THE EVOLUTION OF SUSTAINABILITY REPORTING IN THE FINNISH OIL AND ENERGY SECTOR
THE CASE OF NESTE OIL CORPORATION

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Since the early 1990s, more and more companies are voluntarily reporting about topics related to their social and environmental responsibility in order to keep the different stakeholders informed. Corporate social disclosures (CSD) can be defined as the provision of financial and non-financial information relating to an organization’s interaction with its physical and social environment, as stated in corporate annual reports or separate social reports (Guthrie and Mathews, 1985). CSD includes details of the physical environment, energy, human resources, products and community involvement matters.

The important role of corporate social and environmental reporting, also referred to as sustainability reporting, has been since long acknowledged by the actors of the economic and political scene. However, it is also well recognized that the biggest gap in sustainability reporting is the absence of global, harmonized and compulsory standards/guidelines for reporting, as opposed to well established standards for financial reporting. This gap is real, serious and critical since the absence of such global set of formal standards unfairly offers a wide margin of freedom for the companies to include or omit at will any information from their reports. The body of existing reports becomes interesting to study not only for what companies are disclosing but also for what they are not disclosing. (Koehler & Chang, 1999).

The aim of this study is to investigate the evolution of social and environmental reporting, or sustainability reporting in the Finnish oil and energy sector through the case of the leading company in the sector, Neste Oil Corporation, during the period spanning the years between 1992 and 2008. Towards this goal, the sustainability reports related to this period have been carefully analyzed according to predefined criteria.

The results of the study show evidence of significant variation in the reporting practices of Neste Oil Corporation during the study period from 1992 to 2008. The findings demonstrate that the company’s reporting evolved over four distinct periods or phases spanning intervals of few consecutive years. The grouping of similar reports is based on the correspondence of these reports with the following criteria: scope of the sustainability reports, dominant themes/topics in the reports, reporting framework utilized in the reports, stakeholders explicitly addressed in reports and the inferred perception of sustainability reporting in this period. The findings also confirm the urgent need for defining global compulsory standards for sustainability reporting, especially under the expanding threats posed by climate change.
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1. INTRODUCTION

1.1 Background of the study

Corporate social responsibility (CSR) is a concept whereby organizations take into consideration the interest of society by assuming responsibility for the impact of their activities on the involved stakeholders, be it customers, suppliers, employees, shareholders, immediate communities and the environment. The latter environmental aspect of corporate social responsibility is increasingly growing in importance with the global awareness of environmental footprint of human activity on our planet. It is nowadays widely acknowledged that companies have a direct responsibility for the environmental implications of their operations, products and operating facilities; and therefore are required to minimize their waste and emissions; minimize their dependence on natural resources and reduce the overall energy consumption. In sum, companies are expected to minimize their negative environmental footprint, which in the long run will adversely affect the enjoyment of the planet’s resources by future generations.

Corporate social and environmental responsibility is a topical issue in the global community and attracts significant interest both within the general public and within policy makers. The increased public awareness towards global warming and decreasing natural resources is putting pressure on companies to be more accountable for their environmental responsibility. Therefore, businesses are looking for alternative solutions such as going green and environmentally friendly, integrating sustainability into business strategies, certifying for fair trade, consuming ethically, etc. On the other hand, the current global economic crisis might pressure companies to pursue aggressive cost cutting to improve their financial results; and there is a risk that some companies may sacrifice their social commitment and environmentally friendly strategies in favour of an aggressive survival strategy. It should be stressed that corporate social and environmental responsibility should prevail, also in challenging economic circumstances.

In order to inform their stakeholders about their corporate responsibility commitment, companies need to measure and communicate about their actions and practices towards achieving that goal. Reporting can be done in many ways. For example, companies can
publish corporate social and environmental responsibility information in their websites, or they can publish their data in the form of disclosures annexed to the financial reports, or they can choose to publish a separate external report (stand-alone report). In some cases, companies choose to use a combination of all these methods. The most common disclosure methods are the annexed disclosures to annual reports and the sustainability report stand-alone reports.

The important role of corporate social and environmental reporting has been acknowledged by the actors of the economic scene. However, the biggest and most important gap is also recognized: it is the absence of global, harmonized and compulsory standards/guidelines for CSR reporting, as opposed to well established standards for financial reporting. This gap is real, serious and critical since the absence of such set of formal standards unfairly provides a wide margin of freedom for the companies to include and omit at will any information in their reports. The body of existing reports becomes interesting to study not only for what companies are disclosing but for what they are not disclosing. (Koehler and Chang, 1999). Therefore, sustainability reports published by companies are heterogeneous and their contents are often difficult to compare even for companies belonging to the same sector and from the same size. The reliability and verifiability of the information included becomes also questioned1.

In order to fill up this hazardous gap, many initiatives and actions have been undertaken to provide guidelines and tools for sustainability reporting. Some examples of these tools are named below:

- The Global Reporting Initiative's (GRI) Sustainability Reporting Guidelines lastly updated in November 2008;
- The AA1000 series, Framework for Social and Ethical Accounting, Auditing, and Reporting, issued by the Institute for Social and Ethical Accountability (UK) on March 2003;
- The Coalition for Environmentally Responsible Economies (CERES) Principles launched in fall 1989;

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1 Many companies are relying on external consultants to verify the accuracy of the information disclosed in their sustainability reports.
- The CEFIC\(^2\) Responsible Care - Health, Safety and Environmental reporting guidelines;

Generally, these international guidelines are used by companies also on voluntary basis where they (companies) choose to use one or the other set of guidelines. In some countries however, authorities specify the guidelines to be used by companies. An interesting example is that of the Swedish authorities that require sustainability reports from state-owned companies. These sustainability reports should comply with Global Reporting Initiative (GRI) guidelines\(^3\).

Also, companies develop their own sets of criteria and guidelines for reporting on their health, safety and environment (HSE), corporate social responsibility (CSR), or on sustainability performance.

In light of these important and current global issues, I have chosen to investigate corporate social and environmental responsibility from the reporting perspective, and attempt to carefully study the social and environmental corporate reports, also called sustainability reports.

1.2 Aim of the research

Following the research background, the aim of this research is to analyze the evolution of the social and environmental reporting/sustainability reporting\(^4\) in the Finnish oil and energy sector over the period of 1992-2008 through the case study of the leading (and dominant) company operating in the sector, namely Neste Oil Corporation. Neste Oil being the largest Finnish oil company in Finland and a leader in sustainability reporting (Laine, 2009) is considered to be a representative study case for the Finnish oil and energy sector, therefore this case allows the generalization of the findings. Further, since the study is aimed at understanding the evolution of sustainability reporting over a specific period of time, it makes sense to confine the study to the leading company in the sector, which enables to delimit and dissect the trends in reporting evolution more precisely. It is not the purpose of this research to attempt to solve the problems related to sustainability reporting practices previously

\(^2\) CEFIC (from its French name Conseil Européen de l’Industrie Chimique) in translation, European Chemical Industry Council is the main European trade association for the chemical industry. It was founded in 1959, and its history follows through the creation of the European Union. Its headquarters are located in Brussels.

\(^3\) Source: http://www.sweden.se/eng/Home/Business/CSR/Facts/CSR/

\(^4\) In business language, corporate sustainability can equate to CR (corporate responsibility), which is composed of three parts: economic, social, and environmental responsibility (Mikkilä & Toppinen, 2008).
mentioned, but the dominant intention of the research is to provide, understand and interpret of some of the reporting practices in some special context. Achieving this goal would not be made properly without the explicit recognition of some of the major problems of sustainability reporting.

The research is conducted by analyzing the contents of the company’s sustainability reports spanning this period from 1992 to 2008. The study period ends at 2008, which corresponds to the last report available when this research was carried out. The research is structured as follows: First, the literature review is made on the overall theme of corporate social responsibility, and then on social and environmental reporting. Second, the analysis of the sustainability reporting of Neste Oil Corporation is conducted over the longitudinal study period (1992-2008) and the results are presented in the empirical sections. Finally, the conclusion and suggestions for future research are drawn.
2. LITERATURE REVIEW

This thesis is concerned with the study of the evolution of corporate social and environmental reporting, also referred to as sustainability reporting. In order to analyze the motivation and evolution of sustainability reporting, it is necessary to understand the underlying concept of corporate social responsibility (CSR) as well as the discipline of social and environmental accounting (SEA). In the first part of this section, we give an overview of the historical development of the concept of CSR and then we present the current outlook and dominant trends in the understanding and interpretation of CSR. In the second part of this section, we provide a literature review on the development of social and environmental accounting, which sets ground for the third part of this section dedicated to the definition and current outlook of corporate social and environmental reporting, in this part we also provide an overview of GRI sustainability reporting framework as well as the CEFIC Responsible Care – health, safety and environmental reporting guidelines. In the fourth part of this section, we recall some concluding remarks about the most relevant concepts in the context of this study.

2.1 Corporate social responsibility

In broad terms, corporate social responsibility (CSR) is the concept whereby organizations take into consideration the interest of society by assuming responsibility for the impact of their activities on the involved stakeholders, be it customers, suppliers, employees, shareholders, immediate communities and the environment. According to Davis and Blomstrom (1975), corporate social responsibility (CSR) can be defined as the obligation of the company to “take action which protects and improves the welfare of society as a whole along with their own interests”. Further, according to the official definition by the European Commission (2001), “Corporate social responsibility means that a corporation should be held accountable for any of its actions that affect people, their communities, and their environment.” In other words, the current understanding of CSR implies the imposed integration of social and environmental preoccupations onto companies with regard to their activities and their relations with the different stakeholders. In the following, we provide a literature review on the historical development of the concept of CSR.
2.1.1 Historical Overview of CSR

The concept of corporate social responsibility dates back to the 1930s before World War II, when expanding corporations became significant parts of society and were considered as involved in the public duty and interest (Myron & Coussens, 2007). Over the decades, the concept of corporate social responsibility has evolved to become more precise as to the types of activities and practices that might be assumed under the concept. The evolution of the concept was most important during the second half of the 20th century, in particular in the early 1970s when the term corporate social responsibility came into common use and then when a succession of formal definitions of legislative nature were drafted in many western countries.

The early definitions of corporate social responsibility were often general and ambiguous. Nevertheless Visse et al. (2007) have synthesized the concepts as generally reflecting the following common concerns:

- Seriously considering the impact of company actions on others;
- The obligation of managers to protect and improve the welfare of society; and
- Meeting economic and legal responsibilities and extending beyond these obligations.

It can be remarked from the above that the early definitions of CSR failed to address any environmental issues and were mainly addressed to business executives of the private sector, and aimed to achieve social coherence, which was a dominant theme in the 1930’s.

According to Archie B.Carroll, the modern era of corporate social responsibility begins in the 1950s, when the concept was referred to as social responsibility. The literature on CSR has been sparkled especially by the book by Howard R.Bowen (1953): Social Responsibility of the Businessman, that represent the most important and notable early literature, and for this, Brown has been called the “Father of Corporate Social Responsibility”. In his book, Bowen says that social responsibility “refers to the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society” (p. 6). Besides, he argued that social responsibility “contains an important truth that must guide business in the future” (Carroll, 1999).
During the 1960s, the literature on corporate social responsibility expended considerably, in an attempt to formalize the concept. One of the most important writers of this period was Keith Davis. In his article published in California Management Review “Can business afford to ignore social responsibilities?”, Davis defined Social Responsibility as “businessmen’s decisions and actions taken for reasons at least partially beyond the firm’s direct economic or technical interest” (Davis, 1960). He explained that social responsibility should be associated to the managerial context in order to understand its effect and decisions that are said to have a positive impact on the firm’s economic profit on the long term. Davis also went through the concept in his book with Blomstrom Business and its Environment where they defined social responsibility as referring “to a person’s obligation to consider the effects of his decisions and actions on the whole social system. Businessmen apply social responsibility when they consider the needs and interest of others who may be affected by business actions. In so doing, they look beyond their firm’s narrow economic and technical interests”. In 1967, Davis wrote another article entitled “Understanding the social responsibility puzzle: What does the businessman owe to society?” published in Business Horizon and where he stipulates that “Social responsibility moves one large step further by emphasizing institutional actions and their effect on the whole social system. Social responsibility therefore broadens a person’s view to the total social system (Davis, 1960, p. 46). According to Carroll (1999), Keith Davis should be considered as “the runner-up to Bowen for the father of CSR designation” thanks to his valuable contributions to the concept through books, revisions and articles. Corporate social responsibility has been defined and conceptualized in many different ways. According to Friedman (1962), who argues for the classical economic doctrine of free markets and who argues against the assumption of corporate social responsibility, the doctrine of social responsibility is “fundamentally subversive”. He declared that "Few trends could so thoroughly undermine the very foundations of our free society as the acceptance by corporate officials of a social responsibility other than to make as much money for their stockholders as possible" [p. 133].

During the 1970s and 1980s more publications came to enrich the literature on corporate social responsibility. Again, Keith Davis (1973) made a major contribution by displaying the basic pros and cons to the business assumption of corporate social responsibility. Davis (1973) agrees that the main arguments in favour of CSR assumption are the pursuit of long run self-interest of the business; the public image; the viability of the business; avoidance of government regulation; socio-cultural norms; stockholder interest; letting the business try;
business is owning the resources; the fact the problems can become profits and finally because as stipulated by the proverb “prevention is better than cure”. On the other hand, the arguments that are thought to be, according to Davis, against the business assumption of corporate social responsibility are: profit maximization; the lack of social skills by businessmen so they will not be able to integrate corporate social responsibility so as to do the job properly; the dilution of business primary purpose as the essence of the business activity is to be economically productive and profitable; weakened international balance of payment where corporate social activities are expected to raise the costs of the business and consequently of the product; the business is seen to have enough social power; lack of accountability; and finally lack of board support. Form the article of Keith Davis we can see how far the evolution of corporate social responsibility has gone. In fact, many of the disadvantages of corporate social responsibility stated disappeared in nowadays context as many businesses are adopting the assumption of CSR and starting to see a business case out of it. Carroll (1979) advocated the view of corporate social responsibility in a more exhaustive manner and as a social obligation when he defined its four levels. According to him, the definition of corporate social responsibility would not be complete unless it embodies “the economic, legal, ethical, and discretionary categories of business performance”. This four-part framework presented by Carroll defines the different levels of the organization’s corporate social responsibility and the fields within which it should operate. Therefore, it can be very useful for managers to help them “conceptualize the key issues in social performance, to systematize thinking about social issues, and to improve planning and diagnosis in the social performance realm”.

During the 1990s, alternative themes related to corporate social responsibility developed and came to support it, the major ones are: corporate social performance (CSP), stakeholder theory, business ethics theory, and corporate citizenship. Corporate social responsibility started to be viewed as a stakeholder obligation in the mid 1990s. As the concept was considered as too broad for defining and implementing effective managerial actions, many authors argued that the businesses are not responsible for their activities towards society as a whole, but only toward the actors of society that would be affected or would affect the activity of the company and that were then called stakeholders as opposed to the term stockholders. This affirmation defines the stakeholder theory. According to Henriques and Sadorsky (1999), the stakeholders can be regrouped into four categories that are the
organizational stakeholders\(^5\), the community\(^6\), the regulatory stakeholders\(^7\), and the media stakeholders. More recently, corporate social performance has been defined as “a business organization’s configuration of principles of social responsibility, process of social responsiveness\(^8\), and observable outcomes as they relate to the firm’s human, stakeholder, and societal relationships” (Visser et al, 2007).

Recently, Sustainability reporting has been dominated by environmental concerns because of the growing public awareness towards environmental themes such as climate change, but also probably because of the growing complexity of the social dimension in relation to multinational companies doing business in different parts of the world with significant differences in socio-economic circumstances. Therefore the theme that generates most global concensus is the environmental theme. The awareness about social and more especially about environmental issues has grown fast during the last years and has increased the demand for accountability and transparency towards all businesses and especially towards the environmental-intensive industries. Along with that, there is also a growing trend towards environmental reporting from companies at the first place. In fact, environmental excellence is playing the role of a catalyst to business excellence and success; therefore, environmental reporting “is seen as being important in maintaining or improving competitiveness in today’s business environment” (Fortes, 2002).

Throughout the years, the literature review testifies of a growing effort by researchers to better define the concept of corporate social responsibility. The concept of CSR has evolved to include more explicit responsibilities of the corporations towards society and in particular towards the environment. Unsurprisingly, it can be remarked that the evolution of CSR concept follows also general public and political concerns, this is for example evident in the integration of societal aspects first in the early 1930’s and then of environmental aspects, which coincide with topics that have respectively drawn significant public and political interest. This interconnection between public interest and CSR is also reflected in the fact that policy makers, such as the European Commission statement to define CSR (see above), which may be considered as a step in transforming the CSR concept from the research field into

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\(^5\) E.g., employees, customers, shareholders, suppliers
\(^6\) E.g., local residents, special interest groups
\(^7\) E.g., municipalities, regulatory systems
\(^8\) Corporate Social Responsiveness is a set of boundary-spanning behaviours by which firms link social responsibility principles to behavioural outcomes. (Wayne Visser et al, 2007).
regulatory guidelines before the anticipated step of application by companies in the form of compulsory reports.

Although some researchers have also argued for or against the assumption of CSR into the corporations, nevertheless the overwhelming majority have agreed on its necessity and therefore CSR became nowadays an established research discipline as well as an expanding practice in corporations, which sometimes dedicate entire departments to analyzing the social and environmental impact of their activities. The concept of corporate social responsibility has evolved to broaden the scope of its concerns, in particular by integrating the concerns about the environmental impact of the company’s business activities. It is also adopted by many businesses that begin to see and believe in a business case for acting in a more responsible way. Furthermore, a relatively new trend of corporate social responsibility is attracting the attention of the researchers and the other actors of the economic scene, which is corporate social responsibility reporting, more generally referred to as sustainability reporting.

2.1.2 The current outlook of CSR

Nowadays, corporate social responsibility is omnipresent and the demand for corporate social responsibility reporting has been growing very fast along with the growing public concern for social and environmental issues. The different stakeholders and in particular the authorities are increasingly active in demanding transparency and accurate accountability of the impact of business activities, in particular towards the environment. In return, the companies took notice of this increased interest and are competing to demonstrate interest in corporate social responsibility issues, and especially showcasing the practical measures that show that they are taking social and environmental responsibility seriously.

There are many initiatives that companies can take in order to manifest their corporate social responsibility. For example, companies can make environmental improvements that exceed what is normally required by law. Some practices also involve becoming an outstanding employer for specific employee groups, committing to fair-trade principles, or also some internal practices such as designing and using codes of conducts, and more recently companies going green or in other words environmentally friendly. The motivations behind the companies’ effort, which is often voluntary, may be in part explained by a willingness to improve their public image since the effort is anyway required to align with the unavoidable
regulations, in particular environmental such as emissions or waste management; but are also motivated in part by strategic decisions in many companies to capitalize on consequent technology innovations and to create a competitive advantage inline with the highly hyped trend of green and safe new technologies.

Corporate social responsibility measures have also extended to the financial markets through the appearance of so called ethical funds (also known as ethical investments) and by elaborating sustainability indexes; the most important of these indexes are the Dow Jones Sustainability Index, and the FTSE4Good index. Dow Jones sustainability index is based on the selection of the best performing companies in each sector (no sector is excluded). 10 % of 57 industries have been selected for the index. The selection is based on a thorough analysis of corporate economic, environmental and social performance, assessing issues such as corporate governance, risk management, branding, climate change mitigation, supply chain standards and labour practices. The FTSE4Good Index Series has been designed to measure the performance of companies that meet globally recognized corporate responsibility standards, and to facilitate investment in those companies. This index does not consider all types of industries (Tobacco, nuclear weapons, weapon systems and uranium are excluded). The companies’ selection criteria consider environmental sustainability, support of universal human rights and positive relations with stakeholders. These indexes, among other measures, reflect the extent to which corporate social responsibility has developed in the current economic context. At the same time, they are valuable CSR motivators since the many companies that are eager to be listed in one of these indexes will have to publish sustainability reports.

The literature, research, business concern and practices in corporate social responsibility have developed to the extent to which we can no longer afford to ignore its weight in the economic society. Consequently, managers and leaders ought to assume and consider the weight of CSR and integrate it into their business strategies. In fact, “There is no way to avoid paying serious attention to corporate citizenship: the costs of failing are simply too high...There are countless win-win opportunities waiting to be discovered: every activity in a firm's value chain overlaps in some way with social factors — everything from how you buy or procure to how you do your research — yet very few companies have thought about this. The goal is to leverage your company's unique capabilities in supporting social causes, and improve your
competitive context at the same time. The job of today's leaders is to stop being defensive and start thinking systematically about corporate responsibility” (Michael Porter, 2005).  

2.2 Social and Environmental accounting: definition and evolution

Corporate social and environmental reporting’s intellectual roots are in the broad base of social and environmental accounting (Laine, 2009). Therefore, reviewing the literature on social and environmental accounting is necessary in order to further understand from where social and environmental reporting emerged and evolved into an important and a discipline by itself.

2.2.1 Definition of social and environmental accounting

Social and environmental accounting is defined as: “the process of communicating the social and environmental effects of organizations’ economic actions to particular interest groups within society and to society at large. As such it involves extending the accountability of organizations (particularly companies), beyond the traditional role of providing a financial account to the owners of capital, in particular, shareholders; such an extension is predicated upon the assumption that companies do have wider responsibilities than simply making money for their shareholders” (Gray et al., 1987).

Nowadays, social and environmental issues are more and more weighted and considered by all the business sectors where they attempt to minimize their footprint especially on the environment. In fact, social and environmental reporting has been for long time dominated by environmental concerns. The interest in social accounting, which took some time to develop, was rapidly swept aside by environmental accounting from the late 1980s (Mathews, 1997).

2.2.2 Evolution of social and environmental accounting

The early literature and research on social and environmental accounting is said date back to the early 1970s. Mathews (1997) provides a comprehensive description of the literature and

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9 Michael Porter, Professor, Harvard Business School at the April 2005 Business and Society Conference on Corporate Citizenship, sponsored by the University of Toronto's Rotman School of Management.
early works on social and environmental accounting. He argues that a logical description of the literature would consist of dividing it into three time periods: the first period goes from 1971 through 1980, the second period goes from 1981 to 1990, and the third period goes from 1991 to 1995. In line with Mathew’s approach, the following part provides an overview of the evolution of social and environmental reporting as part of social and environmental accounting. According to Mathews (1997), the evolution of social and environmental accounting follows three major periods.

2.2.2.1 First Period: from 1971 through 1980

The early 1970s is generally regarded as the period when social and environmental accounting (SEA) research first became established as a substantial discipline in its own right (Mathews, 1997). This first period has been mainly descriptive and characterized by unsophisticated empirical studies that attempted to measure the amount of information produced and published. The interest was turned towards “what would now be called 'social accounting’, especially disclosures relating to employees and products” (Mathews, 1997). Also, a number of interesting models have been developed including models for the protection of environment. In sum, social and environmental accounting during this first period was not really the main concern of businesses. “Generally, work was theoretically under-developed” (Owen, 2008). This is very understandable since even financial accounting standards were not that much developed at that time, and the social dimension was not accepted by conceptual frameworks or accountant bodies.

2.2.2.2 Second period: from 1981 to 1990

Mathews (1997) argues that the second period in the historical evolution of social and environmental accounting starts from 1981 to 1990. This period was described as “complex”. It was mainly characterized by increased interest towards social and environmental accounting and an increased specialization and philosophical debates on the disclosures’ content (information about social and environmental activities). Publications were more developed as compared to the previous period with more analytical and less descriptive empirical research. Nevertheless, this period has been characterized by “the emergence of environmental accounting and auditing issues as the prime focus of attention” (Owen, 2008), which turned away the focus from social accounting.
2.2.2.3 Third period: from 1991 to 1995

In this period, the awareness about the importance of environmental issues has boosted the interest towards environmental issues in accounting. Besides, “The period was one where publication interest in environmental accounting has outstripped that related to social accounting” (Mathews, 1997), where the employee-related disclosures has been reduced starting from 1981. This period witnessed also the development of environmental audit. Many authors have considered environmental accounting as a promising window to change and as “a Trojan horse into the conventional managerial view of the organizations” (Gray, 1992). This view has raised voices of criticism. In fact, some authors, such as Tinker et al. (1991) and Cooper (1992), who stipulated that social and environmental accounting research failed to achieve social change because it avoided political issues. They considered environmental accounting as a mere reform of capitalism that reinforces and legitimize the pattern of environmental destruction. Power (1991) affirmed that there is a danger of premature appropriation to the environmental agenda by the accountants as they are taking the charge of creating this new area of expertise (environmental accounting). This is dangerous because it can create disruptions in the organizational behaviour towards the natural environment. Replying to those criticisms, Gray et al. (1995) studied environmental accounting practices and accountants within the dynamic of organizational change. The aim of the study was to show that environmental accounting is not a limit to the organizational and social change but an opportunity of creating “new voices, new visibilities and new discourses which can disrupt and encourage possibilities for change” (Gray et al., 1995). Unfortunately, the study was not very successful and has received little attention. This is due to the results suggesting that environmental accounting was being used “to negotiate and to limit the concept of the environment, and that any form of environmental accounting involves a trade-off between transparency and control” (González et al., 2001). This attempt provide arguments against those criticisms turned out to be unsuccessful, as they concluded that environmental accounting is currently being used to negotiate and to limit the concept of the environment, and that any form of environmental accounting involves a trade-off between transparency and control. In spite of its interest, Gray et al.’s (1995) stimulating model of organizational change and environmental accounting, has received little attention.
2.2.2.4 Current outlook of social and environmental accounting

The future of social and environmental accounting research has been seen as challenging nevertheless with positive and enthusiast prospects by many authors [such as Gray (2002), Parker (2005) and Owen (2008)]. In his brief review of social accounting literature, Gray (2002) gives an optimistic view as to the development of environmental and social accounting when he states: “the social accounting projects have come a very long way indeed since the mid-1970s and that gives me cause for much needed optimism. If social accounting can make as much progress in the next 25 years, I might actually begin to believe that there is some hope for more societally, organizationally, and environmentally-benign accountability, accounting and accounting education”.

2.3 Social and environmental reporting

2.3.1 Definition and current outlook

Corporate social and environmental report has many appellations; it is also called the CSR report, the sustainability report, the health, safety and environment report, the social report, the triple bottom line report, the corporate citizenship report, or the community report. In fact, the content of this non-financial report varies widely. It can cover all aspects of non-financial performance or it can be limited to specific topics. Thus, the title of the report will generally reflect its content and scope. The most general appellation though is the sustainability report.

Corporate social and environmental reporting (sustainability reporting) has witnessed a growing interest on both levels of research and business practices, especially that there has been an increase in the number of countries that have passed regulations requiring some sort of public disclosure of corporate environmental information. Examples of such countries include Japan, Denmark, New Zealand, and The Netherlands (Kolk, 2003). The corporate social and environmental report has been so far the most common way used by organizations in order to report for non-financial performance. On the level of business practices, it can be noticed that “A growing number of firms are publishing environmental reports as a means of communicating a firm’s level of environmental performance to concerned stakeholders” (Khanna & Anton, 2002).
Although corporate social and environmental reporting has gained interest and weight during the last few years in many different business sectors, the reporting is still to be made by companies on a voluntary basis. Indeed, numerous reasons can motivate companies to publish sustainability reports. Some of the reasons are that organizations seek to demonstrate their interest in the health of their employees, the communities they serve and the environment; to demonstrate their commitment and efforts in considering human rights and in integrating fair labour policies; to reflect transparency to the community and improve public trust; to demonstrate their willingness to build and maintain relationships with the community and other stakeholders; to better manage and communicate risk; to increase their shareholders and brand equity value; to enhance their reputation and increase market share, etc. According to the Sustainability Survey Report by PriceWaterhouseCoopers in August 2002 conducted on 140 U.S based companies\(^{10}\), the three first reasons why companies decide to be socially responsible (out of ten top reasons) are the “Enhanced reputation” (90% of respondents), the competitive advantage (75% of respondents) and the cost savings (73% of respondents).

Furthermore, the demand for ethical and Socially Responsible Investments (SRI) is growing considerably especially by church groups and environmentally conscious citizens. “A wider social movement has already led to exponential growth, as more people become concerned with how their money is invested […] The SRI sector is becoming more powerful and consequently more influential” (Friedman & Miles, 2001). Consequently, companies are increasingly motivated by adopting CSR measures and reporting, just as suggested by Owen (1990), who predicted that SRI sector may have a significant role to play in the development and evolution of CSR reporting in general. It is clear then that the reasons behind adopting social and environmental reporting vary a lot between organizations. It is, however, agreed that the triple bottom line approach is developing rapidly and is becoming more and more an important measure of value. Companies which are voluntary taking the step of reporting on their social responsibility issues today while it is still not compulsory, will be undoubtedly rewarded by their shareholders, regulators, and stakeholders.

The new trend is towards integrating non-financial reporting with financial annual reporting to provide a more comprehensive overall picture of the organization’s performance to stakeholders. Also, sustainability information has been dominated by environmental concerns

\(^{10}\) The respondent companies represented approximately $ US 2.5 trillion in annual revenues, including 101 Fortune 1000 companies.
because of the growing public awareness about the environmental issues such as global warming, but also probably because of the growing complexity of the social dimension in relation to multinational companies doing business in different parts of the world with significant differences in socio-economic circumstances. Therefore the theme that generates most global consensus is the environmental theme. The awareness about social and more especially about environmental issues has grown fast during the last years and has increased the demand for accountability and transparency towards all businesses and especially towards the environmental intensive industries. Along with that, there is also a growing trend towards environmental reporting from companies at the first place.

2.3.2 The reporting gap

Social and environmental reporting aims at providing information about the company’s social and environmental policies and measures to its stakeholders. However, the nature, quality and quantity of information included in social and environmental disclosures vary between different companies. Unlike the financial reporting that is governed by clear and global standards and rules, sustainability reporting is still under the companies’ control, where they choose what to include and what to leave out as sustainability reporting is not compulsory yet and is still to be done on a voluntary basis. The body of existing reports becomes interesting to study not only for what companies are disclosing but for what they are not disclosing (Koehler & Chang, 1999). This freedom in reporting has resulted in poor reporting quality (specificity and verifiability of data) and in heterogeneous reports that are often difficult to compare. Sometimes, the misuse of sustainability reporting can even result in the control of opinions through the way in which some data is displayed and some is omitted. Indeed, companies can control the information they communicate and the way this information is seen and integrated by stakeholders. Obviously, the aim of the company at controlling the information they publish is to somehow control the publics’ opinion in order to build a favourable public image to attract more customers, employees, investments and public support. In the following subsection we provide a literature review of some of the researches that investigated the corporate disclosures from different perspectives. These researches relate to the variety in the range of disclosures as a consequence to the absence of global reporting guidelines/standards.
2.3.3 A perspective on the diversity of CSR disclosures

Over the years, researches on social and environmental reporting have multiplied with a greater focus on the environmental aspect of reporting and on its limits and opportunities as a new arena in corporate reporting. Fields of research have considerably diversified in different directions with the common trend of adopting environmental reporting as a common practice on voluntary basis. Some works have focused on investigating the materiality, objectivity, common trends and differences of social and environmental disclosures in the absence of global compulsory standards. In fact, in the absence of global compulsory rules on environmental disclosures’ content will depend on many factors, such as the presence or absence of environmental costs in which case the policy would be that of full disclosures. Other factors include the size, industry and location of the company (Meek and Roberts, 1995). This short section is not intended to provide an exhaustive view on the diversity of CSR disclosures, but in the following we attempt to provide few samples that illustrate the diversity of the CSR disclosures along with the reasons behind such heterogeneous reporting practices.

Niskala and Pretes (1995) presented a study on environmental reporting in the annual reports of Finnish companies. Their findings suggest that environmental reporting in Finland depends on the firm’s industry, where “environmentally sensitive industries such as energy production and forest industry have higher levels of reporting than other firms.” They also found that environmental reporting tends to be varying with time and across countries.

Harte and Owen (1991) studied the environmental disclosures in the annual reports of water companies in an attempt to provide further detail on the development of green reporting by British companies. They also studied the compliance with the rules in reporting. They found that companies referred to different standards in reporting for their environmental issues. Some referred to their own internal standards; whereas others referred to external standards such as industry or government rules; other companies highlighted the rewards received for their practices; and some companies just named the standards they are referring to without providing explanations. The study pointed out that interesting developments have been made in environmental reporting as based on the companies’ initiatives, but also that there is a persisting need for enhancement of credibility and therefore a need for compliance to external standards, which means providing auditable information.
Roberts (1991) has made a very interesting study in order to examine the incidence of corporate environmental disclosures of companies from five different countries of Europe. He found that environmental information included in the disclosures is generally low, and differs between individual companies, where some of them tend to have extended financial disclosures. Contrary to some studies, the author found that on average environmental information disclosed is less important than employee-related information; this also suggested that patterns to disclose are different between countries.

Niskanen and Nieminen (2001) studied the objectivity of environmental disclosures in the annual reports of the Finnish listed companies. “Objectivity refers to the question of whether firms report equally on positive and negative environmental issues related to their operations. Their results indicate that environmental reporting of Finnish listed companies cannot be considered as objective as there is a clear tendency to report less negative news than the reality; though they also acknowledge that the trend is moving towards increasing objectivity in the disclosures. It also appears from their results that “the lack of objectivity will increase as the environmental sensitivity of the industry increases”. These results are also pointing out the importance of setting compulsory and standard regulations on environmental reporting.

Along with the research development on social and environmental reporting, many companies, especially the largest ones, have developed new forms of reporting for social and environmental aspects on an individual voluntary basis, despite the absence of support of the accounting bodies. The absence of compulsory and global standards on sustainability accounting has opened the way for other groups and NGOs to establish, themselves, such as the GRI, independent reporting standards. A quick non-exhaustive internet search yielded no less than 16 sustainability reporting guidelines and standards. In the following we simply list some of them for reference:

- The Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI)
- The AA1000 series, Framework for Social and Ethical Accounting, Auditing, and Reporting, issued by the Institute for Social and Ethical Accountability (UK) on March 2003;
- The Coalition for Environmentally Responsible Economies (CERES) Principles launched in fall 1989;

- Framework for Public Environmental Reporting, an Australian approach
- Japanese Environmental Reporting Guidelines, Guidance for Publishing Environmental Reporting
- The German Guideline for sustainability reporting - Der Leitfaden "Der Nachhaltigkeitsbericht"
- The CEFIC Responsible Care - Health, Safety and Environmental reporting guidelines
- UNEP/Sustainability reports "Engaging Stakeholders"
- UNCTAD Report: "Environmental Financial Accounting and Reporting at the Corporate level"
- The WICE\textsuperscript{12} guidelines
- CBI\textsuperscript{13} guideline: "Introducing environmental reporting"

In the following subsections we provide a review of a sample of these guidelines, which we have considered to be the most important in the context of this thesis, namely these are the GRI and the CEFIC guidelines.

2.3.4 The GRI sustainability reporting framework

The Global reporting initiative sustainability reporting framework (GRI) has its roots within the Boston based nonprofits CERES and the Tellus Institute. GRI’s first inception dates back to 1997, the first version on the GRI sustainability guidelines was released in 2000 and updated 2 years later in 2002. Nowadays more than 1000 organizations self proclaim the use of the GRI Guidelines in their sustainability reports, and a many other organizations use the Guidelines on a more informal basis.

The GRI Reporting Framework is intended to serve as a generally accepted framework for reporting on organization’s economic, environmental, and social performance. It is designed for use by organizations of any size, sector, or location. It takes into account the practical considerations faced by a diverse range of organizations – from small enterprises to those with extensive and geographically dispersed operations. The GRI Reporting Framework contains general and sector-specific content that has been agreed by a wide range of

\textsuperscript{12} World Industry Council for the Environment
\textsuperscript{13} The Confederation of British Industries
stakeholders around the world to be generally applicable for reporting an organization’s sustainability performance (GRI framework G3, 2006).

The GRI framework is composed of four key elements:

1. **The sustainability reporting guidelines**
   These guidelines are the core stone and the foundation of the GRI framework. They mainly consist of the principles for defining the content of the sustainability reports, ensuring the quality of the reported information, and setting its boundaries. The third edition of the guidelines is the G3 edition released in 2006. The guidelines also dispose of Standard Disclosures made up of performance indicators, disclosures items, as well as guidance on specific technical topics in reporting.

2. **Indicator Protocols**
   They exist for each of the Performance Indicators contained in the Guidelines. These Protocols provide definitions, compilation guidance, and other information to assist report preparers and to ensure consistency in the interpretation of the Performance Indicators. Users of the Guidelines should also use the Indicator Protocols.

3. **Sector Supplements**
   They complement the Guidelines with interpretations and guidance on how to apply the Guidelines in a given sector, and include sector-specific Performance Indicators. Applicable Sector Supplements should be used in addition to the Guidelines rather than in place of the Guidelines.

4. **Technical Protocols**
   These are created to provide guidance on issues in reporting, such as setting the report boundary. They are designed to be used in conjunction with the Guidelines and Sector Supplements and cover issues that face most organizations during the reporting process.

The GRI guidelines seek to enhance the credibility of reported information and the comparability of the reports. The guidelines also incorporate flexibility to help the reporting organization in reflecting the sectors in which they operate. Furthermore, the GRI Guidelines can be used with a more informal approach consistent with organisation’s capacity. The organisation may choose to cover only some of the content in working towards improving
their reporting, in which case they are asked to clearly indicate how they have used the GRI Guidelines and in particular, the core indicators. Upon finalization of their report, organization should declare the level to which they have applied the GRI Reporting Framework via the “GRI Application Levels” system. The “GRI Application Levels” system comprises three levels: C, B and A\(^\text{14}\). The reporting criteria found in each level reflect an increasing application or coverage of the GRI reporting Framework. An organization can self-declare a “plus” (+) at each level (ex., C+, B+, A+) if they have utilized external assurance. A “GRI Reports List” that contains the names of the organization\(^\text{15}\) reporting according to GRI and their Application Level is available on the web site of the GRI.

All in all, the Global Reporting Initiative (GRI) sustainability reporting guidelines were developed with the aim of assisting reporting organizations and their stakeholders in articulating and understanding contributions of the reporting organization to sustainable development (Global Reporting Initiative, 2002, *Introduction*). The GRI reporting framework is based on the triple bottom line approach (Elkington, 1987) and constitutes the most relevant standard on this issue (KPMG, 2005). The main aim of the Global Reporting Initiative standards is to make the sustainability reports as comparable as the financial reports regardless of the companies’ sectors, sizes, or economic objectives (profit or non-profit). Sustainability reports based on the GRI framework can be used to benchmark organizational performance with respect to laws, norms, codes, performance standards and voluntary initiatives; demonstrate organizational commitment to sustainable development; and compare organizational performance over time\(^\text{16}\). It is generally recognized that “The GRI is most comprehensive, commonly accepted and used framework for sustainability reporting,...In seeking comparability with their peers, more and more organizations are reporting using the GRI.” Terrence Jeyaretnam (Auditor/Assuror), URS Corporation, Australia\(^\text{17}\).

Taking the step towards sustainability reporting is still a voluntary action that arises from the individual initiative of the organization. On the other hand, nowadays we are witnessing some signs of change. Indeed, many governments require from some industries to publish

\(^{14}\) They respectively correspond to: new beginners, middle reporters, and advanced reporters.

\(^{15}\) The list contains only the organizations who declare themselves as reporting according to GRI.

\(^{16}\) Source: [http://www.globalreporting.org/AboutGRI/WhatWeDo/](http://www.globalreporting.org/AboutGRI/WhatWeDo/)

\(^{17}\) Source: [http://www.globalreporting.org/WhoAreYou/AssurorAuditor/](http://www.globalreporting.org/WhoAreYou/AssurorAuditor/)
disclosures especially for certain types of environmental information. This is the case for example of the US federal government that has enacted broad “Right-To-Know” laws that require the disclosure of certain routine information such as The Toxic Release Inventory. Another more recent and interesting example is that of the Swedish government, which starting from 2009 will require Swedish state-owned companies to present sustainability reports that are independently assured and produced in accordance with the Global Reporting Initiative (GRI) guidelines. Approved in May 2007, the Swedish initiative is the first move of its kind in the world and it is for sure a very big step towards a promising future for CSR reporting. Success is likely to increase further as corporations begin to see a business case, as well as, or as opposed to a moral case, for acting in a more responsible manner (Friedman & Miles, 2001).

2.3.5 The CEFIC Responsible Care - Health, Safety and Environmental reporting guidelines

Responsible Care (RC) is an environmental management program whose participants (entrepreneurs) voluntarily and publicly undertake to carry out measures aimed at improving their performances in environmental protection, process safety and employees’ health protection. The currently promoted Responsible Care management model is based on Deming's spiral approach and follows the credo of “Plan-Do-Check-Act”. It is also proposed to adopt the Sustainable Development principles formulated in the Declaration, according to which economic effectiveness is oriented at profit for the community but it takes into account the social and environmental costs. In its present form, the RC Program includes measures aimed at improving product handling (product life cycle analysis), product management, transport safety, cooperation and logistics (Hoffmann & Radosiński, 2007).

National chemical industry associations are responsible for implementing Responsible Care in their own countries by ensuring that the fundamental features of the program are also applied. The initiative is therefore at different stages of development, and has different emphases, in each territory. In Europe the Program is supervised by the Responsible Care Committee CEFIC (European Chemical Industry Council). Each national chemical association establishes and manages its own national Responsible Care programme based on a set of eight common Fundamental Features, one of which requires the association to establish and implement a set of Guiding Principles for member companies to sign and adopt.
Responsible Care was first conceived in Canada and launched in 1985 to address public concerns about the manufacture, distribution and use of chemicals. More than 20 years now since its launch, the RC Charter expands and extends the process of continuous improvement beyond chemicals manufacturing to other activities, especially those associated with the safe use and handling of products along the value chain.

### 2.4 Summary of the literature review

In this section, the literature on the concept of corporate social responsibility CSR and on social and environmental accounting SEA has been revisited in order to establish an understanding of social and environmental reporting. The literature review was performed in a chronological order, starting from the origins of social and environmental reporting. First, the general concept of corporate social responsibility has been defined. Second, we reviewed some literature on the more specific topic of social and environmental accounting. Finally, the main problems related to the discipline of social and environmental reporting were brought to light through the review of some studies investigating corporate social and environmental disclosures.

Corporate Social Responsibility (CSR) is an important issue in contemporary international debates. In the past two decades, CSR appears to have become more difficult to avoid, being more relevant to corporations all over the world (Aras & Crowther, 2009). The concept has first emerged in the early 1930s, when expanding corporations became significant parts of society and were considered as involved in the public duty and interest as well (Myron & Coussens, 2007). The concept has evolved during the last decades and has become more and more accepted and integrated by companies to the businesses. Nowadays, many companies, especially the internationally operating ones, have adopted CSR as part of their reporting routines. In business language, corporate (and social) responsibility can equate to corporate responsibility, which is composed of three parts: economic, social, and environmental responsibility (Mikkilä & Toppinen, 2008).

Social and environmental reporting (sustainability reporting) finds also its roots in social and environmental accounting discipline. This former concept has been defined by Mathews (1993, p 64) as “Voluntary disclosures of information, both qualitative and quantitative made by organizations to inform or influence a range of audiences. The quantitative disclosures
may be in financial or non-financial terms”. Social and environmental accounting has first emerged in the early 1970s and has become over the years a more influential field in research and practice. It is crucial to note that the development of environmental accounting in general has dominated over the development of social accounting and over other areas of interest such as management motivation for organizing disclosures (social and environmental reporting). This may be partly due to the complex character of the social dimension, and mostly to the relatively more important environmental dimension following the extensive focus of research on environmental accounting and the growing public concern about the environment under the threat of global warming and climate change.

From the literature review, it clearly comes out that social and environmental reporting has become a fixed discipline and field of interest in both research and business environment. Nevertheless, a set of harmonized and global compulsory set of standards/guidelines to regulate sustainability reporting is still missing though very needed. This fact creates an important reporting gap that increases reporting discrepancies and hinders sustainability reports’ comparability. Many NGOs and stakeholders’ groups responded to this problem by defining reporting frameworks. The most known and used sustainability reporting framework is that of the global reporting initiative GRI. The GRI framework is a long-term, multi-stakeholder and international initiative that was founded in 1997. The first version of the GRI guidelines was released in the year 2000. The GRI’s mission is to promote international harmonization on reporting about corporate economic, environmental and social performances of companies (Woods, 2008). The GRI reporting framework is especially interesting thanks to its applicability to different sectors and comprehensiveness. In fact, the framework provides sector supplements in order to provide more comprehensive and meaningful reporting by taking into account sectors’ differences. Apart from the GRI reporting framework, many other frameworks have been in use for sustainability reporting. Examples include the CEFIC Responsible Care-Health, Safety and the Environment guidelines, the Framework for Public Environmental Reporting-an Australian approach, the Japanese Environmental reporting guidelines, etc. Nevertheless, the GRI reporting framework is the most used reporting framework all over the world.
3. RESEARCH METHODS AND DESIGN OF THE STUDY

3.1 Research approach

Research design in empirical work can be qualitative or quantitative or a mixture of both, called triangulation (Gable, 1994). Qualitative approach is preferred when the researcher is seeking an in-depth understanding of subjects or texts through the appropriate method. Therefore, qualitative research seeks depth rather than breadth (Ambert et al., 1995).

Qualitative research involves the use of qualitative data, such as interviews, documents and participant observation data, to understand and explain social phenomena. A criticism often leveled at qualitative research is that it tends to be more subjective than quantitative research (Samkin & Schneider, 2008). Qualitative research is used when the research aims at understanding social and cultural phenomena, examples of qualitative research methods include the case study method, interviews, questionnaires, qualitative content analysis, etc.

During the literature review, it has been shown that there is a growing research interest into the topic of social and environmental reporting or sustainability reporting in general. This interest has also been supported by the common interest towards understanding and defining the reporting practices of companies within an international business context characterized by the absence of any compulsory and standards set of reporting rules. Starting from this general truth, the focus of this research is primary to deepen the understanding on the evolution of social and environmental reporting over the period of the last years in the energy sector through the case of Neste Oil Corporation. The topic of the study qualifies it to be rather a qualitative study as regards to the type of data (written textual reports) and aim of the study. Hence, the present research is based on a qualitative approach and uses the qualitative content analysis as the research technique.

3.2 Research method

The aim of this study is to analyze and further the understanding on how the sustainability reporting evolved in the Finnish Oil industry during the last years period through the case of Neste Oil Corporation. The longitudinal study period goes from 1992 till 2008.
The research method in use for this research is the qualitative content analysis of the reports of the selected company Neste Oil Corporation. Content analysis would be conducted by examining the data reports (sustainability reports of the corporation from 1992 to 2004 and annual reports from 2005 to 2008) in order to answer the research question and draw the conclusions.

The qualitative content analysis method is thought to be the most suitable method for the purpose of the study and for the textual data in hand. Content analysis has been first used as a method for analyzing hymns, newspaper and magazine articles, advertisements and political speeches in the 19th century (Harwood & Garry 2003). This observation suggests that content analysis would be very suitable to the data reports that are written messages published to the stakeholders and to the public (a kind of communication tool). Furthermore, this method has been widely used in corporate social and environmental responsibility research (Gray et al., 1995). Some examples of studies using the content analysis method include Abbott (1979), Gurthie and Parker (1989, 1990), Mathews (1993) and Nieminen and Niskanen (2001).

3.2.1 Qualitative content analysis as the research method

Content Analysis has a history of more than 50 years of use in communication, journalism, sociology, psychology, and business. Its methods stem primarily from work in the social and behavioral sciences, but its application has reached such distant areas as law and health care (Neuendorf, 2002). Krippendorff (1980) provides a quite comprehensive definition to content analysis. He defines it as “a research method for making replicable and valid inferences from data to their context, with the purpose of providing knowledge, new insights, a representation of facts and a practical guide to action”.

Content analysis was the primary tool used for analyzing the published information. As a research tool, it is used to investigate if certain words and concepts are present within texts (Jose & Lee, 2007). The literature on content analysis displays many definitions and classifications of the technique. Some authors classify content analysis exclusively as a quantitative method (Neuendorf, 2002). Other authors assert that content analysis can be both a qualitative and quantitative research method (Mayring, 2000). Qualitative content analysis method has been selected as the research method for this study. It is thought to be very
appropriate regarding the purpose of this study and also regarding the nature of the published textual data in hand.

3.2.2 Approaches to qualitative content analysis

Content analysis is a method that may be used with either qualitative or quantitative data; furthermore, it may be used in an inductive or deductive way (Mayring 2000). There are many approaches to content analysis. One approach is to categorize it into three approaches: directive (or deductive), conventional (or inductive) and summative content analysis (Hsieh & Shannon, 2005).

Content analysis is said to be directive or deductive when the categories of analysis are deriving from previous knowledge and existing theory, and when the aim of the study is theory testing (Kyngäs & Vanhanen 1999) by moving from the general to the specific (Elo & Kyngäs, 2008). Inductive content analysis, or conventional content analysis, is used when former knowledge about the phenomenon is limited. The aim of researches based on inductive approach is therefore to describe a phenomenon where particular instances are observed and then combined into a larger whole or a general statement (Chinn & Kramer 1999). A third approach to this method is the summative content analysis (Hsieh & Shannon, 2005). This approach implies identifying and quantifying certain words or content in text with the purpose of understanding the contextual use of the words or content. Analyzing for the appearance of a particular word or content in textual material is referred to as manifest content analysis (Potter & Levine-Donnerstein, 1999). However, the summative approach to qualitative content analysis goes beyond manifest analysis to include the latent content analysis. Analyzing the latent content means interpretation of the content (Holsti, 1969) in an attempt to discover the underlying meanings of the words or content (Babbie, 1992).

In all approaches of qualitative content analysis, it is very crucial to go through the basic steps of content analysis that are: design, execution and reporting, also referred to as preparation, organizing and reporting (Elo & Kyngäs, 2007). In this research, a combined approach of inductive and summative content analysis is adopted to analyze the textual data and answer the research question.
3.2.3 Choosing the case study company: Neste Oil Corporation

This research studies the case of Neste Oil Corporation. At this stage, it is important to precise that the term “case study” has multiple meanings. It can be used to describe a unit of analysis or to describe a research method (Myers, 1997). In this research, the case study is used as the unit of analysis (the case of one company) and not the research method.

The case company that has been chosen to conduct this research is Neste Oil Corporation. The choice of Neste Oil Corporation has been motivated by and based upon many criteria. The first criterion is the nationality of the case company. Since the research is conducted in Finland, it has been thought that the case company would better be in the same geographical context of the research meaning a Finnish company. Besides, as the focus of the research relates to environmental reporting, it has been thought that the case company’s activity sector has to be directly linked to the environment in order to get important environmental information. Examples of “environmental intensive” sectors could include the energy sector, chemical sector, transportation sector, etc. The researcher has been especially interested in the energy sector. Furthermore, the company had to have relatively a long reporting history in order to increase the possibility for having more reporting information. Neste Oil meets all the listed criteria, and further to that, it is a leader in its business sector and in sustainability reporting thanks to a good environmental reputation and reporting records. In fact, the corporate environmental report (CER) of Neste Oil ranked as the best Finnish report of its kind for three consecutive years in 1995, 1996 and 1997; and in international comparison it ranked as among the world’s best reports during these years (Neste’s corporate environmental report 1998).

It is also very important to note that the e-mail contacts that were made with the HSE personnel, in particular with Mr. Pekka Tuovinen the director of sustainability and regulatory affairs, have been very fruitful. Therefore, it has been possible to obtain all the research data concerning the study period with great facility and no problems.
4. CASE DESCRIPTION

4.1 Presentation of the case company: Neste Oil Corporation

4.1.1 Brief overview

Neste Oil Corporation (hereinafter Neste Oil) is a refining and marketing company, with a production focus on premium-quality, lower-emission traffic fuels and a growth strategy based on conventional refining and premium-quality renewable diesel fuel (Neste Oil’s annual report 2008). As a Finnish based company, Neste Oil was established in 1948 in order to secure Finland’s oil supply. Thus, it has been a fully state-owned company until 1995 where it was first listed in Helsinki stock exchange. In March 1999, Neste Oil became Fortum Oil and operated as a subsidiary of the Fortum Group after the combination of the two energy groups Neste Group and the IVO Group (Corporate Environmental Report 1998). In 2005, the company demerged from the Fortum Group and became what it is today: Neste Oil Corporation. Neste Oil’s headquarters are located in Espoo in Helsinki; the two main production plants are located in Finland (Porvoo and Naantali). Besides, the corporation has activities in around 10 countries around the world mainly focused in northern Europe. The activity of the corporation has been developing continuously over the years. In 2008, Neste Oil’s workforce was estimated to 5,262 employees (as of the end of December 2008). Neste Oil is listed on NASDAQ OMX Helsinki in the Energy sector under the trading code NES1V.HSE.

4.1.2 Activity of Neste Oil Corporation

The core activity of Neste Oil comprises three main business areas: oil products, renewable fuels and Oil retail. In the following, they are described in more details.

- Oil Products is Neste Oil’s largest business area and specializes in premium-quality traffic fuels and other high value-added petroleum products. Oil products are processed and refined in the company’s two refineries at Porvoo on the south coast and Naantali on the southwest coast. These have a combined annual crude oil refining capacity of around 260,000 bbl/d or 15 million t/a.

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18 Source: www.nesteoil.com
- Renewable fuels constitute Neste Oil’s fastest-growing business following a growing demand for biofuels. Based on its propriety technology, the company produces and sells NExBTL renewable diesel. Besides, the company is continuing an active program of R&D on biofuels and raw materials suitable for biofuel usage for the target of becoming the world’s leading producer of renewable diesel.

- Oil Retail business area is responsible for marketing petroleum products through the company’s own service station network and directing sales to companies and individuals. As of the end of 2008, the company had a network of 887 stations in Finland and 286 stations outside Finland in the Baltic Rim (Neste Oil’s annual report 2008). In 2008, Neste Oil increased its market share of the Finnish oil retail market and accounted for 27.4% of the country’s retail gasoline sales and 41.8% of retail diesel sales.

- In all its business areas, the company’s activity has a direct link and influence on the environment on raw materials level, processing level and distribution level.

4.1.3 Accountability records

Neste Oil’s commitment to a sustainable future has been recognized on the international level. In fact, in September 2009, the company has been accepted for the third year in a row to the Dow Jones Sustainability World index (DJSI World listing). Also, Neste Oil has been awarded 'Best in Class' recognition for its social accountability by the Norwegian banking group, Store brand, featured in the Ethibel Pioneer Investment Register, and included three times in Innovest's Global 100 list of the world's most sustainable corporations (latest in January 2008), as based on an analysis of 1,800 publicly traded companies by Innovest Strategic Value Advisors.

In May 2008, Neste Oil’s headquarters have been granted the Green Office Certification from the WWF (World Wildlife Fund). This logo was granted in recognition of the solutions applied in the headquarters’ office that save energy and the environment. Headquarters take these considerations for environmental aspects into account already during the planning and

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20 Innovest Strategic Value Advisors is an internationally recognized investment research and advisory firm specializing in analyzing companies’ performance on environmental, social, and strategic governance issues, with a particular focus on their impact on competitiveness, profitability, and share price performance. This firm produces corporate and industry analyses focusing on the role of environmental issues in business operations. These analyses are mainly meant for institutional investors.
building phase, and by using state-of-the-art technologies for energy consumption optimization.

4.1.4 Environmental Reporting of Neste Oil

According to Mr. Pekka Tuovinen, the director of sustainability and regulatory affairs in Neste Oil, the annual reports of Neste Oil have included an environmental section as of the year 1969\textsuperscript{21} when the first environmental manager was nominated and an environmental unit was created. The company started to produce separate environmental/HSE reports in 1992. The first separate report containing the year 1992 results was released in 1993. An internal report for the year 1991 results has also been done but not published to the public; it has been rather used in-house. In this study, the data set represent only the public environmental information in sustainability reports\textsuperscript{22} and annual reports, namely from 1992 to 2008.

As of the latest annual report, the company reports for sustainability matters according to its own principles and guidelines. In fact, in the annual report of 2008, as for its approach to responsibility, the company states:

\begin{quote}
\textit{“We develop our responsibility-related reporting in line with accounting legislation and other developments. While we monitor the reporting guidelines published by the Global Reporting Initiative (GRI), we do not implement the GRI approach systematically. Our goal is to present the fundamental factors, targets, and risks associated with our operations and our products as they affect our stakeholders. Our reporting covers all operations over which Neste Oil has immediate control”}. (Neste Oil’s annual report 2008: 32).
\end{quote}

As stated in 2008, the company does not follow systematically a set of reporting principles and guidelines, but the reporting is made by assessing how the company’s operations affect its stakeholders. Also, the company’s reporting is based on the Finnish accounting legislation in assessing environmental costs and responsibilities. Sustainability information in Neste Oil’s reports is not audited by a third party, but the quality and extent are reviewed by an outside consultant. Apart from the sustainability reports, Neste Oil currently reports for social and

\textsuperscript{21} In 1969 Neste’s environmental protection department was created and was the first of its kind in Finnish industry and one of the pioneers in the field in Scandinavia. (Neste Responsible care progress report 1992).

\textsuperscript{22} The appellation sustainability report is used in the empirical part as a general term to design the stand-alone corporate social, environmental, and sustainability reports.
environmental issues via internet through their website www.Nesteoil.com. Also, an environmental brochure is published on yearly basis and in which General environmental issues are covered. The company also produces a quarterly stakeholder magazine called “Refine”, in which they publish articles about issues related to their activity, oil and energy sector and the environment. It is beyond the scope of this study to analyze sustainability reporting information contained in all the published material. Therefore, the focus of the research will only be sustainability information in the sustainability reports/annual reports published at the end of the year.

4.2 Data collection and analysis

4.2.1 Data collection and description

The main data subject to analysis in this research are the environmental reporting data published on a yearly basis and spanning the period from 1992 till 2008. The first year of data collection has been chosen according to the first year of a separate public sustainability report (stand-alone report), namely 1992. The end year of the longitudinal study period 2008 is the last year of available report when the study is carried.

When looking for and gathering the data, it was meant to look for the most comprehensive set of sustainability reported information published by the company on yearly basis. Consequently, the sustainability stand-alone reports have been selected because of their exclusive focus on social and environmental matters (substantive matters). These reports are available from 1992 to 2004. However, from 2005 to 2008, annual reports have been considered instead due to the unavailability of such stand-alone sustainability reports. In fact, in the actual corporate website of Neste Oil, it is stated that:

“We report on our activities regularly through our Annual Reports, refinery environmental reports and our Web site”. (Neste Oil’s corporate Website).

For the last three years since 2005, the company has been reporting about sustainability matters in the annual reports and website, along with producing sites’ specific reports (Porvoo and Naantali). This change in the disclosures’ methods of the sustainability information is
apparently due to the change in the corporate status of Neste Oil\textsuperscript{23}. Consequently to this, the general data set of this study is composed of:

- The sustainability reports from 1992 until 2004
- The annual reports from 2005 until 2008

Refinery environmental reports are not considered due to their limited scope to some sites of the company; furthermore, they are only available in Finnish and Swedish.

As previously stated, the company publishes an environmental brochure where general environmental matters are covered. This brochure is not qualified as a reporting document; instead, it provides forward-looking statements defining strategic orientations of the company vis-à-vis to environment. All other environmental reporting information included in other published sources is excluded (Internet reporting, brochures, journal and magazine articles, etc).

The data reports have been collected in several batches. The latest four reports going from 2005 till 2008 are available in the Website of Neste Oil Corporation. The earlier reports have been directly requested from the company from the health, safety and environment department. Mr. Pekka Tuovinen, the director of sustainability and regulatory affairs in Neste Oil Corporation, kindly provided the data reports. The reports going from 1997 till 2004 are in PDF form, and the earlier reports starting from 1992 till 1996 are in printed form. So, these reports represent the general data set and source that are going to be analyzed.

The table below summarizes the main characteristics of the reports. For each report, the following characteristics are determined: name, scope, total pages and the number of pages allocated to social and environmental reporting.

\textsuperscript{23} In 2005, Neste Oil Corporation emerged from its previous parent company Fortum Corporation and became an independent listed company in the Helsinki Stock Exchange on 18 April 2005
Table 1: General description of the data reports

<table>
<thead>
<tr>
<th>Report's year</th>
<th>Report type (separate/annual report)</th>
<th>Name of the report</th>
<th>Scope of the report</th>
<th>Number of pages</th>
<th>Number of pages allocated to social and environmental information</th>
</tr>
</thead>
<tbody>
<tr>
<td>1992</td>
<td>Separate</td>
<td>Neste Responsible care Progress report 1992</td>
<td>Environmental</td>
<td>38</td>
<td>38</td>
</tr>
<tr>
<td>1993</td>
<td>Separate</td>
<td>Neste Responsible care Progress report 1993</td>
<td>Environmental (included also some health and safety matters)</td>
<td>51</td>
<td>51</td>
</tr>
<tr>
<td>1994</td>
<td>Separate</td>
<td>Neste Responsible care Progress report 1994</td>
<td>Environmental (included also some health and safety matters)</td>
<td>44</td>
<td>44</td>
</tr>
<tr>
<td>1995</td>
<td>Separate</td>
<td>Corporate Environmental report progress in 1995</td>
<td>HSE(^{24})</td>
<td>44</td>
<td>44</td>
</tr>
<tr>
<td>1996</td>
<td>Separate</td>
<td>Corporate Environmental report progress in 1996</td>
<td>HSE</td>
<td>44</td>
<td>44</td>
</tr>
<tr>
<td>1997</td>
<td>Separate</td>
<td>Corporate Environmental report progress in 1997</td>
<td>HSE</td>
<td>42</td>
<td>42</td>
</tr>
<tr>
<td>1998</td>
<td>Separate</td>
<td>Corporate Environmental report 1998</td>
<td>HSE</td>
<td>56</td>
<td>56</td>
</tr>
<tr>
<td>1999</td>
<td>Separate</td>
<td>Fortum in Society 1999</td>
<td>Environmental, economic and social</td>
<td>32</td>
<td>32</td>
</tr>
<tr>
<td>2000</td>
<td>Separate</td>
<td>Fortum in Society 2000</td>
<td>Environmental, economic and social</td>
<td>9</td>
<td>9</td>
</tr>
<tr>
<td>2001</td>
<td>Separate</td>
<td>Fortum in Society 2001</td>
<td>Environmental, economic and social</td>
<td>11</td>
<td>11</td>
</tr>
<tr>
<td>2002</td>
<td>Separate</td>
<td>Fortum in Society 2002</td>
<td>Environmental, economic and social</td>
<td>13</td>
<td>13</td>
</tr>
<tr>
<td>2003</td>
<td>Separate</td>
<td>Fortum in Society 2003</td>
<td>Environmental, economic and social</td>
<td>21</td>
<td>21</td>
</tr>
<tr>
<td>2004</td>
<td>Separate</td>
<td>Fortum in Society 2004</td>
<td>Environmental, economic and social</td>
<td>25</td>
<td>25</td>
</tr>
<tr>
<td>2005</td>
<td>In the annual report</td>
<td>Annual report 2005</td>
<td>Comprehensive*</td>
<td>120</td>
<td>11</td>
</tr>
<tr>
<td>2006</td>
<td>In the annual report</td>
<td>Annual report 2006</td>
<td>Comprehensive*</td>
<td>112</td>
<td>10</td>
</tr>
<tr>
<td>2007</td>
<td>In the annual report</td>
<td>Annual report 2007</td>
<td>Comprehensive*</td>
<td>124</td>
<td>12</td>
</tr>
<tr>
<td>2008</td>
<td>In the annual report</td>
<td>Annual report 2008</td>
<td>Comprehensive*</td>
<td>148</td>
<td>22</td>
</tr>
</tbody>
</table>

* Comprehensive scope in annual reports: financial, social and environmental.

\(^{24}\) HSE refers to Health, safety and Environment.
4.2.2 Data analysis

4.2.2.1 Preparation phase

The preparation phase is very crucial for the conduct of content analysis and design of the study. In fact, the preparation phase is the most important phase of the content analysis. During this phase, the organization of the analysis has been defined. As the qualitative content analysis to be applied in this case is based on an inductive approach, a preliminary exploration of the data is essential in order to dissect the main research question “How did the sustainability reporting of Neste Oil Corporation developed from 1992 to 2008?” and define the categories of analysis. Data preliminary exploration was also important for the purpose of describing the data.

Thus, the reports have been read one by one, and the most natural way in the chronological order of their publishing. Simultaneously, notes on key themes and scope of reporting were taken and reporting trends have been identified. The preliminary exploration of the data enabled familiarizing the researcher with the information and issues inside the reports and identifying the categories of analysis (designated as the characteristics of reporting for the rest of the analysis). For each report, the following characteristics are to be identified:

- The scope of the report and the main themes
- The framework\(^{25}\) (if any).
- The perception of reporting for the company

The designing phase is summarized in the following graph:

\(^{25}\) The framework means that the company follows a reporting benchmark established by some recognized entity or organization. Examples of reporting framework include the GRI sustainability reporting framework, the IFAC Sustainability Framework, The INEM Sustainability Reporting Guide (A Manual on Practical and Convincing Communication for Future-Oriented Companies), etc.
4.2.2.2 Organizing and reporting

After the design of the study plan, a second round of more detailed reading was carried out in order to determine the characteristics defined after the first reading, namely: the scope and main themes, the framework (if any), and the perception of reporting expressed by the company. The company’s perception of reporting would be determined after concretely detecting for each report the scope, the framework, and the usage of words and expressions talking about reporting in the texts. For this purpose, analysis sheets have been created for each report. The actual and effective analysis is carried out during the second reading of the reports by taking notes and writing the results for each report in the reports sheets. As reading and analysis were going on, the evolution of the company’s reporting was emanating along. The following section displays the results and findings of the analysis.
5. EMPIRICAL FINDINGS

5.1 Essential results of the analysis

The analysis of the reports was performed in chronological order so as to find the differences from one reporting year to the next and to identify underlying trends in the evolution of sustainability reporting of Neste Oil. An analysis sheet has been drawn for each of the reports with a particular focus on the following characteristic aspects:

1. Scope of treated topics or themes
2. Prevailing or dominant themes in each report
3. Reporting framework used in each report (if any)
4. After identifying and analyzing these aspects in the reports, the company’s implicit perception of sustainability reporting is inferred.

The detailed analysis of the reports indicated small changes from year to year and exposed more prevailing similarities between the reports according to the characteristic aspects defined above. Similar reports were grouped within reporting periods to reflect dominant trends in the approach of Neste Oil towards sustainability reporting. The main criterion for grouping a set of reports (reporting period) is their common scope. This resulted in identifying four distinct reporting periods or phases as follows:

- Period I: from 1992 to 1994
- Period II: from 1995 to 1998
- Period III: from 1999 to 2004
- Period IV: from 2005 to 2008

The common scope within the periods was considered as the most appropriate criterion for grouping of the reports for three reasons. First, it is a comprehensive criterion that can be used to form a good and intuitive basis for meaningful grouping. Second, it was observed that the titles of the reports changed accordingly with their scope, which hinted already to the distinct reporting periods. This observation has been confirmed after reading and analyzing

26 The title of the report changed with the scope and also according to the corporate ownership status of the company, this notice is going to be developed in the results section.
the reports. Third, among the criteria studied, the scope of treated themes can be easily detected in the reports. Fourth, it was noticed that within the same scope of themes, only little changes in other characteristic aspects of the reports could be observed; on the other hand, when the scope changed, it also meant that other characteristic aspects in the reports changed significantly. It is worth noting that for the last period (2005-2008), the grouping of the reports was rather obvious because of the sustainability reports in this period were annexes to the annual reports. In the following part, the main findings of the analysis are presented according to the four reporting periods identified above.

5.1.1 Period I: from 1992 to 1994

This first period corresponds to the very first public sustainability reporting by the company. The first stand-alone report is that of 1992 and is entitled *Neste Responsible Care Progress Report 1992*; the scope of the reports in this period is predominantly environmental, and some of the information reported related also to health and safety issues within Neste Oil. The title, however, hints to the Responsible Care Program formulated by the CEFIC and to which Neste Oil has been a signatory since 1991.

The Reports of the first period appear to be very well structured and composed of two parts; an introductory part and a second part dedicated to substantial reporting on environmental topics. The first part features an introduction to Neste Oil’s activities, strategies and approaches to environmental protection, with some key financial indicators along. This introductory section also contains key statements by the company’s CEO and by the Corporate Vice president (Corporate Environment and Safety) discussing the overall business strategy and further highlighting the adherence of the company to environmental protection and its integration into the company’s business model. In the second part of the report, the company presents sustainability information related to its activities, and towards the end of the report, numerical data related to emissions are also disclosed.

Overall, it appears that the dominant concern in the sustainability reports in this period is the environmental impact of the production activities, and in particular the company’s efforts to reduce consequent emissions. The reports contain a lot of detailed numerical data and indicators about activities’ environmental impacts. A discernible underlying concern in the reports is the environmental management systems (EMS) used by the company, which
consists in integrating environmental protection measures into the business and management processes of the company. Additionally, environmental auditing, ISO quality certifications and TQM (Total Quality Management) appear to be visible foci in the company’s sustainability reports in this first period.

The framework adopted by the company to report on these issues is based on the Responsible Care principles (RC)\textsuperscript{27} set by the CEFIC as described in the report of 1992:

“Neste follows the ten guiding principles set out by the European Chemical Industry Council (CEFIC) in its environmental, health and safety thinking and activities”. (Neste’s Responsible Care Progress Report 1992: 6).

The ten RC principles are named one by one. Following each principle, the events, actions, news and their results undertaken by the company are described as related to each specific principle. However, we are not able at this stage to ascertain whether the reports disclose comprehensive information relating to all of the company’s production activities (or the most comprehensive one) since the activities which were reported upon appear to be merely examples chosen by the company to illustrate environmental developments within Neste Oil Corporation, as declared by the Corporate Vice President in the introductory part of the first report of 1992:

“We have chosen a variety of examples from the activities of Neste’s various divisions and units for inclusion in this report on environmental developments within the Corporation in 1992. These are grouped under headings provided by the ten RC principles formulated by the European Chemical Industry Council (CEFIC).” (Neste’s Responsible Care Progress Report 1992: 5).

Although the overall characteristics of the individual yearly reports of this first period are similar in particular with regard to treated issues and utilized framework, there are still some differences between these reports. For example, the first report of 1992 is the most detailed and most condensed one with environmental information; whereas the reports of 1993 and

\textsuperscript{27} They are also called CEFIC’s environmental protection principles. In fact, Neste Oil has committed itself to the Responsible Care program and is a signatory to the international chamber of Commerce’s Business Charter for Sustainable Development since 1991.
1994 appear more as a follow-up of the first report (1992) with some additional information. Content-wise, health and safety-related issues appear more emphasized in the latter reports (1993 and 1994). Also, there is an implicit expectation that readers of each of the following reports are aware of the content published in the previous ones, which is somehow misleading since reports are supposed to be self-explanatory. This is visible for example when some environmental issues that are fully described in the report of 1992 are only briefly mentioned in following reports. An example about this is the reporting on a conflict involving Neste Oil’s operating plant in Portugal with neighboring farmers (farmers asked for compensation to their crop losses that they attributed to operations of Neste Oil in the area). While the conflict is fully described in the first report in 1992 in an entire paragraph, only one sentence is mentioned about the conflict in 1993:

“...and the dispute in Portugal over the effect of the Sines plant on Orange crop losses are still pending.” (Neste Responsible Care Progress Report 1993: 19).

This overlap in information display suggests that there should be a common benchmark for reports so they would have the same informative value in terms of quantity and quality for the reader of any of the reports at any point in time.

**Perception of reporting**

Throughout this first identified period, it is clear that social and environmental reporting is an evident strategic concern for the company. In fact, Neste Oil has been reporting for a long time internally before the release of the first public report in 1992. The company claims its commitment to the Responsible Care Program (RC), and reporting is an integral part of this commitment in order to inform the public about environmental impact of its activities. Indeed, by committing itself to the RC principles, the company is bound to the RC guiding principle number 7, which consists in communicating about its activities and products. Moreover, there is a clear effort made by the company to provide a meaningful framework to its sustainability reporting and to select a representative set of issues and topics to display in its reports. The environmental management system (EMS) framework, namely the RC principles,

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28 Also called CEFIC point 7, which quotes: “Keeping the public and other interest groups informed of our production operations and products, and their environmental, health and safety aspects; and responding to anxiety and concern expressed about them”. (Neste Responsible Care Progress Report 1992: 6).
is adopted for reporting. Although the EMS is not explicitly dedicated to reporting *per se*\(^{29}\), the reported information appears grouped and categorized in a logic order as related to the activity principle under which it is labeled.

In Neste Oil’s perspective, sustainability reporting is predominantly reporting about the environmental impact of its activity; this is in line with its legal obligation to report to the authorities about the compliance with the emissions and safety regulations imposed on the sector.

In this first period, Neste Oil reflects a big concern and demonstrated significant enthusiasm about sustainability reporting and has further undertaken a voluntary reporting initiative mainly addressed to the neighbors of the refineries owned by Neste Oil as primary stakeholders by organizing for them (the neighbors) events and information sessions about its activities and their environmental impact on the immediate neighborhood of the plants. In this respect, besides being an important part of the environmental commitment to the RC program, the reporting data can be utilized as an additional communication tool to the stakeholders and in this case to the neighbors of the refineries owned by Neste Oil. Other events (visits, conferences, etc) and meetings with stakeholders are held, in particular with the neighbors to the main refineries.

**5.1.2 Second period: from 1995 to 1998**

This second identified period of reporting goes from 1995 to 1998. The title of the reports of this period is *Corporate Environmental Report Progress*. Reports of this period are mainly composed of two parts. The first part is an introductory part containing the CEO and Corporate Vice President statement, and the last report is dedicated to reported data.

The scope is predominantly environmental and additionally it covers topics related to health and safety. These topics are related to environmental, health and safety (EHS) management systems, nevertheless the RC program is still central. The environmental impact of the company’s activities, i.e., the reductions in emissions, is also reported upon in detail. There is also a growing concern in these reports about environmental certification programs, environmental auditing, and research and development achievements and activities. Besides,

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\(^{29}\) For example, in the GRI framework, it is well stated that the reporting framework is not a tool for environmental management system but for reporting *per se*. 
the company provides an extended description of its environmentally friendly new products and operations, especially as regarding the products’ compliance with different national and international environmental requirements, which also made these reports look different when compared to the period. Some other “topical\textsuperscript{30}” issues are more and more present such as climate change. Also, most of the numerical data refer to emissions by the production plants of the company.

An important change is noted regarding the scheme of the reports. In fact, the company does not follow in this reporting period the same framework based on the ten RC principles as it was the case in the first identified period. Instead, the reports’ framework appears to be based on a funnel-shaped approach where reporting goes from the general to the specific according to the hierarchical organizational structure of the company: first, reporting is about the entire set of activities of the Group, then about activities within divisions, and last reporting about activities within production sites, as explicitly stated by the Corporate Vice president in 1992:

\begin{quote}
“\textit{In order to make the reports easier to read, it is divided in three color coded sections. The first section, violet, contains certain information on the Group, the second, green, provides an overview of events in the Divisions, and the third section, blue, contains Site specific data}”. (Corporate Environmental Report Progress: 3).
\end{quote}

The reported information seems to be driven by the new strategic goals and targets of the company but appear to be still aligned with RC principles. After defining the targets (environmental-related targets)\textsuperscript{31}, the company takes the appropriate measures (by actions and activities) to achieve them, and then reporting is made on these measures for targets’ completion and their results. This is declared in the Corporate Executive Vice President and Corporate Vice President (Environment and Product Safety) Statement in 1998:

\begin{quote}
\textit{“Our EHS reporting is based on the idea that we must have a program, targets and evidence of progress before we can report on it”}. (Corporate Environmental Report 1998: 3).
\end{quote}

Therefore it appears that no predefined reporting framework is followed, rather the reporting is based on evidence of concrete progress in environmental, health and safety (EHS) action.

\textsuperscript{30} Topical issues at the period of reporting

\textsuperscript{31} An example of environmental target is reducing emission’s level of some components (SO$_2$, VOC, etc)
The RC program and its principles are still implicitly embedded in the company’s strategy and management system, but the reporting is more aligned with the renewed company’s environmental strategy, in which the objectives are not fixed and are subject to internal re-evaluation:

“The work continues, and as knowledge and understanding are accumulated, objectives will be re-evaluated”. (Corporate Environmental Report 1995: 2).

**Perception of reporting**

Reporting in general is becoming increasingly elaborate in this period and especially in the last report of 1998. Also, since 1995, the two main production plants of Neste Oil are producing their separate EHS reports, which aim at introducing indicators to describe management operations. These reports seem to have a formal function since they are also communicated to the authorities. It is worth noting that additionally other compulsory reporting is still made to authorities such as emissions’ values, accidental events, etc.

During this period, new (however still few) description of the reporting process appeared along the reports (especially in 1997 and 1998), in which some included examples illustrate the wider reporting scope, more comprehensive coverage and a clear effort to develop the reporting practices for better customer value. Furthermore, the company reflects more confidence in sustainability reporting, this is probably thanks to increased experience and mastery upon the reported issues. The company perceives itself as a leader in its activity domain and also a leader in environmental reporting. This becomes apparent around the end of this period in 1998 where “Neste has taken a leadership role in the oil industry, especially in environment and health and in voluntary reporting”. (Corporate Environmental Report 1998: 52).

Reporting is seen by the company as an added value for the customer and a communication tool that can be used on voluntary basis in order to inform different stakeholders about the company’s activities; it is further claimed that the reports are not meant exclusively to promote the image of the company for its environmental commitment which implies an implicit genuine interest in environmental issues, as stated in 1998:

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32 “The breadth of EHS reporting has increased” (Corporate Environmental Report 1998: 52)
“This report does not include any assessments of interdependencies between our image and environment-related advantages.” (Corporate Environmental Report 1998: 16).

In this period, the increased confidence in environmental reporting is visible, indeed Neste Oil boasts the quality of its corporate environmental reports, its reputation and its leadership in corporate environmental reporting (CER), both at national and international level:

“The 1997 corporate environmental report (CER), which was our sixth, was, for the third year running, ranked as the best Finnish report of its kind. In international comparisons, too, our report was once again ranked as among the world’s best”. (Corporate Environmental Report 1998: 22).

5.1.3 Third period: from 1999 to 2004

This identified third period is characterized by a major change in the corporate status of Neste Oil. In 1998, the former Neste Group and the IVO group joined together to form the Fortum Group. Consequently, reporting during these years covers Neste Oil’s operations as part of the whole Fortum Group.

During this phase, sustainability reports have undergone significant changes in reporting practices too. The most noticeable change is the clear difference in the size and scope of the reports. In fact, the size of the reports (number of pages) had dropped considerably since the introduction of Internet reporting via the WebPages of the company (this is visible in the reports spanning the period from 2000 to 2004 where the reports are noticeably shorter). It is worth reminding that the size of the reports was not the criteria for grouping the reports, nevertheless the reports from 1999 until 2002 are also very brief and feature only short reports that portray the company as a corporate citizen, which is concerned about all aspects of its corporate activities, be it financial, economic, environmental or social. The word “corporate” is more and more appearing in the reports of this period unlike in the reports of the first two periods (corporate governance, corporate image, corporate customers, corporate culture, etc). During this phase, the reports were entitled “Fortum in Society”. This change in the theme

33 The analysis of Neste Oil’s reporting in this research excludes internet reporting.
and scope of reporting is also clearly recognizable in the statement of the CEO of the new group:

“This report is a clear demonstration of the change in our way of thinking. Instead of a conventional environmental report, we have decided to publish a description of our activities as a corporate citizen: as an energy supplier, an employer, a neighbor, a business partner, an environmental polluter and as an investment target. There are not many existing models for reports like this one. We are just learning how to do it ourselves.” (Fortum in Society 1999: 2).

The treated topics and utilized reporting frameworks during this phase were completely different from the previous reports of Neste Oil. New themes, such as climate change and social issues, featured more coverage in the reports. With regards to the reporting framework, the major change was that of reporting according to the GRI guidelines in 2003 and 2004. In order to shed light on these major changes, the reports of this third phase have been divided in two sub-periods as follows:

- Sub-period 1: from 1999 till 2002
- Sub-period 2: 2003 and 2004

In the following, each sub-period is analyzed independently, and then conclusions on the whole reporting period are drawn.

5.1.3.1 Sub-period 1: from 1999 to 2002

Reporting in this first sub-period had been very much briefed (especially in 2000, 2001, and 2002). The reports looked rather like magazines with different issues displayed in article styles. This is due in part to the new editorial practice of reporting via Internet, which the Corporate Senior Vice president for EHS has attributed to cost savings and to the possibility of up-to-date detailed reporting on current issues:

“The advantages of the change in our reporting practice include the possibility to tell customers about current issues in greater detail, and raw material and cost savings generated when printed publications are reduced.” (Fortum in Society 2000: 1).
The main issues reported on in this sub-period related in general to economic, social and environmental matters (sustainability dimensions). Compared with the previous reports, social matters are new in this period. Also, there is an extensive description of a range of products that are labeled as environmentally preferred. The reports confirm as well the growing importance of the climate issue to the company in line with the growing international climate concerns; this issue has became especially prevailing in the reports starting from 1999 and its featured coverage increased (for example, one entire page was allocated to climate change in the reports of 2000 and 2001). Climate change has been integrated into the company’s strategy by attempting to turn these threats into opportunities and to participate and contribute in many national and international initiatives towards minimize environmental impact of economic activity in general and to reduce carbon dioxide emissions in particular. Numerical data consisted mainly in the environmental balance and some emissions’ graphs. Otherwise, reporting during this sub-period does not follow any predefined framework or benchmark. Issues are displayed according to their relationship with sustainability dimensions (social, environmental and economic).

**Perception of reporting**

In conclusion, sustainability reporting in the stand-alone reports for the first sub-period of the identified third period is characterized by shortened print versions of the reports as a consequence of the newly introduced editorial practice of reporting via the web pages of the mother company Fortum OYJ, which are nevertheless more detailed than the printed versions of the reports). Reports are rather summary reports with very general focus without detailed information as opposed to the reports during the preceding years. Reporting appears to be addressed to all the stakeholders (customers, employees, media, etc) of the company; the wider scope of the reports and larger target audience may additionally explain the reduction of reports’ sizes. Also, the form and information content of the sustainability reports appear to promote and enhance more explicitly the public image of the company towards its stakeholders:

“We want to build on our reputation as a company with high standards of customer care and a strong commitment to the environment.” (Fortum in Society 2002: 1).
In addition to the reduced size and very general themes, the reports reflect some kind of confusion around the perception of reporting and terminologies. In fact, the overall theme changed from one report to the next. In the report of 1999 the prevailing theme was sustainable development and also corporate responsibility was evolving (by the use of terms such as: environmental responsibility, social responsibility). In 2000, the reporting scope was almost exclusively Corporate Responsibility\textsuperscript{34}. The report of 2001 did not mention sustainability (or sustainable development) at all. On the other hand, the report of 2002 shows a scope that comes under sustainability and corporate responsibility\textsuperscript{35}. This confusion in the themes and scope is somehow intriguing given the relative experience of Neste Oil in sustainable reporting, but could be explained by the change in corporate ownership of Neste Oil as being part of Fortum in this period, and therefore the focused reporting of Neste Oil somehow dissolved in the larger structure of the new group. Moreover, the perception of environmental commitment and responsibility appears to be transformed in these reports. The talk is now more about environmentally preferred products and less about emissions. Along with this shift in reporting content, the new corporate targets of turning the challenging environmental conjuncture of climate change into business opportunities suggest that the company sees its environmental responsibility not that much through obligations but rather through opportunities.

5.1.3.2 Sub-period 2: 2003 and 2004

Within this sub-period a major change could be noticed starting from the year 2003 as compared to the previous years. This change is characterized by the use of the GRI sustainability reporting framework. “The use of the GRI guidelines is voluntary; […] Fortum’s sustainability reporting is based on the GRI guidelines where applicable.” (Fortum in Society 2003: 21).

At the end of the reports, the GRI indicators are listed one by one and those covered by the company in the reports are specified. Not all the indicators were covered in the written reports as they are just summaries, and the detailed reporting was available only on the web pages of Fortum (however, it is stated in these reports that the majority of indicators are covered in

\textsuperscript{34} In the year 2000’s report, the word “sustainability” was not used at all, while the expression “sustainable development” was used twice. The expression “corporate responsibility” has been used 7 times.

\textsuperscript{35} The company describes its “approach to sustainability” (Fortum in society 2002: 3) and its “Responsible way of doing business” (Fortum in Society: 4).
Internet reporting). The covered indicators are referenced by indicating the corresponding pages numbers of the reports.

The main issues reported come under sustainability dimensions: economic, environmental (Environmental information related mainly to climate change and emissions) and social issues. Many examples of the company’s activities in these domains are reported along with numerical data on the impacts of each dimension (key figures and some examples). The reports also communicate how responsibility and sustainability are embedded in the strategy, being inline with the goals and policies all across the organization, “The issues of sustainable development have been more and more integrated into the business.” (Fortum in Society 2003: 7). Furthermore, the products and services of the company, designated as environmentally “benign” are willingly described.

All in all, sustainability reporting appears increasingly mastered in 2003 and 2004, more than in previous years (namely 1999, 2000, 2001, and 2002). The company enlarged the reports (pages’ numbers and issues reported) with respect to previous reports of the same identified period, though they are still summaries in the printed versions, the detailed reporting is available on the Web Pages of the company. Nevertheless, the use of GRI reporting guidelines on a voluntary basis constitutes a significant change in reporting practices of the company and seems to have positive impact on the quality of information reported. Apart from relying on GRI guidelines as the framework and the benchmark for information disclosed, the company perceives reporting as communicating about concrete achievements as stated in one of the reports:

“In order to get information about the quality of the performance, a company must set objectives, measure performance and report on achievements.” (Fortum in Society 2003: 5).

Perception of reporting

This second sub-period is more consistent and reflects more confidence and mastery in sustainability reporting. The use of the GRI guidelines seems to have significantly improved the quality of the reported information and defined the boundaries of reporting. Indeed, reporting seems to be well defined for the context of the company: the company is a corporate citizen, the reporting scope encloses sustainability dimensions and responsibility, the
reporting framework is based on the GRI guidelines, and the reporting is meant for all stakeholders.

5.1.3.3 Conclusion for the whole period

From 1999 to 2004, Neste Oil reports as part of the Fortum Group on sustainability issues as a corporate citizen. This ownership status change had significant effects on reporting as the focused reporting of Neste Oil was dissolved in the larger structure of the new group.

Sustainability reporting in the stand-alone reports in the third period gives evidence of big changes in reporting with respect to the previous years. In fact, new reporting practices have emerged, namely the reporting scope that encloses all sustainability dimensions (and issues), the framework (GRI in use for 2003 and 2004), and the reduced reporting size due to prevailing internet reporting36. A positive change in reporting practices is that of adopting the GRI guidelines during 2003 and 2004. Indeed, compared to the previous years of the same period (1999-2002) these reports enclose more comprehensive and meaningful information with well defined boundaries; this better information quality reflected more confidence and mastery of reporting.

The discourse of the reports in the whole period entails more and more expressions of the goals and strategies of the company as well as descriptions of the environmentally preferred and environmentally benign products and services. The reports appear also independent from each other where common issues are repeated in each report37, and reports are addressed to different stakeholders. Responsibility is no longer seen as solely environmental responsibility; social and economic issues are also equally important for the company being a corporate citizen. However, environmental-related information seems to be still more dominant than any others (more than economic-related or social-related information). This dominance is very natural and cannot be avoided regarding the nature of the business sector itself as environmental intensive. It also seems that the meaning of environmental responsibility is enlarged for the company. Indeed, environmental responsibility does not imply only the

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36 Some parts have bluntly disappeared in these reports with regard to previous reports.
37 This was not the case in previous reports especially in the first period. Some pending issues, or issues already mentioned in one report were not necessary fully described in following reports as it was admitted that the reader of one report is aware of the content of the previous ones.
commitment to reduce emissions in the first place, but it also includes developing new environmentally friendly products and turning the climate challenge into opportunities. Hence, environmental responsibility is no longer seen as an obligation but rather as an opportunity.

5.1.4 Period IV: 2005-2008

This period is the last identified in the longitudinal study period. It encompasses the reports from 2005 to 2008, and is characterized by another corporate change in the ownership status of Neste Oil. In the 1st of April 2005, Neste Oil became an independent corporation after its separation from Fortum Group. Listing in the Helsinki Stock Exchange started from 18 April 2005.

In this period, Neste Oil started reporting on financial issues (financial statements) according to the IFRS standards in the annual reports after the separation. The most important change in sustainability reporting practices that can be noticed immediately is that of the disclosures’ type. From 2005 on, sustainability reporting continued as part of the annual reports instead of publishing separate stand-alone reports. Reporting quantity became very small in comparison, it has further decreased from the last identified period of reporting and most of the reported data is numerical.

The reports of this period portray the company as a corporate citizen with responsibility as the dominant theme of the disclosures. The main sustainability related-issues addressed are related to health, safety and environment (HSE) as well as social matters. The climate issue is only briefly discussed and it featured less coverage in comparison to the previous period; nevertheless the questions related to emission trading and emission permits are addressed. The company is talking again about the Responsible Care Program in this period, and underlines its HSE principles, targets and achievements. Besides, the reports contain descriptions of the environmentally-preferred products of the company, namely biofuels. Numerical data concerned the HSE investments, and the productions, raw material use and emissions of the two main refineries based in Finland (Naantali and Porvoo).

Contrary to what could be assumed, the reporting does not follow the GRI sustainability reporting framework (which was utilized in the previous period), nor does it follow any
predefined framework. Moreover, GRI guidelines are not mentioned at all in the reports of 2005, 2006, and 2007; only in 2008, the company refers to them twice and states, in a small paragraph describing the reporting principles that:

“We develop our responsibility-related reporting in line with accounting legislation and other developments. While we monitor the reporting guidelines published by the Global Reporting Initiative (GRI), we do not implement the GRI approach systematically. Our goal is to present the fundamental factors, targets, and risks associated with our operations and our products as they affect our stakeholders.” (Neste Oil’s annual report 2008: 32).

All in all, reporting in this period is very general and brief wherein most of data related to sustainability is numerical. This reduced reporting volume on sustainability may be partly due to the comprehensive scope of the annual report and to the nature of data featuring in it (essentially numerical and quantitative data which relates to financial status of the company). Other potential reasons for the reduction of reporting volume are the diversification of communication tools comprising sustainability information (Internet reporting, stakeholder “Refine” magazine, the Environmental Brochure, etc) and the fact that the main production plants do publish their own HSE reports. However still, the annual report is probably the most sought published source of information that stakeholders may look for to get informed about the company’s activity. On the other hand, the annual report plays an important role in companies listed in the stock exchange and entails legal consequences as to the information it contains, (in particular financial data), therefore companies may be enticed to keep sustainability information concise, and restrain from including any extended information relating to social or environmental sustainability. Hence, sustainability reporting of this last period is not very much developed or detailed. It is rather very general, concise and brief. The company calls back in the reports to its past reporting records and its good reporting reputation and the company seems to build on its previous reputation as an excellent environmental reporter (Laine, 2009).

38 The RC program was mentioned in the first two periods but not in the third one.
39 In the last seven previous reports (previous reporting period), Neste Oil was reporting as part of the Fortum Group, and for the past two years the reporting framework in use was the GRI sustainability reporting framework. One can suppose that reporting according to GRI can continue, which is not the case.
5.2 Synthesizing the results

The sustainability reporting of Neste Oil has significantly evolved over the study period between 1992 and 2008. The study consisted in analyzing in chronological order the yearly reports (17 in total) covering the entire period since the company adopted public disclosures of sustainability reporting. The individual analysis and comparison of the sustainability disclosures allowed identifying the changes and differences in reporting practices from one year to another. It has been found that these changes and differences in reporting practices were more significant across certain intervals of years, i.e., visible changes in reporting practices could be noticed at certain years but not within a specific interval of years. This hinted to the identification and the study of the evolution trend in sustainability reporting over four distinct periods/phases, each consisting of several individual yearly reports.

Therefore, a meaningful way to present the results and to describe the evolution trend in the reporting practice of Neste Oil is to identify and group the reports that feature similar reporting practices into periods/phases each consisting of few reports covering an interval of years. The grouping of similar reports is based on the correspondence of these reports with the following criteria: scope of the sustainability reports, dominant themes/topics in the reports, reporting framework utilized in the reports, stakeholders explicitly addressed in reports and the inferred perception of sustainability reporting in this period (the most important grouping criteria being the scope of the reports); these criteria have been defined to single out the characteristic features of the reporting practice in each disclosure. The grouping resulted in the identification of four distinct reporting intervals or periods:

- Period I: from 1992 to 1994
- Period II: from 1995 to 1998
- Period III: from 1999 to 2004
- Period IV: from 2005 to 2008

The common characteristic features in each of these periods according to the predefined criteria have been summarized in the table below.

Table 2: Synthesis of the results of analysis

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40 The sustainability disclosures of the study are composed of the stand-alone reports from 1992 till 2004, and the annexed information in annual reports from 2005 till 2008.
<table>
<thead>
<tr>
<th>Identified reporting Period</th>
<th>Scope of the sustainability reports</th>
<th>Dominant themes/topics in the reports</th>
<th>Framework utilized in the reports</th>
<th>Stakeholders explicitly addressed in reports</th>
<th>Inferred perception of sustainability reporting in this period</th>
</tr>
</thead>
</table>
| Period I 1992-1994          | - Predominantly Environmental       | - Environmental management systems  | - The ten Responsible Care principles (CEFIC principles) | - Mainly the authorities, and neighbors of the production sites | - Sustainability reporting is predominantly environmental reporting  
- Enthusiastic reporting  
- Very detailed environmental data  
- Reports are interdependent |
|                             | - Environmental impact of the activities and emissions’ reductions | - Miscellaneous health and safety issues |                                                             |                                            |                                                          |
|                             | - Detailed numerical data about emissions |                                                             |                                                             |                                            |                                                          |
| Period II 1995-1998         | - Environment, health and safety (EHS) | - EHS management systems, certifications, audits, and R&D  | - No predefined framework, reporting is based on the targets set by the company  
- Information display inline with the organizational structure (group, divisions, sites) | - Mainly the authorities and neighbors of the production sites | - Sustainability reporting involves health and safety issues in addition to environmental reporting  
- Confident and mastered reporting style  
- Boasts leadership in environmental reporting, both at national and international level  
- Interdependent reports |
|                             |                                                             | - Environmental impact of company’s activities  
- Environmentally friendly products |                                                             |                                            |                                                          |
|                             |                                                             | - Detailed numerical data about emissions |                                                             |                                            |                                                          |
| Period III 1999-2004        | - Predominantly issues related to corporate social responsibility (CSR), also sustainability issues | - Environmental (emissions, climate change)  
- Environmental-preferred and benign products  
- Social and economic issues  
- Corporate targets and policies | - No defined framework, issues are featured as they relate to sustainability and CSR dimensions in sub-period 1  
- GRI sustainability reporting framework in sub-period 2 | - All stakeholders (general public) | - Sustainability reporting dominated by CSR reporting and corporate citizenship  
- Environmental responsibility is an opportunity  
- Confused reporting in sub-period 1  
- Consistent and confident reporting in sub-period 2  
- Independent reports |
|                             |                                                             | - Reduced numerical data about emissions |                                                             |                                            |                                                          |
| Period IV 2005-2008         | - Predominantly issues related to corporate social responsibility (CSR), also sustainability issues | - Certifications  
- Environmental issues (emissions)  
- Climate change (emission trading)  
- Environmentally friendly products (mainly biofuels)  
- Miscellaneous topics about health, safety and environment (HSE) | - No predefined framework  
- Reporting is based on accounting legislations and targets of the company | - All stakeholders (general public) | - Sustainability means responsibility and reporting means CSR reporting  
- Brief and concise reporting, even excerpt reporting  
- Independent reports |
|                             |                                                             | - Reduced numerical data about emissions |                                                             |                                            |                                                          |
5.3 Reasons behind changes

The changes that happened in between the identified periods can be explained by many factors. According to Adams (2002), changes in reporting practices of companies can be attributed to three main factors: corporate characteristics, general contextual factors, and internal contextual factors.

For example, the changes in the treated issues (dominant topics in the reports) in the second (1995-1998) and third (1999-2004) periods could be explained by external factors such as topical issues in the period of reporting (such as the increased public awareness of climate change and the widespread acceptance of the concept of corporate social responsibility (CSR), which clearly appeared as dominant theme starting from the third reporting period (from 1999 on.. In the case of the sensitive industry sector in which Neste Oil operates, it is no surprise that the external contextual factors (in particular regulatory, political and public awareness) play an important role in shaping their sustainability reports since the activities of oil industry do have high environmental costs, towards which public awareness has been growing all the time. External factors could also contribute to understanding some constant characteristics present in all sustainability reports of Neste Oil. In fact, environmental-related information such as emissions and environmental impacts due to the company’s activities remained a constant theme in all reports. The reporting of Neste Oil in general has been dominated with environmental issues. This is very consistent with the nature of business of Neste Oil. Significant changes in reporting scope and practices have been observed around periods in which the company’s corporate status changed, namely the ownership status. This is especially visible in 1999 and 2005, respectively when Neste Oil became a part of the Fortum Group (in late 1998) and when it was separated again and listed in the Helsinki Stock Exchange (in 2005). It is also well known that reporting could also be very much influenced by internal contextual factors.

This research does not pretend to be comprehensive and analyze the factors behind the changes identified in Neste Oil’s reporting. Indeed, such an investigation falls beyond the scope of this master thesis and requires an in depth analysis and a perfect knowledge of the organization and hierarchical responsibilities within Neste Oil, as well as a perfect knowledge of all the characteristics of the company’s reporting context. Instead, this is a very general discussion about the eventual factors behind reporting changes. This discussion attempts to
display unavoidable observations made during the analysis of the sustainability reports of Neste Oil.

Finally to conclude, the changes observed in Neste Oil’s reporting over the longitudinal study period are significant especially when considering the fact that the company operates in a rather stable line of industrial activity, i.e., with relatively little changes in the core substance of its business. These changes also send back to the ultimate gap in sustainability reporting that is the absence of any global set of compulsory reporting principles. Reports therefore provide poor comparability between different companies and even within the same company. Therefore, it comes out in this respect that a common reporting framework is urgently needed in order to harmonize sustainability reporting and provide comparable information at least within the same business sector. Adopting the GRI framework as a reporting benchmark would be beneficial for Neste Oil as it was done in the reports of 2003 and 2004. The GRI framework is very comprehensive; it can be used by all companies independently from their size, geographical location, or sector. Besides, the GRI framework provides supplementary sector-specific indicators (e.g. Airports, Apparel and Footwear, Oil and Gas, Logistics and Transportation, etc) that can be used to devise meaningful comparisons and harmonize reporting across different sectors; this proffers more comprehensiveness to the GRI framework and provides an additional motivation to adopt the GRI guidelines.

5.4 Limits of the research

In this research, the analysis of reporting data was based on the sustainability stand-alone reports and on the annual reports. Such exclusive focus on the annual published reports is likely to result in an incomplete picture of the reporting practices of the company (Jeffrey Unerman, 1999). Indeed, the company uses other means of reporting such as internet reporting and other publications, such as published magazines and press releases. Also, internet reporting has been growing considerably due to its accessibility to everyone, anytime and anywhere; the easy accessibility to internet reporting makes the updating of reporting information very easy and very feasible instantaneously; information is released even before the reports themselves.

41 For example it is very hard to compare between Neste Oil’s report of 1992 and that of 2002.
42 Source: www.globalreporting.org
43 From 1999 to 2004, Neste Oil was reporting as part of the Fortum group and most reporting was done through internet in company’s web pages.
The qualitative nature of this research offers a bigger margin for subjectivity in the analysis process. For it is true that qualitative analysis, being inevitably subjective, cannot ascertain the accuracy and validity of its findings in the manner of an exact science. One and the same topic may invite different qualitative appraisals of almost equal plausibility; and no accumulation of evidence will determine, in an objective way, which is closer to truth. But though, there is no objective truth in this field (Kracauer, 1952).

The use of a single case company as the research unit limits the generalization of the findings to the international level. Besides, the research was made in a particular geographical context and period of time, and in a specific sector of industry (Energy sector) and for specific company size. This suggests that the results are limited to these specific conditions of the case company Neste Oil Corporation and in the Finnish context and may not be generalized to other companies of different geographical contexts, different sectors, or different sizes. Generalization is however possible when considering the fact that Neste Oil Corporation is a leading company in its industry sector in Finland.

5.5 Contribution of the research

This study contributes empirically to the literature on the topic of sustainable reporting by studying an example case company and drawing conclusions about some of its reporting practices. The length of the study period (17 years in all) provides strong basis for the analysis and findings for the case company. The research would be particularly interesting to the company Neste Oil Corporation because it provides a non insider view of their sustainability reporting. In other words, it provides a general perception of how the sustainability reports are seen by the public; but most importantly, it provides a neutral (hopefully) insight into the detailed evolution of sustainability reporting of the company. However, this study does not pretend to be comprehensive. The large number of reports in this longitudinal study limits the analysis to the very general level for the limited scope of a master thesis.

5.6 Suggestion for further research

Public concern about social and environmental reporting is increasingly growing. The intensified lobbying by groups of interest and the growing political interest are important drivers that are already creating corporate responsiveness by the voluntary reporting and the
diversification of reporting means such as internet reporting. In this respect, further researches on sustainability reporting practices that investigate all the available reporting tools and means for companies (published reports, internet, press-releases, etc), seem very interesting in order to draw the whole reporting picture of companies.
6. SUMMARY AND CONCLUSION

The purpose of this study was to provide a description of the evolution of sustainability reporting practices in the Finnish Oil and Energy sector through the case of the leading company Neste Oil Corporation. The data set for this research were the sustainability reports of Neste Oil Corporation spanning the period from 1992 to 2008 (the stand-alone sustainability reports from 1992 to 2004 and the annual reports from 2005 to 2008).

The theoretical part of the thesis was based on the literature review of the underlying concepts that stand as roots for the discipline of social and environmental reporting, namely the concepts of corporate social responsibility (CSR) and the discipline of social and environmental accounting (SEA). The literature review of the study went in a chronological order so that it relates the evolution of corporate social responsibility, social and environmental accounting, and sustainability reporting.

Social and Environmental reporting (sustainability reporting) derives from the general concept of corporate social responsibility. CSR was defined as being the concept whereby organizations take into consideration the interest of society by assuming responsibility for the impact of their activities on the involved stakeholders, be it customers, suppliers, employees, shareholders, immediate communities and the environment. Corporate social responsibility first appeared in the 1930s before the Second World War, and evolved over the years by gaining more and more popularity and acceptance among research and business. CSR became nowadays an established research discipline as well as an expanding practice in corporations, which sometimes dedicate entire departments to analyzing the social and environmental impact of their activities. CSR evolved to broaden the scope of its concerns, in particular by integrating the concerns about the environmental impact of the company’s business activities. CSR has been also adopted by many businesses that begin to see and believe in a business case for acting in a more responsible way.

Social and environmental reporting finds also its roots in social and environmental accounting discipline. This former concept has been defined by Mathews (1993, p 64) as “Voluntary disclosures of information, both qualitative and quantitative made by organizations to inform or influence a range of audiences. The quantitative disclosures may be in financial or non-
financial terms”. Social and environmental accounting has first emerged in the early 1970s and has become over the years a more influential field in research and practice. Social and environmental accounting had been most dominated by environmental concerns (more than social concerns) due to the complexity of the social dimension, and to the relatively more growing environmental dimension following the research concern about environmental issues and the growing public concern about the environment under the threat of global warming and climate change.

Sustainability reporting is gaining more and more interest among the research and business field. Nowadays, more and more companies report about the social and environmental aspects of their activities. Reporting is motivated by many reasons; some companies may simply seek to demonstrate their true commitment to sustainability, some other companies may seek to enhance their overall image and reputation through reporting, others may be following the global wagon-trend of responding to the sustainability call, etc. Despite the growing numbers of sustainability reports and reporting entities all over the world, sustainability reporting does not obey to a global set of reporting standards or guidelines, unlike financial reporting. This gap in reporting resulted in questioned credibility of reported information and poor comparability of published reports.

In responding to this reporting gap, some NGOs and stakeholders’ groups attempt to elaborate frameworks for sustainability reporting such as the Responsible Care principles set by the CEFIC and the GRI sustainability reporting framework. Also, some governments defined sustainability reporting guidelines (especially environmental) to be applied within their boundaries. Some examples include the Japanese Environmental Reporting Guidelines published in February 2001 by the Ministry of the Environment of the Government of Japan, the General Guidelines on Environmental Reporting Guidelines of The UK Department for Environment, Food and Rural Affairs (DEFRA) published in 2001, and the German Guidelines for sustainability reporting. “Der Leitfaden ‘Der Nachhaltigkeitsbericht’.

The empirical part of the study describes the analysis process of the sustainability reports of Neste Oil Corporation spanning the period from 1992 to 2008. The analysis was carried in a chronological order in an attempt to detect the changes in sustainability reporting practices from year to year, and then to describe the overall trends in reporting practices changes. A meaningful way to present the results and to describe the evolution trend in the reporting
practice of Neste Oil was to identify and group the reports that feature similar reporting practices into periods/phases each consisting of few reports covering an interval of years. The grouping of similar reports was primary based on the correspondence of these reports with the following criteria: scope of the sustainability reports, dominant themes/topics in the reports, reporting framework utilized in the reports, stakeholders explicitly addressed in reports and the inferred perception of sustainability reporting in this period (the most important grouping criteria being the scope of the reports); these criteria have been defined to single out the characteristic features of the reporting practice in each disclosure. The grouping resulted in the identification of four distinct reporting intervals or periods:

- **Period I:** from 1992 to 1994
- **Period II:** from 1995 to 1998
- **Period III:** from 1999 to 2004
- **Period IV:** from 2005 to 2008

Significant changes have been observed in Neste Oil’s reporting over the longitudinal study period (broken up in four distinct periods). Each identified period of reporting had its own characteristics and sometimes reporting changes occurred even within one and same period (such as in the third period). In the first reporting period (1992-1994), the condensed sustainability reporting (being mainly environmental) seemed very enthusiastic and promising under the guidance of the RC program and its principles formulated by the CEFIC, and under the implementation of new management systems and certification programs in the early and mid 1990s. During the second period (1995-1998), the company adopted reporting according to its own targets and objectives. The reporting scope was also enlarged where the reports entailed more and more topical issues such as climate change and global warming. The third reporting period (1999-2004) was characterized by a larger reporting scope including all sustainability dimensions (economic, social, and environmental), although the reported information was very much briefed. The less-focused reporting was due to the merger with the IVO group into the Fortum group where the company’s reporting dissolved in the larger structure of the new group. At the end of this third period, another major change occurred where the two sustainability reports of 2003 and 2004 were established according to the GRI framework. At that stage, this reporting initiative forged the reports in a more comprehensive and meaningful shape, which reflected more confidence and mastery in reporting. The fourth and last period (2005-2008) was characterized by disclosing the sustainability information to the annual reports. Consequently, reporting was very brief, concise, and even excerpted
reporting. This latter change in reporting disclosure followed the separation of Neste Oil from the Fortum Group and its listing as an independent company on the Helsinki Stock Exchange as of April 2005.

These changes are considered to be very significant especially when considering the fact that the company is a leading company in its sector, and operates in a rather stable line of industrial activity, i.e., with relatively little changes in the core substance of its business. These changes also send back to the ultimate gap in sustainability reporting that is the absence of any global set of compulsory reporting principles. Hence, it comes out in this respect that a common reporting framework is urgently needed in order to harmonize sustainability reporting and provide comparable information at least within the same business sector.

In light of the growing public and political awareness\(^\text{44}\) of the social and economic threats posed by climate change, it can be easily predicted that in the near future there will be an urgent demand, if not compulsory, for regulations to impose a common sustainability reporting framework. Companies are called to change the business climate and adapt to greener future by doing sustainable businesses. Addressing the serious consequences of climate change requires substantial investment in new technologies, processes and services. This investment is not just desirable, it is essential. (UNEP, Investing in a Climate for Change: Engaging the Finance Sector, 2008). Along with actions, measurements and reporting are essential and primordial for accountability and stakeholders’ information. Hence, defining, and imposing a common framework for sustainability reporting and CSR activities (especially environmental activities and climate change issue) appears to be the only way ahead. Indeed, some accounting bodies are already calling for such standards. According to the Institute of Chartered Accountants of England and Wales’s press release as of December 2009, “Accountancy bodies unite to call for single set of standards for climate change reporting to be set at Copenhagen”. “In the face of the “sustainability revolution”, it is increasingly important for organizations to understand how climate-change issues will impact on their continuity and long-term success, and to be able to clearly communicate both the impacts and the company’s response to investors and other stakeholders. The development of a universal standard for the measurement of carbon and reporting of climate change-related information is a vital step towards achieving a sustainable economy.” Said Paul Druckman, the Executive

\(^{44}\) Environmental parties are established nowadays in many developed countries.
Board Chairman of the Prince’s Accounting for Sustainability Project in December 2009. Such initiative provides insights into the future of sustainability reporting that looks promising…
PostScript Note

Lately on 11\textsuperscript{th} of March, 2010, Neste Oil Corporation released the annual report of 2009. This report was not initially part of the data of this study since it was released only during the preparation of the final manuscript of this thesis. However, it is worthwhile to mention that in this report, Neste Oil has adopted the guidelines outlined by the Global Reporting Initiative (GRI) for the first time since the separation from the Fortum Group and the listing as an independent company in 2005. This initiative is a positive evolution in Neste Oil’s reporting and comes in line with the findings of the thesis where it has been pointed out to the necessity of using a standardized set of reporting guidelines and the positive impacts of using the GRI guidelines in early stages (2003 and 2004) when the company reported as part of the Fortum Group before the separation. This positive initiative is very important as it would assert even more the position of Neste Oil Corporation as a leader in sustainability reporting.
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APPENDIX

Reports used in the case study:

1. Neste Responsible Care Progress Report 1992
2. Neste Responsible Care Progress Report 1993
3. Neste Responsible Care Progress Report 1994
5. Corporate Environmental Report progress in 1996
8. Fortum in society 1999
10. Fortum in society 2001
11. Fortum in society 2002
12. Fortum in society 2003
13. Fortum in society 2004