attended to by certification bodies, NGOs and consultants.[82] The Sustainability Reporting Standards (GRI Standards), contain recommendations in relation to the external assurance of corporate reports.

The purpose of external and independent verification is to enhance the credibility of a company's reports in the eyes of stakeholders in particular and to avoid perceptions of companies engaging in greenwashing.[83]

(c) *Integration and Planning*

The literature suggests that for companies to be regarded as sustainable, companies need to interweave and integrate their sustainability initiatives in their strategy and business plan

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81 S. Benn and D. Dunphy, 'Human and Ecological Factors : A Systemic Approach to Corporate Sustainability,' undated, 102 <http://citeseerx.ist.psu.edu/viewdoc/download;jsessionid=957C9D8BE2BE34821C1CAC10FBA5525F?doi=10.1.1.491.9262&rep=rep1&type=pdf> accessed 14 September 2018.

82 A. Kolk, 'Sustainability, Accountability and Corporate Governance: Exploring Multinationals' Reporting Practices' (2008) 18 *Business Strategy and the Environment* 1, 10.

83 Parguel et al (n 59).

rather than having programmes administered separately.[84] Connections should be made between sustainability and strategy[85] and these ought to be built into existing goals and targets.[86]

Sustainability has a major forward-looking element to it, with activities focusing on the medium to long term[87] and futurity being seen as 'the handmaiden' of sustainability,[88] so some focus on planning is important.

(i) Support and advice

Given the significant effect that the operations of large companies, in particular, can have on society and individual sectors of it, it might be deemed appropriate and necessary in many cases for companies to seek support and advice from external bodies.

(ii) Training

The study examined whether and to what extent any training in sustainability and related issues for staff and others was provided. This is, arguably, a method of integrating sustainability.

(iii) Embedding

The sustainability literature indicates that it is critical that companies embed sustainability provision in their life and management, and thus we searched for any evidence of this.

(iv) Research

In line with managing for the long term we examined what provision was made for research that takes into account sustainability. Again, this is forward-looking.

(d) *Responsibility*

This addresses the general notion of who has the responsibility for the creation and implementation of sustainable measures.[89] The extent to which the management of a company welcomes or rejects the trend of companies to integrate sustainability in their strategies and operations can determine whether a company is successful in becoming more

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84 P. Shrivastava, 'The role of corporations in achieving ecological sustainability' (1995) 20 *Academy of Management Review* 936.

85 Federation of European Accountants (n 9).

86 Searcy (n 10).

87 Klettner (n 31).

88 Basiago, (n 23), 110; Aras and Crowther (n 14), 437

89 This may overlap with training

sustainable.[90] It can be argued that it is necessary to have the formulation of a committee that concentrates on sustainability and builds a framework for the integration of sustainability into the strategic planning that occurs at board level.[91] An important element of this concern is that leadership at every level of the company is essential.[92]

(i) Framework

Our study considered whether there was an explanation of any framework of responsibility that was established with sustainability in mind. This encompassed provisions for structure to enhance sustainability, such as the formulation of boards or committees and the roles that they play within the life of the company.

(ii) Leadership

Consideration was given to who was involved in taking charge of complying with and developing the inclusion of sustainability principles applicable to the company within the life of the company, and whether there was commitment to sustainability from those in leadership positions.

D. Evaluation

Assessing where companies are in their sustainability journey is not easy. To help enable us to do this we embraced the sustainability phase model formulated by Benn, Dunphy and Griffiths.[93] On obtaining and coding the data from our content analysis we wanted to assess the commitment to and practice of behaviours of the companies that are pertinent to sustainability, and we did this by using the aforementioned model. This model sets out the steps that a company may take in progressing to becoming a truly sustainable company. The model envisages companies progressing from being engaged in active antagonism to sustainability, through a time of indifference, to the point where there is a significant commitment to being involved in the active furthering of sustainability values, and not simply within the company itself but within industry and society as a whole. The six phases identified are: Rejection, Non-responsiveness, Compliance, Efficiency, Strategic proactivity

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90 Thomas and Lamm (n 1).

91 Klettner et al (n 2).

92 G. Morgan, K. Ryu and P. Mirvis, 'Leading corporate citizenship: Governance, structure, systems' (2009) 9 *Corporate Governance* 39.

93 S. Benn, D. Dunphy, D. and A. Griffiths, *Organizational Change for Corporate Sustainability.* (3rd ed, Routledge, 2014).

and the sustaining company. The model does not presuppose that a company will necessarily progress stage by stage to the final stage of being a sustaining company. A company's progress might be such that it jumps stages and a company might even regress at some point. Our study only seeks to capture the position that a company occupied according to what it reported in the 2017 year. Our study simply provides a snapshot of the company's position in 2017 in sustainability terms. Due to space constraints, we cannot discuss the stages or the model in any depth but given our findings we probably do not need to do so. This is because we found all companies falling within either the fifth or sixth phases. The fifth phase is *strategic proactivity.* It is the stage that sees the company making sustainability an important part of the company's business strategy. The company perceives sustainability as a way of providing a potential competitive advantage. Thus, the company endeavours to become a leader in sustainable business practices by instituting corporate citizenship measures that precipitate support from stakeholders. Sustainability becomes embedded in order to maximise longer-term corporate profitability. The sixth and final phase is *the sustaining company*. Senior executives and managers have substantially internalised the ideology of seeking to have a sustainable world. While still seeking to bring home profits for investors, it goes beyond this by voluntarily fostering sustainability values and practices. The company's essential commitment is to facilitate the emergence of a society that supports sustainability in various forms. To accomplish this the company works with governments and communities to change things so that there is a move to create a more sustainable world. There is strong stakeholder involvement in the company and it is on a continuous basis and is an accepted part of the company's culture.

E. Findings and Analysis

1. Disclosure

(a) Demonstration

Even though there were differences in how the various companies dealt with issues relating to sustainability, all the companies made substantial attempts to communicate their commitment to promoting sustainability as all the companies integrated discussion of sustainability in their annual reports. Ten out of the 16 companies also published separate sustainability reports, supplements or summaries[94] but the length and degree of detail provided in the reports varied.

Our findings demonstrated a clear trend among all the companies to highlighting the importance of running their businesses in a sustainable manner. For example, Tesco mentioned that it is crucial that as the business delivers growth, it does so in a manner that is sustainable.[95] GlaxoSmithKline stated that 'by being commercially successful and operating responsibly, we will improve people's health and create value for both shareholders and society.'[96] While claiming sustainability is key to how it acts as a responsible business, Barratts Developments stated that as it designs and builds its developments it is creating sustainable places to live that should leave a lasting positive legacy.[97] All these examples are from companies operating in different industries. However, the claim that sustainability is integral to business strategy was a common element and the sustainability claims merely varied according to the companies' major stakeholder groups. This shows that companies are taking steps to communicate the importance of sustainability in how the business is run and its efforts towards improved sustainability.

(b) Accountability Systems

All the companies in the sample attempted to show accountability in some way. The majority of the companies did this by reporting their performance or progress on certain criteria that were considered important in maintaining sustainability standards. This was effected in various ways such as reporting on performance against key business commitments, targets or values, providing detailed performance summaries and demonstrating contribution to the relevant United Nations Sustainable Development Goals (discussed later). For example, in its Responsible Business Supplement, GlaxoSmithKline reported its progress against a set of 23 commitments across four focus areas that it established five years ago. It identified the commitments it completed, the ones that were

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94 This is in reference to the reports published in 2017

95 Annual Report and Financial Statements 2018: <https://www.tescoplc.com/media/474793/tesco_ar_2018.pdf> accessed 30 October 2018.

96 Responsible Business Supplement 2017, 1: <https://www.gsk.com/media/4756/responsible-business-supplement-2017.pdf> accessed 30 October 2018.

97 Sustainability Report 2017: <http://www.barrattdevelopments.co.uk/~/media/Files/B/Barratt-Developments/documents/sustainability-report-2017.pdf> accessed 30 October 2018.

progressing well and one where more work needed to be done. Some of the companies also acknowledged their shortcomings and highlighted areas of improvement. For example, both of the mining companies highlighted major failings due to employee fatalities and explaining what was being done to prevent such incidents in the future.

(c) Code of conduct/ key performance indicators /policies/ principles/guidelines

The vast majority of companies had established their own Code of Conduct that they complied, or attempted to comply, with at all times. There were a number of variations in what these codes were called, such as Code of Conduct, Code of Ethics, Group Code of Business Conduct and Business Ethics Code. Several companies highlighted the importance of the code in guiding their business operations. AstraZeneca mentioned that its code is at the centre of its compliance programme and has been translated into around 40 languages. It assists in providing clear direction as to how its commitment to integrity and honesty should be maintained. The code is based on corporate values, expected behaviours and key policy principles. The ethical commitments were set out in the code in simple terms and it also explained why these commitments matter. This guides the employees to make decisions in the best interests of the company along with the people it serves in both the short and long term. Its new Code features sustainability as a high-level global policy.[98] Ferguson stated in its code commitment to assisting all of its associates to live company values every day in all their work interactions and decisions.[99] These examples demonstrate the importance of the codes of conduct in underpinning the values of the companies and guiding the behaviour of the employees along with the decisions they make. These codes also play a key role in endorsing sustainability.

In addition to some form of Code of Conduct, some companies also mentioned a number of other areas on which they have policies, such as anti-bribery and corruption, climate change, the environment, ethics, health and safety, sustainable procurement, sustainability,

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[98] Sustainability Report 2017: <https://www.astrazeneca.com/content/dam/az/Sustainability/2018/Sustainability_report_2017.pdf> accessed 30 October 2018.

[99] Annual Report and Accounts 2017: <http://www.fergusonplc.com/content/dam/ferguson/corporate/investors_and_media/anual-report/FERG_AR17_Web_FINAL.pdf.downloadasset.pdf> accessed 30 October 2018.

and responsible sourcing. These additional policies usually complemented the code of conduct. Policies relating to anti-bribery and corruption, supply chains and responsible sourcing were more common than others.

In terms of international guidelines, a number of companies mentioned that their approach to human rights is guided by the UN's Guiding Principles on Business and Human Rights and other internationally recognised human rights frameworks and some also mentioned being signatories to the principles of the UN's Global Compact.

(d) Values base

Our results showed that the majority of the companies had core values that they stated were integral to their operations. Twelve companies disclosed clear values. Some of these values seemed to be the foundation of the companies' sustainability initiatives and were usually focused on their key stakeholder group(s) and the industry in which they operated. A noteworthy example is Reckitt Benckiser Group which introduced a new core value, responsibility. It stated that responsibility meant doing the right thing, even when it is hard. It even highlighted the importance of its values by claiming that these values set out the ways in which it should act, binds it together regardless of where it is operating in the world and assists in shaping its corporate culture.[100] The addition of responsibility as a core value is a positive change in the sense that companies that previously had values focused on business were now making attempts at adding values such as being responsible and operating in an ethical manner to help shape corporate culture.

Two of the remaining four companies seemed to have clear values but chose not to label them as such. For example, Barratt Developments stated that its key principles were keeping people safe, being a trusted partner, building strong community relationships, safeguarding the environment, and ensuring the financial health of its business.[101] Again,

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[100] Sustainability Report 2017: <http://sustainabilityreport2017.rb.com/assets/documents/RB_SustainabilityReport2017.pdf> accessed 30 October 2018.

[101] Annual Report and Accounts 2017: <http://www.barrattdevelopments.co.uk/~/media/Files/B/Barratt-Developments/reports-presentation/2017/barratt-ar17.pdf> accessed 30 October 2018.

the importance of sustainability seemed to be integrated into the company's values. There were only two companies that did not have or did not disclose any core values, principles or purpose.

(e) Enlightened shareholder value

All of the companies failed to make any reference to the concept of ESV or s 172 of the Companies Act 2006. There was no consideration of the notion of ESV or the legislation in relation to how the directors fulfilled their duties. The omission is noteworthy because how companies approach sustainability seems to resonate with the ideas that ESV endorses, which is promoting the long-term success of the company while taking stakeholder interests into account. It seems somewhat strange that given the fact that the companies in the sample seemed to be engaging in incorporating sustainability in their businesses that they did not refer to ESV. However, on reflection this is not surprising as various respondents to a Department of Business Energy and Industrial Innovation Green Paper in November 2016 stated that the reporting by UK companies as to how they were addressing what directors were doing to implement ESV was generally wanting.

2. Engagement

(a) *Stakeholders*

Our findings suggest that stakeholder engagement is important to all the companies reviewed in the study. All addressed key stakeholder groups and mentioned some form of stakeholder engagement. However, there were considerable variations in the reporting. Some of the companies provided extensive details about what methods were used to engage with particular stakeholder groups. Examples of the methods used to listen to and engage with various stakeholders were conferences, conference calls, surveys, communication through live broadcasts and Q&A sessions. AstraZeneca is an example of a company that provided detailed information on engagement with stakeholders. It stated:

> 'Through dialogue, we strengthen our connections with stakeholders, understand their perspectives and combine forces to achieve common goals. We use the feedback to inform our sustainability approach, strategy development and risk management. We use a wide range of channels for stakeholder

engagement, including digital and face-to-face dialogue. Through a multi-stakeholder engagement approach, we identify systematic activities to create opportunities for interaction with groups of our stakeholders. All our relationships and engagements, including with patient groups and other healthcare organisations, are based on transparent and shared objectives to improve the lives of patients and comply with local regulations.'[102]

The company went to considerable lengths to demonstrate the purpose of engaging with stakeholders and highlighted the importance of doing so. Companies like AstraZeneca could be said to be at the top of the spectrum in this category. On the other hand, some of the companies mentioned they had communication with a variety of stakeholders, but they did not provide much detail. The difference in reporting demonstrates the need for greater detail and consistency in reporting on stakeholder engagement to make it easier for interested parties to assess what companies are doing.

The key stakeholders identified and addressed by the companies usually were shareholders, employees, customers or clients, the environment, community and suppliers. It is no surprise that all the companies highlighted the importance of engaging with its shareholders. The reporting on the employees were usually focused on areas such as attracting talented individuals and providing for: equal opportunities, career development, retention, rewards, training, diversity and inclusion. In fact, all the companies in the sample highlighted the importance of diversity and inclusion. So all the companies in the sample had met a key criterion in phase 5 of the sustainability phase model formulated by Benn et al,[103] which is workforce skills mix and diversity are considered to be fundamental aspects of corporate and business strategies.
All companies expressed a commitment to running their businesses in an environmentally responsible manner and provided details on environmental impact. Some of the common issues addressed included: climate change, reductions in carbon emissions, waste reduction and energy use. All companies demonstrated awareness of the impact of their operations on the communities in which they operated, and they gave specific examples of social

102 Astrazeneca Sustainability Report (n 98) 11.
103 Benn et al (n 92)

investment. For example, Glencore stated that funds were set aside for initiatives taken for both the betterment of communities and local sustainable development. It supported various programmes for community development, health, education and enterprise, and job creation.[104] As expected, customers or clients are a very important group for all companies and there were numerous examples that showed the significance of maintaining good relationships with this key stakeholder group.

(b) Supply chains

Responsible sourcing is a crucial element of being a sustainable company as there are always concerns about human rights violations or abuse in supply chains. Hence, when it comes to integrating sustainability, interactions with suppliers is very important. All companies in the study addressed responsible sourcing in one way or another. There were numerous examples of initiatives taken to identify risks, implementation of whistleblowing services through which suppliers could report breaches, training provided to employees and suppliers on various issues relating to ethical sourcing, adoption of specific codes of conduct or policies for suppliers as well as auditing the suppliers.

It was also encouraging to see that all the companies in the sample addressed modern slavery and published the modern slavery statement required under s 54 of the UK's Modern Slavery Act 2015. Under this section, businesses that have a certain annual turnover are required to publish a statement confirming the steps that have been taken to ensure that slavery and human trafficking are not taking place in their business and supply chain or it can choose to state that no such steps have been taken. Besides providing the statement about modern slavery, some of the companies furnished further details of the initiatives being taken to combat the risk of forced labour. For example, Sainsbury's mentioned that it had identified slavery and human trafficking as a major human rights issue for its supply chains and business. It had developed a new Modern Slavery Risk Assessment Tool to

[104] Annual Report 2017: <http://www.glencore.com/dam/jcr:62bed41c-1627-4bf5-bc43-cf5518ba1193/glen-2017-annual-report.pdf> accessed 30 October 2018.

identify risks in its supply chains and claims that with the support of its other stakeholders, and to assist in setting a strategy with tailored prevention and remediation activities.[105]

(c) Monitoring and Compliance

All companies provided accounts of monitoring and compliance with internal and certain external standards. As far as internal standards are concerned, a number of the companies monitored performance based on their own set of metrics, targets, ambitions, commitments, etc. In terms of external standards, companies mentioned complying with identified external standards and adhering to various guidelines. Seven of the companies made references to the GRI's Standards. These are considered to be the most widely adopted global standards for sustainability reporting. They have been developed with true multi-stakeholder contributions and are rooted in the public interest.[106] Out of those seven companies, four provided a GRI content index or indicated where its GRI content index could be found. Since the majority of the companies failed to make references to the GRI Standards, it can be argued that this is an area where there is a need for improvement.

The findings were more promising in relation to the SDGs as 13 of the companies made references to them. These provide a framework for government agencies, civil society and the private sector to work together to end all forms of poverty, fight inequalities and tackle climate change, all by 2030. The 17 SDGs of the 2030 Agenda for Sustainable Development, which were adopted by world leaders in September 2015, were published in January 2016.[107] The vast majority of the companies acknowledged the importance of SDGs and supported them. For example, Aviva stated: 'we believe all companies have a responsibility to help achieve the aims of the United Nations Sustainable Development Goals..'[108] Some

[105] Annual Report and Financial Statements 2018: <https://www.about.sainsburys.co.uk/~/media/Files/S/Sainsburys/documents/reports-and-presentations/annual-reports/sainsburys-ar-2018-full-report-v2.pdf> accessed 30 October 2018.

[106] GRI, *ABOUT GRI*: <https://www.globalreporting.org/information/about-gri/Pages/default.aspx> accessed 6 August 2018.

[107] United Nations Sustainable Development, 17 Goals To Transform Our World. *United Nations Sustainable Development Agenda,* undated: <https://www.un.org/sustainabledevelopment/development-agenda/> accessed 6 August 2018.

[108] Corporate Responsibility Summary 2017, 6 <https://www.aviva.com/investors/reports/> accessed 30 October 2018.

companies, such as AstraZeneca, went even further and mapped their sustainability activities against the SDGs.

(d) Verification/Assurance

There were three main ways through which the companies showed verification or assurance. All companies provided evidence of some form of verification or assurance regarding some of the statements made in relation to sustainability issues but there were major differences in the amount of information provided. Some companies disclosed that certain selected data in the reports were independently assured by an external body such as PwC, Deloitte, DNV GL. For example, GlaxoSmithKline mentioned that DNV GL provided limited assurance on selected data and this assurance was provided in accordance with the assurance standard ISAE 3000 (revised). It then mentioned the full statement provided by DNV GL which included a summary of the work done and its assurance could be found on its website.[109] Companies like GlaxoSmithKline that engaged an external body to provide independent limited assurance and then provided some form of an assurance statement in the report or indicated where it could be found, gave insight into the work performed by the external body and its conclusions. Some of these companies also mentioned the assurance standard that was used by the independent assurance provider and they seemed to be the most effective and detailed in communicating their actions in relation to verification and assurance.

On the other hand, some of the companies merely mentioned that certain data related to sustainability issues, such as selected environmental metrics, had been assured or verified by a recognized external body. This is an area where there is scope for improvement so as to provide greater disclosure.

Another form of verification or assurance was through receiving awards from external organizations. The majority of the companies highlighted the awards won for sustainability in a wide range of areas such as environmental leadership, climate change, graduate employment. For example, Compass Group stated that it received the 2016 Workforce

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109 Responsible Business Supplement 2017: <https://www.gsk.com/media/4756/responsible-business-supplement-2017.pdf> accessed 30 October 2018.

Innovation Award from the Australian Mines and Metals Association (AMMA) for 'creative and strategic efforts to overcome workforce challenges and deliver quality outcomes for communities and individuals in the resource industry'.[110]

Some companies showed assurance by mentioning good performance on certain benchmarks and inclusion in indexes on issues related to sustainability. Rio Tinto mentioned that it ranked in the top three of 98 companies in the 2017 Corporate Human Rights Benchmark for its human rights policies and performance.[111]

3. Integration and Planning

(a) Support and advice

The vast majority of the companies, namely 13, provided detailed evidence of consulting or collaborating with external bodies to receive, or provide, support and advice in relation to sustainability matters. Again, the types of collaborations were quite diverse. For example, Reckitt Benckiser Group mentioned that collaboration with industry, governments and other societal actors was essential to deal with human rights challenges effectively. It mentioned its leadership position in AIM-Progress which is a forum of leading fast-moving consumer goods manufacturers and common suppliers that facilitate and endorse sustainable supply chains and responsible sourcing practices.[112] Sainsbury's mentioned that it continues to actively engage with governments, regulatory bodies and administrations. It claimed that it communicates its views, along with those of its customers and colleagues, about geopolitical issues to inform the debate and make sure that its opinions are represented in the policy and decision-making processes.[113]

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110 Corporate Responsibility Report 2017, 7 <https://www.compass-group.com/content/dam/compass-group/corporate/Acting-responsibly/Compass%20Group%202017%20CR%20Report.pdf> accessed 30 October 2018.

111 2017 Sustainable Development Report: <http://www.riotinto.com/documents/RT_SD2017.pdf> accessed 30 October 2018.

112 Reckitt Benckiser Group Sustainability Report (n 102) : <http://sustainabilityreport2017.rb.com/assets/documents/RB_SustainabilityReport2017.pdf> accessed 30 October 2018.

113 Annual Report and Financial Statements 2018: <https://www.about.sainsburys.co.uk/~/media/Files/S/Sainsburys/documents/reports-and-presentations/annual-reports/sainsburys-ar-2018-full-report-v2.pdf> accessed 30 October 2018.

This category is an important element of phase 6, the sustaining company phase, of the Benn et al sustainability phase model. Using the company's influence on the government to promote positive sustainability policies and influencing key participants in the industry and community to promote human welfare is key to reaching this point.[114] Hence, collaboration with the government and various organisations is vital to becoming a sustaining company.

(b) Training

The majority of the companies provided examples of training their employees on issues related to sustainability, even though it was not always identified as sustainability training. AstraZeneca, which actually mentioned specific sustainability training, stated that all its newly hired employees were required to take an induction course which included sustainability training. It also stated that it has piloted 'Leading People' training which also integrated sustainability education.[115]

There were some common practices among the companies. First, a number of the companies mentioned that employees received training on the particular Codes of Conduct which included their approach to, and policies on, a number of sustainability issues. DCC mentions that it had detailed policies for employees on health and safety, anti-bribery and corruption, supply chain integrity, competition law, information security, diversity and equal opportunities all of which complemented the general requirements set out in its Code of Conduct. DCC employees received more detailed training on the particular policies depending on what was relevant to their roles.[116]

Another common practice was providing training on issues relating to supply chains such as ethical sourcing, modern slavery, human rights, and bribery and corruption. Prudential stated that the provision of training is a crucial part of how it managed its supply chain risk. In 2017 it ensured that its procurement and supply management personnel completed

114 Benn et al (n 92)

115 Sustainability Report 2017: <https://www.astrazeneca.com/content/dam/az/Sustainability/2018/Sustainability_report_2017.pdf> accessed 30 October 2018.

116 Annual Report and Accounts 2018: <https://www.dcc.ie/~/media/Files/D/DCC-v2/documents/agm-pdfs/pdfs/2018/dcc-plc-annual-report-2018.pdf> accessed 30 October 2018.

ethics training to make them aware of relevant labour risks. It provided briefings to the directors of those companies in its corporate group in relation to human rights risks. Also, a number of its employees who had regular contact with suppliers completed the Chartered Institute of Procurement and Supply's Ethics in Procurement and Supply course, which covered issues such as human rights abuse, forced labour in supply chains, bribery, corruption and fraud.[117] Lastly, some of the companies mentioned providing training on the impact on the environment.

(c) Embedding

All the companies provided numerous examples of what is being done to embed sustainability in their businesses. However, there were significant differences in the actions taken. For example, Tesco stated that its board supported the development of its corporate responsibility strategy and that resulted in the launch of its 'Little Helps Plan.' This plan outlined how the company will make a positive contribution to its customers, workers and communities as a sustainable business that also takes a lead role on matters that are important to society, such as tackling food waste and better health.[118] Companies, such as Tesco, that were at the top of the range in this category had a clearly defined sustainability plan or programme through which its sustainability strategy was implemented.

Companies in the middle of the range in this category showed sustainability was being embedded in the business through clearly identifying their sustainability strategy even though it was not implemented through, or labelled specifically as, a sustainability plan or programme. Glencore is an example of a company that stated it was integrating sustainability throughout its business and had well-defined objectives, imperatives, priority areas and targets. It had a sustainability strategy which focused on four areas: health, safety, environment, community and human rights.[119]

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117 Environmental, Social and Governance Report 2017: <https://www.prudential.co.uk/~/media/Files/P/Prudential-V2/reports/2017/esg-report-2017.pdf> accessed 30 October 2018.

118 Annual Report and Financial Statements 2018: <https://www.tescoplc.com/media/474793/tesco_ar_2018.pdf> accessed 30 October 2018.

119 Sustainability Report 2017: <http://www.glencore.com/dam:jcr/f3e8dd81-97b4-4b96-925c-ab3b6ea13c4a/Glencore+Sustainability+Report+FINAL+2.pdf> accessed 30 October 2018.

Others companies simply mentioned things like sustainability was being embedded through its core values or policies and continued to give examples of the initiatives to embed sustainability but failed to indicate in great detail how embedding occurred. Consequently, there are significant variations in how different companies are attempting to embed sustainability in operations.

(d) Research

In comparison to the other categories, the findings in this category were less promising as only half of the companies in the sample provided detailed evidence of carrying out research to enable them to improve sustainability measures or in relation to sustainability issues in general. Among the companies that provided evidence of carrying out research, some, such as Glencore, provided information on materiality assessment carried out in order to identify important topics. Similarly, Whitbread carried out an in-depth materiality assessment to assist in understanding the views of its senior business leaders, external partners, NGOs and customers. The assessment focused on 32 sustainability categories which were aligned with the SDGs. It also assessed wider external trends that may have an impact on the business and its sustainability ambitions.[120] As can be seen, these types of assessment also tie in with engagement with stakeholders as they are consulted on material issues.

4. Responsibility

(a) Framework

There were major variations in the type of information provided by the companies on the governance structures in place to oversee sustainability issues. Only seven companies had a formally dedicated committee responsible for issues relating to sustainability. The companies labelled these committees differently and the various labels included: corporate responsibility committee, sustainability committee, bigger picture committee and corporate responsibility, sustainability, ethics compliance committee. Also, the degree of detail provided by the companies on aspects such as their role and responsibilities, how often they

[120] Sustainability Report 2016/2017: <https://www.whitbread.co.uk/~/media/Files/W/Whitbread/documents/downloads/sustainability-report-2017.pdf> accessed 30 October 2018.

met, and their main focus areas varied greatly. Six companies mentioned other structures like sustainability teams and steering groups or they had other committees such as a safety, health and environment committee or a board governance committee that oversaw sustainability issues. However, it might be said that these committees could not be classified as dedicated sustainability committees as they had too many functions. We were unable to identify any specific sustainability governance structure for two companies.

(b) Leadership

Following on from the previous category, the findings suggest that most of the companies have put leadership structures in place to make sure that members of the board and senior management are involved in the process of developing and implementing sustainability strategies. Eleven companies had clearly identified the key personnel responsible for overseeing their sustainability efforts. In most companies, especially the ones with established sustainability committees, the leader was usually a non-executive director. Leaders of sustainability in other companies included the Chairman, Chief Counsel, Executive Vice President and Chief Compliance Officer. Finally, it should be noted that two companies failed to identify any individual as the leader responsible for overseeing its sustainability issues. This is worrying in that it might mean that there is little direction being given from the top of the company concerning sustainability.

F. Limitations of the Study

What our study cannot tell us is how stakeholders perceive the information that is provided in the material studied. Also the information might be under-selling the amount of sustainability that is being initiated for two reasons. First, executives are concerned that there might be a stakeholder backlash if they see what the company is saying is self-serving.[121] Secondly, executives might be concerned that the shareholders will take the view that the company is engaging in too much sustainability and that it is leading to fewer profits.

[121] J. Peloza, M. Loock, J. Cerrut and M. Muyot, 'Sustainability: How Stakeholder Perceptions Differ From Corporate Reality' (2012) 55 *California Management Review* 74.

It is not possible to determine the sincerity or veracity of companies' involvement in devising sustainability strategies; some might argue that companies are engaged in some sustainability in order to pander to the requirements of stakeholders or government bodies, and others might say that it is merely rhetoric. Good corporate reputations are extremely important due to their potential for value creation and their intangible character, which also makes it a source for competitive advantage.[122] The actions and behaviour of a company's management form a company's reputation, and engaging in activities that promote sustainability or corporate social responsibility can be a very effective action to attain competitive advantage.[123] Hence, companies that seem sustainable will certainly have a clear advantage. The companies might not in fact be acting in accordance with what they have said that they have done, although the verification that has been conducted seems to be solid and it would be hoped that that the verification process would have found any incorrect statements. What a company states about its operations might simply be a reflection of to what it aspires or what it believes the markets expect rather than how it really operates. This is a limitation recognised in other studies when using this kind of data,[124] although it has not been suggested that its use is without merit. Also, this concern has been countered somewhat by the fact that all of the companies do give specific details which could be challenged by interested stakeholders. Companies which include data that is not correct do risk being exposed and that would prejudice their reputations.

Finally, the assessment of where the companies are in sustainability terms is subjective, even though efforts were made to ensure reliability in coding and the assessment was undertaken by examining the data in the context of rigorously ascertained and defined categories.

G. Commentary

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122 P. W. Roberts and G. R. Dowling, 'Corporate Reputation and Sustained Superior Financial Performance' (2002) 23 *Strategic Management Journal* 1077, 1077; W. Hur, H. Kim and J. Woo, 'How CSR Leads to Corporate Brand Equity: Mediating Mechanisms of Corporate Brand Credibility and Reputation' (2014) 125 *Journal of Business Ethics* 75, 77.

123 T. Melo and A. Garrido-Morgado, 'Corporate reputation: A combination of social responsibility and industry' (2012) 19 *Corporate Social Responsibility and Environmental Management* 11, 15.

124 For example, see Klettner et al (n 2), 2014.

In some ways the findings were surprising. The responses to the UK Government's Corporate Governance Green Paper[125] seemed to suggest that reporting was poor on matters identified in s 172(1) of the Act. While the companies examined did fail to specifically set out what the directors had done in relation to their s 172(1) duty, our study found that the companies appeared to provide substantial reporting on those factors set out in s 172(1) without actually mentioning ESV. It might be argued that the companies have done more than what s 172(1) might well require. The companies had gone past merely having regard for stakeholders but engaging with them. Also there was clear evidence of companies placing reasonable focus on sustainability concerns and formulating aims that would enhance their contribution to greater sustainability. Part of the Financial Reporting Council's 'Guidance on the Strategic Report' suggests that the requirement in s 172(1) to have regard to the factors in s 172(1) involves engaging with stakeholders,[126] something that the GC100's 2018 Guidance for directors also suggests.[127] While there is no common agreement on what engagement with stakeholders means,[128] and it 'can mean many things to many people,'[129] arguably it means interacting with stakeholders, and listening to what they say, rather than merely considering their interests. It is submitted that this involves more than just having regard to the factors in s 172(1). 'Engagement implies a long-term relationship with active involvement.'[130] Pamela Sloan opines that engagement is the process of involving people and groups that affect or are affected by the

125 Department for Business, Energy and Industrial Strategy, 'Corporate Governance Reform' November 2016: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/640631/corporate-governance-reform-government-response.pdf accessed, 19 February 2019.

126 FRC, 'Guidance on the Strategic Report' July 2018, para 8.11(b) : www.frc.org.uk/getattachment/fb05dd7b-c76c-424e-9daf-4293c9fa2d6a/Guidance-on-the-Strategic-Report-31-7-18.pdf accessed 17 February 2019.

127 GC100, 'Guidance on Directors' Duties: Section 172 and Stakeholder Considerations,' 23 October 2018, 6 : uk.practicallaw.thomsonreuters.com/Link/Document/Blob/I59d0a3ddd47f11e8a5b3e3d9e23d7429.pdf?targetType=PLC-multimedia&originationContext=document&transitionType=DocumentImage&uniqueId=ca2b6551-a04f-44f3-aa3a-45d185fae44e&contextData=(sc.Default)&navId=75AD3CB81E3EF45EDA7034FC2D7EFF49&comp=pluk&firstPage=true&bhcp=1 accessed 17 February 2019.

128 P. Sloan, 'Redefining Stakeholder Engagement : From Control to Collaboration' (2009) 36 *Journal of Corporate Citizenship* 25, 26.

129 M. Greenwood, 'Stakeholder Engagement : Beyond the Myth of Corporate Responsibility' (2009) 74 *Journal of Business Ethics* 315, 315.

130 G. Shiplee, 'Stakeholder engagement – What does it mean and are we getting it right?' Corporate Citizenship, 21 September 2016: corporate-citizenship.com/2016/09/12/stakeholder-engagement-mean-getting-right/ accessed 17 February 20119.

activities of a company.[131] Engagement is very much encouraged by the sustainability literature, but it is doubtful that this was envisaged either by the CLRSG when positing the notion of ESV or by Parliament when s 172 was enacted. Engagement is going further than what is required by s 172 which demands directors to have regard to the factors. There is a different mind-set that is required for directors seeking to engage with stakeholders compared with having regard to them, as required by s 172. The former entails a much richer and deeper exercise. While engagement with stakeholders might be regarded as laudable and beneficial for the company, s 172 does not require it. As mentioned, our study found attempts and in many cases successful or partially successful attempts to engage with stakeholders and to address sustainability issues.

Our study suggests, perhaps, that it is not ESV that is going to drive companies to considering the interests of stakeholders, it is a concern that is deep in the company to engage with stakeholders and to want to enhance sustainability. Our findings might suggest that rather than pressing companies to report through requiring the directors to fulfil ESV, the better course of action is to study what has been the impetusfor the actions and reporting undertaken by some of the companies in our study.

H. Conclusion

This paper has presented a snapshot of how large companies in the UK are addressing sustainability. The research aimed to provide greater insights into emerging trends in how large UK companies address sustainability and it is submitted the findings can be used to understand the current state of sustainability in large companies along with identifying the areas where there is scope for improvement. Companies from eight different industrial sectors were examined which enabled us to obtain a broader understanding.

Based on our analysis some of the companies examined in this study were in phase 5 of the Benn et al sustainability phase model,[134] referred to as strategic proactivity, and some had

[131] Sloan (n 127), 26.
[134] Benn et al (n 92)

entered into the last phase, the sustaining company. There were a few occasions where the companies did not address the categories and sub-categories that we had formulated based on sustainability theory, but it should be noted that our assessment was based on an examination of each of the companies as a whole and an overall review of their efforts. As one would expect, there was room for improvement in each of the companies and we could have been critical of certain elements in all companies, but we sought to assess the company's activities in general. The key difference between the companies in phases 5 and 6 were that the companies in phase 6 had more of an ideological commitment to sustainability, that is they had gone beyond promoting sustainability for the competitive benefits it might produce and were now dedicated to creating a more sustainable world by collaborating with key participants in the industry, communities and governments. So, the companies in phase 6 had progressed from considering sustainability as a business strategy and seemed committed to playing their part in building a society that supports sustainability. Even though this is very promising, it is important to remember that the analysis was based on voluntary reporting from the companies and relates to one year only.

Overall, our study demonstrates that large UK companies are attempting to integrate sustainability in business strategies and there are indications that the majority of the companies in our study have done so successfully and are even seeking to set goals that will enable them to go further. This was consistent with the results of our pilot study of retail companies. The companies in the pilot study and the broader study addressed the majority of the categories and sub-categories in different ways and to different depths. The findings have contributed to addressing the aim of the study by showing that companies are embedding sustainability in their strategy and operations even though there are variations in their efforts. There is evidence of willingness to engage with relevant stakeholders in order to assess which sustainability issues are of importance to the particular companies and then to communicate to the stakeholders the steps that have been taken to embed sustainability in operations. Notwithstanding that the UK is said to favour shareholder value, there is sufficient evidence in the material we studied to suggest that many companies are embracing an approach that involves greater concern for stakeholders, and provision is being made for in companies that enable directors to adhere to their obligation to practise ESV. While the government's introduction of ESV may not itself have had any major effect on companies working towards sustainability, the progress of companies in sustainability terms might foster greater adherence to ESV by directors around the country.

Despite the apparent positive actions taken in sustainability terms, there is a need as far as some companies are concerned to embed sustainability more in their operations and for others to better communicate their efforts and results. We also identified some areas where there is scope for improvement. These include complying with international standards for sustainability reporting, initiating research that takes sustainability into account and establishing better frameworks to enhance sustainability.

Notwithstanding the shortcomings just identified, there is every indication that we should be encouraged that large UK companies are in general getting to grips with sustainability issues and are making progress. What this study cannot tell us is whether companies will retreat from their sustainability commitments if and when the state of the economy or the state of their own industry hits a major downturn. It is hoped that it would not have any negative effect because companies recognise the overall benefits, and not merely financial benefits, of staying committed, and increasing their commitment, to sustainability.