



Sustainability Reporting in the Retail Food Sector: A comparison of reporting by co-operatives and investor- owned corporations

Background on Sustainability Reporting by IOCs & Co-operatives

Sustainability Reporting has been defined in a variety of ways.

The Global Reporting Initiative (<https://www.globalreporting.org/information/sustainability-reporting/Pages/default.aspx>) provides the following detailed description:

A sustainability report is a report published by a company or organization about the economic, environmental and social impacts caused by its everyday activities. A sustainability report also presents the organization's values and governance model, and demonstrates the link between its strategy and its commitment to a sustainable global economy.

Sustainability reporting can help organizations to measure, understand and communicate their economic, environmental, social and governance performance, and then set goals, and manage change more effectively. A sustainability report is the key platform for communicating sustainability performance and impacts – whether positive or negative.

Sustainability reporting can be considered as synonymous with other terms for non-financial reporting; triple bottom line reporting, corporate social responsibility (CSR) reporting, and more. It is also an intrinsic element of integrated reporting; a more recent development that combines the analysis of financial and non-financial performance.

With respect to co-operatives and sustainability reporting, a feature from The Guardian (<http://www.theguardian.com/sustainable-business/cooperatives-sustainable-business-structures>) describes how co-operatives are "helping to change the very definition of sustainability." The Guardian observes that rather than focusing their sustainability efforts on "eco-efficiency improvements," co-operatives tend to place greater emphasis on social and community impacts: "Enhancing sustainability can include community engagement, environmental stewardship, institutional resilience and even employee happiness."

Measuring and reporting on financial performance in an annual report is commonplace and often required for many organizations. Non-financial measurement and reporting is, by comparison, not as widely adopted and is a fairly recent phenomenon. That said, the number of dedicated sustainability reports produced by companies has increased substantially since 1996 (CSR Insight as reported by KPMG 2011ⁱ).

The literature cites many reasons for non-financial reporting including:

- enhancing corporate brand (KPMG 2011ⁱⁱ),
- demonstrating accountability and transparency (Brown, 2008ⁱⁱⁱ),
- responding to demands from stakeholders and the public in general (Deloitte 2008^{iv}, Warburton 2008^v, Ligteringen and Zadek 2005^{vi}, and Chapleau, 2007^{vii}),
- government regulation – current and anticipated (KPMG 2011^{viii}, Brown 2008^{ix}).

Annual and sustainability reports have been studied extensively. This is not surprising given that

... written accounts, especially those in the public domain in the form of published (financial, environmental and social) reports, are carefully constructed with a particular focus and message in mind... Written accounts, therefore, can be viewed as being powerful mechanisms for creating carefully constructed pictures of their subject matter.” (Bebbington and Gray, 2000 pg. 7)^x.

While the existence of well-established measures and reporting standards for reporting on the financial performance of organizations may to some extent limit the ability of organizations to “create carefully constructed pictures of their organization”, the same cannot be said with respect to reporting on the non-financial performance of organizations. Though there is a plethora of non-financial measurement and reporting tools (e.g. Global Reporting Initiative^{xii}, AccountAbility^{xiii}, UN Global Compact^{xiv}, Co-operative Environmental and Social Performance Indicators^{xv}), they are **voluntary tools** and still to a large extent experimental.

“What gets measured, gets managed,” a well-known phrase coined by Peter Drucker, attests to the importance of selecting appropriate measures for an organization. It is not uncommon for an organization to use one or more of the many standard measures and reporting tools available in combination with those developed for the particular organization to specifically meet its needs. Thus it is likely that **non-financial reporting by organizations will reflect the focus, message and image the organization wishes to project.**

SUSTAINABILITY REPORTS - Terminology

Annual reports present the financial information about an organization and, increasingly, incorporate non-financial information as well.

Sustainability reports present information relevant to multiple commitments such as social, environmental, cultural, and economic. There are many terms for sustainability reports including:

- accountability reports;
- triple bottom line reports;
- social reports;
- community reports;
- social audit reports;
- social performance reports;
- social responsibility and co-operative reports;
- corporate social responsibility reports

Grounded in the ICA's co-operative values and principles^{xvi}, co-operatives claim to be different from their investor-owned counterparts. "As businesses driven by values not just profit, co-operatives share internationally agreed principles and act together to build a better world through co-operation." (ICA, 2012^{xvii}). As dual-purpose^{xviii} organizations, non-financial accounting and reporting (i.e. social, environmental and economic performance) is particularly relevant to co-operatives. Measuring and reporting on this "co-operative difference" can help co-operatives remain true to their values and principles, and be accountable to their members and other stakeholders.

Description and Purpose of our Research:

This project will contribute to our understanding of and explain current co-operative practices in relation to non-financial reporting including the non-financial content of annual reports, and the extent to which the co-operative purpose and its multiple bottom lines are reported.

The purposes of this research are two-fold:

1. **To learn what non-financial information is included in the publicly available annual and sustainability reports issued by retail food co-operatives.**
2. **To explore whether, and in what ways non-financial reporting by co-operatives differs from reporting by comparable investor-owned corporations (IOCs).**
 - What are the published reasons given by co-ops and IOCs for reporting non-financial information?
 - What measures and indicators are reported by co-ops and IOCs in publicly available reports?

Phase 1: Comparing Concern for Community

In the first phase of the project, the researchers look at one key principle of co-operation, "**Concern for Community**," and the way this principle is measured on and reported on by co-operatives and IOCs in the retail food industry.

The International Co-operative Alliance describes the 7th principle as "Co-operatives work[ing] for the sustainable development of their communities through policies approved by their members."

(<http://ica.coop/en/whats-co-op/co-operative-identity-values-principles>).

Approach:

We studied sixteen retail food co-operatives and thirteen investor-owned corporations with respect to "Concern for Community".

Findings to Date:

Based on our preliminary analysis, we found that:

- a greater percentage of co-operatives reported measures and indicators on the themes of **Donations, Local Development, International Development, and Social Inclusion**;
- a greater percentage of investor-owned corporations reported measures and indicators on the theme of **Education**.
- co-operatives reported on average **more measures and indicators** than investor-owned corporations for all themes, indicating more depth in the non-financial reporting by co-operatives and therefore possibly greater accountability and transparency.
- Co-operatives and investor-owned corporations used **similar language** in their reports: The ten most frequently used words used by co-operatives with respect to “Concern for Community” are included in the twenty-five most frequently used words of investor-owned corporations and likewise the ten most frequently used words used by investor-owned corporations with respect to “Concern for Community” are included in the twenty-five most frequently used words of co-operatives. The use of similar language may suggest increasing isomorphism; that is, co-operative and investor-owned corporations may be becoming increasingly similar to one another.

Among the co-operative reports studied we found that:

- 100% of co-operatives reported measures and indicators in relation to Donations,
- 80% reported on Local Development,
- 60% reported on Education,
- 53% reported on International Development
- 20% reported on Social Inclusion.

Our preliminary analysis also found that there were some differences in reporting measures and indicators with respect to “Concern for Community” based on the geographic location and size of the co-operative:

- Co-operatives located in Europe were much more likely to report measures and indicators on the theme of International Development than the North American co-operatives.
- Large co-operatives were more likely to report on the International Development theme than small and medium sized co-operatives
- Large co-operatives on average reported more measures for all themes with the exception of Education.

Next Steps:

We will be looking more closely at the context of these measures and indicators to give us a better understanding of any differences in reporting on “Concern for Community”.

Examples of questions we will explore:

- How do the organizations describe their relationships with community?
- What types of organizations or causes do they donate to?
- What types of local and international development projects do they support?
- In what ways do they support education and social inclusion?
- Do the above differ between co-operatives and investor-owned corporations?

To better understand and explain current co-operative practices in relation to non-financial reporting, we will soon extend our analysis of the reports to another key area of co-operation, **Governance**.

We will also be conducting a comparison and analysis of the **publicly stated reasons** for publishing sustainability reports.

References

ⁱ KPMG (2011) *KPMG Corporate Sustainability A progress report. Reporting*, KPMG International Cooperative. Retrieved January 26, 2013 from <http://www.kpmg.com/Global/en/IssuesAndInsights/ArticlesPublications/Documents/corporate-sustainability-v2.pdf>

ⁱⁱ *ibid*

ⁱⁱⁱ Brown, L. (2009). “Accounting for the Social: Incorporating Indicators of the Co-operative Difference into Strategic Planning”. International Society for Third Sector Research invited a submission of a revised conference paper for peer review as a working paper. Accepted and published at http://www.istr.org/?WP_Barcelona

^{iv} Deloitte (2008). “Sustainability. Corporate Responsibility. ‘Going Green’.” *Breathing Lessons* Issue 20 <http://www.deloitte.com/dtt/newsletter/> Retrieved May 20, 2008.

^v Warburton, Joe (2008). “To Report, or Not to Report? That is no longer the question” *Co-operative Management Advantage*. 1 (3):4-5 <http://www.mmccu.coop>

^{vi} Ligteringen, E. and Zadek, S. (2005). The Future of Corporate Responsibility Codes, Standards and Frameworks. An Executive Briefing by The Global Reporting Initiative and AccountAbility. www.globalreporting.org/NR/rdonlyres/19BBA6F5-9337-42B0-B66D-A3B45F591938/0/LigteringenZadekFutureOfCR.pdf

^{vii} Chapleau, André (2007). “Notes for an Address”, CSR and Community Investment Forum. Guelph, Ontario. http://www.csr.coop/community_presentations07.html Retrieved May 20, 2007

^{viii} KPMG. (2011) *KPMG Corporate Sustainability A progress report. Reporting*, KPMG International Cooperative. Retrieved January 26, 2013 from <http://www.kpmg.com/Global/en/IssuesAndInsights/ArticlesPublications/Documents/corporate-sustainability-v2.pdf>

^{ix} Brown, L. (2009). “Accounting for the Social: Incorporating Indicators of the Co-operative Difference into Strategic Planning”. International Society for Third Sector Research invited a submission of a revised conference paper for peer review as a working paper. Accepted and published at http://www.istr.org/?WP_Barcelona

^x Bebbington, Jan, and Gray, Rob, (2000). Accounts of sustainable development: the construction of meaning within environmental reporting. Aberdeen papers in accountancy, finance & Management, Working paper 00-18

^{xi} International Financial Reporting Standards (IFRS) were adopted by Canada in 2010 and have been adopted by over 100 countries so far.

^{xii} Refer to <https://www.globalreporting.org/Pages/default.aspx>

^{xiii} Refer to <http://www.accountability.org/>

^{xiv} Refer to <http://www.unglobalcompact.org/>

^{xv} Refer to Co-operatives UK <http://www.cooperatives-uk.coop/home/miniwebs/miniwebsa-z/cespis>

^{xvi} International Co-operative Alliance (ICA), Co-operative Identity, Values and Principles. Retrieved December 29, 2012 from <http://2012.coop/en/what-co-op/co-operative-identity-values-principles>

^{xvii} International Co-operative Alliance (ICA), Co-operative Identity, Values and Principles. Retrieved December 29, 2012 from <http://2012.coop/en/what-co-op/co-operative-identity-values-principles>

^{xviii} Michelsen suggests that the dual purpose of co-operatives organizations results in a complex interaction between social and market enterprise oriented goals. Michelsen, J. (1994). The Rationales Of Cooperative Organisations: some suggestions from Scandinavia. *Annals of Public and Cooperative Economics*, [online] 65 (1), pp. 13. Available from: Business Source Premier Database [Accessed 17 July 2006].