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Title: Social Accounting in the Credit Union Sector: GRI Readiness
Editor: A. P.-F. Angela Fletcher.
Conference Name: 16th Annual Conference on Pacific Basin Finance, Economics, Accounting and
Management: PBFEAM 2008
Conference Location: Australia
Publisher: QUT
Year: 2008
Pages: 1-22p
Date: 2-4 July 2008

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Social Accounting In The Credit Union Sector: GRI Readiness

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Abstract

The Global Reporting Initiative (GRI) 2002, revised in 2006 is increasingly being used as a framework to report on an organisation's social and environmental impacts. This paper explores the ability of smaller regionally based credit unions to report under the GRI. In exploring the reporting information categories the paper draws on prior research which has documented the requirements for social accounting information by internal stakeholders in the credit union sector.

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The paper begins with a discussion of the literature pertaining to the reporting of social and environmental data by organisations before a brief overview of the credit union sector is provided. A summary of the findings of a study exploring the reporting requirements of stakeholders in the Australian credit union sector follows before the presentation and analysis of the results of a survey exploring the availability and usefulness of information of the type required under the GRI.

Introduction

The measures of financial wellbeing are generally accepted as represented by the annual financial statements, a reporting model which assumes that a firm tries to maximize profits. However increasingly traditional reporting of financial dimensions fails to satisfy the needs of the firm and its stakeholders. The current financial reporting model lacks usefulness in many practical situations, particularly where the firm faces multiple objectives, multiple stakeholders and dynamic elements such as the movement on a global scale toward the reporting of social and environmental activities by organisations.

The inclusion of both social and environmental issues have been attributed to various motivations including as - a strategic tool to reduce the adverse effects of certain events (Deegan, Rankin & Voight, 2000); a desire to maximise competitive advantage (Nash, 2001); and as a means to manage pressure placed on the organisation to administer its social and environmental responsibilities, public image and legitimacy (O'Donovan, 2002a).

Despite the increasing interest in social and environmental accounting most companies have retained the traditional accounting reporting model, with the disclosure of social and environmental information reported on a fragmentary and ad hoc basis (Adams *et a*l., 1998). While a number of reporting mechanisms have been proposed, such as the Global Reporting Initiative (GRI) (2006) and the Institute of Social and Ethical Accountability's AA1000 (1999), they have been criticised for being either rigid in terms of the content, therefore ignoring the composition of reported areas which appear subject to change across time and place (Gray *et al.*, 1996), are structured to allow choice in the items to be reported at the discretion of the preparer, or addressing issues of process and implementation and not outcomes. Further, critics of current organisations who prepare reports cast doubt on the motives of the preparers and the independence of the social and environmental reports, raising questions as to whether the reports are prepared to provide an independent picture of performance or prepared to counteract negative perceptions of the organisation that currently exist, or are expected from actions of the organisation (Laufer, 2003; Ramus & Montiel, 2005).

In order for social and environmental impacts to be acknowledged as elements of performance, the impact of the organisation and the consequences of the decisions it makes on society and the environment must be included as a primary part of the decision-making process. The role played by accountants in a firms' decision-making process is well-entrenched and significant (Hoskin & Macve, 1994) but potentially limits the information provided to management by focusing on the traditional financial reporting process. This focus often ignores or overlooks non-economic costs on the basis that they are not directly quantifiable in money terms, with such costs, when identified, often left as "bracketed" items and considered as secondary qualitative issues (Robson, 1991). The limitation of this model of decision-making is that it provides only a single dimension to the organisation; implying profit is the only determinant of success. However, profit maximization as the only goal of the firm has come under severe criticism from many quarters (Adams *et al*., 1998; Deegan, 1999; Nash, 2001).

In exploring potential reporting frameworks the paper examines the needs of stakeholders in the credit union sector as a starting point for discussion of a model for reporting. Credit unions are financial institutions, within the broader banking sector, which offer community-based, competitive financial services and like other industry sectors is faced with the challenge of managing social and environmental impacts. The sector provides services to more than three-and-a-half million Australians (ABACUS, 2006) and credit unions as authorised deposit taking institutions are regulated under the Banking Act 1959 (Cwlth), Australian Prudential and Regulatory Authority (APRA, 2006) and the Corporations Act 2001 (Cwlth). As a mutual organisation credit union customers are both members and owners, resulting in a focus on members and benefits to the members, and not on generating profit for external shareholders, a characteristic of publicly listed banks. There are currently 149 credit unions operating throughout Australia, which together hold more than $35 billion in assets (ABACUS, 2006).

The model for reporting presented in this paper utilises the GRI (2006) as a component of a framework for social reporting in the credit union sector. The model was developed as part of a larger project and was based on a study of regional financial institutions. This paper reports on the perceptions of key management personnel as to the availability and usefulness of current data collection systems to report on the GRI key indicators of social and environmental performance.

Literature Review

The literature pertaining to the social and environmental impacts of business has been developed over the past hundred years, starting with employee reporting and moving through social and environmental reporting, triple line reporting and now sustainability reporting (Buhr, 2007). While a number of meanings have been attributed to the term sustainability a commonly used definition is drawn from the Brundtland Report which defines sustainable development as meeting “the needs of the present without comprising the ability of future generations to meet their own needs” (UNWECD, 1987, p. 8). Within this paper and the proposed model a broad view of the term social accounting is adopted, to include “all forms of accounts that go beyond the economic and for all the different labels under which it appears” (Gray, 2002, p. 687), thus the model has dimensions of social, environmental and financial accounting.

In summarising the literature surrounding social accounting credit is given to a number of useful summaries of the literature that have emerged over the past two decades. Significant contributors to an insights into the accounting body of literature pertaining to sustainability have included Mathews (1997a, 1997ba, 2002 & 2004), Gray et al (1995), Gray (2001 & 2002), Ball (2004), Parker (2007) and Thomson (2007). Mathews work has both documented the developments over time and also attempted to provide some structure to reviewing the literature with the adoption of a matrix structure to organise the literature. Gray’s (2002) paper reviewed the development of the literature with a focal point being the role played by the journal Accounting, Organization and Society (AOS). The paper gives a descriptive look at the literature for the last 25 years of the twentieth century but lacks the structured approach adopted by Mathews' matrix (2004). Gray (2002) in particular notes that by its nature the discipline of social and environmental accounting research lacks homogeneity, a characteristic that “is probably both the source of its continued vibrancy and one of the root causes for its (perceived?) lack of coherence” (Gray, 2002, p. 687). Parker’s (2007) paper, while not exclusive to the social and environmental discipline, investigated the publishing patterns from the perspective of corporate governance.

The matrix approach was also adopted by Ball (2004) to provide a foundation on which to identify alternate approaches to the question of why sustainability accounting has not developed in the UK local government sector. The map developed depicted two dimensions, the interaction of the social and natural world and the society. Four alternate positions emerge in which to place the literature and proved useful in locating the major theoretical perspectives but failed in its attempt to similarly locate ecological accounting. Thomson (2007) pursued a different approach to organising the sustainability literature, utilising visual mapping. Visual mapping techniques he argued can help contextualise and assist in making sense of material that can be either/or large in volume and complexity (Thomson 2007). While exploring an array of classifications of the literature the maps are limited to providing only a uni-dimensional perspective and lack any attempt to cross reference the classifications. The paper however does add to our understanding of the complexity of the sustainability literature and provides clear indicators of trends within the literature.

Three distinctly different approaches to corporate social reporting (CSR) research have emerged from the literature. Firstly it has been treated as an addendum to conventional accounting activity. This assumes a principal users' (the financial community) approach to financial reporting and would require the limiting of the perception of CSR to that which can be articulated within the current confines of conventional accounting. Any attempt to fully integrate social and environmental information into the conventional accounting model would require a re-examination of the traditional role of reported organisation information (Gray *et al.,* 1995). The alternative is to adopt a separate report. Where such reports are formally prepared they fall into one of two types, Corporate Social Reports (also referred to in some literature as Corporate Social Disclosure) or Sustainability Reports. Corporate Social Reports/Corporate Social Disclosure (CSR/CSD) have been categorised as content specific, reporting on the social dimensions and excluding the financial aspects. Sustainability Reports (a name adopted by reporting entities) incorporate all three aspects of the triple-bottom-line (Elkington, 1997) but continue to report the financial aspects as a discrete section not integrated with the social and environmental issues.

Irrespective of the form of the report it is clear that the incidence of voluntary social and environmental reporting is increasing with the literature revealing two broad categories of focus, those that examine the form and content of the reports and those that explore what drives organisations to report. Attempts to explain the drivers of this phenomenon of increased voluntary social reporting have been drawn from four theoretical bases:

Agency theory – Explanations for the increased disclosure stem from a market based perspective. Agency theory describes the way in which an agent, linked by a contractual arrangement, influences decision making and is grounded in the premise that the agents are self-interested. It is argued that under agency theory, in the context of the corporation which segments ownership from management, the actions of management would be to benefit management at the expense of returns to owners (shareholders). Thus agency theory would suggest that the reporting strategy chosen by an organisation would be aimed at maximising the wealth of the corporation, from which management derives its financial benefits, not necessarily the wealth of shareholders (Gray *et al.,* 1995).

Legitimacy theory – Legitimacy theory maintains that in order to survive a firm must operate within society's values and norms (Dowling & Pfeffer, 1975). Legitimacy assumes a reputation that must be retained, further if a company is seen to be illegitimate then at best profits are short-term (O'Donovan, 2002b). A company thus uses publicly disclosed information to manage the pressure placed on the company to administer its social and environmental responsibilities, public image and maintain its legitimacy (O'Donovan, 2002b).

Implicit in taking a position to operate within society's values and norms is an understanding of these values and norms which may be subject to change, particularly in the emerging globalised economy with the integration of cultural and legal boundaries.

Political economy of accounting theory - Political economy unlike agency theory goes beyond the market. It analyses both the exchanges within institutional frameworks and also the relationships between social institutions such as the government, law and property rights (Jackson, 1982). The many classes of stakeholder implicit in the credit union sector in the form of members, employees, regulators, community and management with the power to influence the organisation is captured in Gray, Owens and Adams (1996, p 47) 'bourgeois' stream of political economy and provides the underpinning theory for the development of the proposed model.

Stakeholder theory - Under Stakeholder theory the world is viewed from the perspective of the management of the organisation and reflects the view that the corporations continued existence requires the support of the stakeholders. Stakeholder approval is thus sought and the activities and actions of the organisation adjusted to ensure such approval is gained and retained (Gray *et al.,* 1995). While stakeholder approval is not denied the model adopts an overlapping view of stakeholder and legitimacy theories with the views of stakeholders acknowledged but also managed in order to ensure changing societal expectations are managed.

Other studies have explored motivations for reporting including a study of disclosures by BHP over a 15 year period found that management used positive social information to counter unfavourable media attention (Deegan *et a*l 2002). The basis of using media attention as a gauge for management's motivation was the belief that the media reflects and/or shapes community concerns (Deegan *et al.,* 2000). A strong association was noted between disclosure policy and community concern as reflected by media reporting (Deegan *et al.,* 2002). Previous studies found reporting of social and environmental disclosures has been generally qualitative and favourable (Deegan *et al*., 2000; Stratos, 2001 Fowler *et al*., 1999; Deegan & Rankin, 1996; Kreuze *et al.*, 1996; Gamble *et al*., 1995; Gray *et al.*, 1995). O'Donovan (1999) found that reports in news media affected what information management disclosed and that managers acknowledge that they use the annual report to respond to perceived public concerns. Further, "corporate management believe, to some extent, that the annual report is an effective way for informing and educating the public of the corporation's view about certain environmental issues" (O'Donovan, 1999, p.82). The function of the report as an information source is maintained but it is the potential manipulation of content and the veracity of the message from the reports that raises concern with the current position of voluntary and unregulated disclosures.

While other studies (Adams *et a*l 1998) examined the influences of size, industry grouping and country of origin on corporate social reporting. Country of origin had not been considered in previous studies but was considered to be a potential influence given the increasing globalisation of business and the international harmonisation of accounting standards. Adams, Hill and Roberts' (1998) study, in addition to finding and confirming in some instances the significance of country and culture-specific factors (Hackston & Milne, 1996), also revealed that size and industry grouping were significant influences on social reporting practices. There was also a significant inter-relationship between size and industry confirming connections found by Hackston and Milne (1996) in a study of New Zealand corporations. In this same study the authors sought to explain this connection by reference to risk (Hackston &

Milne, 1996) With certain industry sectors perceived to carry greater risks, specifically risk associated with the environment, than are other industry sectors. Stakeholders seek greater information and report preparers seek to meet the demand for information and to allay fears associated with the industry. Industries in the mining and resource extractive group are examples of those with higher risk, and have correspondingly higher reporting levels; those in retail and services with less perceived environmental risk (Hackston & Milne, 1996) have less incentive to report. The banking sector as a service industry would have low environmental risk but could be considered to have higher incentives to disclose social aspects (McGrath, 2003).

The Australian banking sector has seen an increasing level of reports of customer dissatisfaction appearing in both the print and electronic media resulting from the closure of bank branches and increased account fees. This dissatisfaction reflects a concern that the actions of the banks appears to contradict an extended notion of accountability (Deegan, 1999), where the organisation is answerable for its actions. The Code of Banking Practice released by the Australian Banking Association (2003) includes the establishment of a consultative forum to take account of community views about banking. This change in the Code of Banking Practice may have been seen as the banking sector responding to the new and emerging concern of customers and other stakeholders in society, indeed that bottom line profit is not the only responsibility of corporations (Loftus & Purcell, 2006).

In summary, the literature reveals two broad categories of focus - studies examining what drives the organisation to report and studies of the outputs, its form and content. This paper responds to the call by Loftus and Purcell (2006) to explore how to extend traditional financial reporting to make transparent the decision-making processes and performance criteria that underpins the increasing focus by organisation on the social and environmental dimensions.

Credit Union Sector

Credit unions can be distinguished from banks in their focus, while banks have a drive to increase shareholder wealth, credit unions are owned and operated for the benefit of members and the community. This focus in embedded in the credit union principles supported by the World Council of Credit Unions (WOCCU) (2007).

Credit unions' provide many of the same financial services as banks but distinguish themselves by a focus in their mission to serve the community in which they operate, whether it is a town or suburb, or a workplace or industry (WOCCU 2007). As mutuals, credit union customers are the owners resulting in a focus on members and benefits for the member, and not about generating profit for external shareholders

The credit union sector is influenced and regulated by a number of key bodies. These organiations play two broad functions, regulatory roles by APRA and NCUA and operational and strategic support at a local and international level by WOCCU and CUFA

The Australian Prudential Regulation Authority (APRA) is the primary prudential regulator of the Australian financial services industry. Its role is to oversee, credit unions, banks, building societies, general insurance and reinsurance companies, life insurance, friendly societies, and most members of the superannuation industry.

Credit Union Foundation Australia (CUFA) is the development agency for the Australian Credit Union Movement with a primary function to support Australian credit unions to achieve and promote sustainable corporate, economic, social and environmental practice. Support to Credit Unions is provided by a range of programs including providing financial literacy and educational material for their use and the CSR Toolkit to improve and report their corporate responsibility performance.

The efforts of credit unions to provide financial services while at the same time adding to their community has resulted in movements by credit unions to adopt various mechanisms to report on their activities including the generation of stand-alone sustainability report, integrated triple-bottom-line reports, reports in accordance with Global Reporting Initiative and the in-house developed CSR toolkit (CUFA, 2007).

Reporting in the credit union sector has mirrored the broader business environment, with an array of reports but no single preferred method. While the provision of guidelines and benchmarks for reports has been made by a number of national and international bodies there has been little research in the development of a global conceptual framework and standards for non-traditional accounting and reporting (Mathews 1997a, 1997b, 2002).

Global Reporting Initiative

The GRI 2006 sets out a comprehensive list of possible reporting categories for social and environmental reporting. The indicators were developed in order to support the ten Valdez Principles formulated by the Coalition for Environmental Responsible Economies (CERES). The ten principles being:

1. Protection of the biosphere
2. Sustainable use of natural resources
3. Reduction and disposal of waste
4. Wise use of energy
5. Risk reduction
6. Marketing of safe products and services
7. Damage compensation
8. Disclosure
9. Environmental directors and managers, and
10. Assessment and annual audit

The GRI is an ongoing project with it development based on a multi-stakeholder, consensus based approach. The diversity of the stakeholder groups drawn from geographically dispersed locations, and sectors including business, investment, accountancy, public sector, academic and not for profit groups has become increasingly complex (Richards and Dickson 2007). It is this complexity that provides diversity of perspective that leads to a shared understanding and ownership of the outcome (Richards and Dickson 2007) that has arguably led to the level of acceptance of the GRI.

A Sustainability Toolkit has also been developed for the use of credit unions, largely a guide to preparing a report under the GRI guidelines, but to date there has been very little adoption by the credit union body. In 2005 a research report commissioned by CPA Australia, Sustainability Reporting Practices, Performances and Potential was published which sought to identify current reporting practices in Australia. (Jones et al 2005). Comparisons of three sectors were presented, corporations, government business enterprises and local councils. The report found no overwhelming adoption of any particular reporting mechanism, with only 10 of 24 companies adopting a recognised reporting framework with a similar lack of adoption by the government enterprises and councils

Developing The Model Inclusive Of Gri

This paper presents a model developed as part of a larger project which explored and ranked the reporting needs of internal and external credit union stakeholders. The resulting proposed conceptual framework model argues for the inclusion of the GRI for reporting social and environmental impacts assumes a political economy perspective, acknowledging that the final reports are social, political and economic documents. It particularly adopts Gray, Owens and Adams (1996, p 47) 'bourgeois' stream of political economy, viewing the world as having many classes of stakeholder with the power to influence. The model also adopts a legitimacy perspective strongly relying on the notion of a social contract between the organisation and the society in which it operates. This mirrors both the literature where writers such as Tinker & Neimark (1987) and Mathews (1997b) advocate a move away from profit as the key measure of performance and industry practice, as seen in the increased number of organisations providing social and environmental reports (Hackston & Milne, 1996). The model seeks to integrate the financial and social reports, not necessarily requiring a single report, but rather it attempts to ensure consistency in the principles adopted across the financial and non financial aspects of the operations of the entity.

The conceptual framework for reporting model proposed and presented in this paper was developed based on data previously reported (McGrath, 2006). The previous study sought to capture the requirements of all stakeholders of an organisation within the credit union sector including members, staff and external interested parties. Semi structured group interviews and a survey were undertaken to gauge a feel for the type and style of information that would meet their respective needs for information.

A case study was chosen for the first phases of the larger research project in order to assess the specific content and format attributes for inclusion in the choice instrument. Group interviews were conducted by the researcher with the stakeholder groups and were important to establish a workable survey in terms of size and complexity. A list of reporting topics was developed from both the literature and the series of interviews to form the basis of a survey. The survey was designed in two parts. In the first section respondents to the written survey were asked to indicate on a five point scale, the importance of reporting each category of information. This section of the survey aimed to illicit from respondents a 'wish list' of information they would find important. The second part of the survey asked the participants to rank the importance of one aspect of reporting over another aspect of reporting. The purpose of the two parts was to validate and establish a ranking of the importance attributed to the reporting topics identified.

A postal survey was considered to be the most efficient medium to use to gather data from a diverse range of participants. The survey was posted to a computer generated random selected group of members and staff drawn from the membership base and staff records of the case study organisation. The role of the case study organisation was limited to generating the list of participants and providing the address labels. External participants, randomly selected from telephone records of the geographic region in which the case study organisation operates, were invited to participate and where a positive response was received a survey was posted. The return rate was only 10%, which is recognised as a limitation of the results. The analysis of the ranked responses utilised the Analytic Hierarchy Process (AHP). AHP was chosen as the analytical tool to probe the ranked responses as AHP lends itself to the investigation of the preferred reporting frameworks for social accounting where there may be conflicting interests of stakeholders involved. The AHP tool, developed by Saaty (1980), is a mathematical method for analysing complex decisions and has been widely applied for preference analysis in complex, multi-attribute problems (Varis, 1989). It is a general theory of ratio scale measurement based on mathematical and psychological foundations (Kangas, 1993) and is not grounded on any specific theoretical basis such as neo-Paretian welfare theory. What it does is to aggregate the separate performance indicators into an integrated performance indicator. The AHP facilitates a rigorous definition of priorities and preferences of decision makers and is useful in analysing decisions when many stakeholders are involved, each entertaining multiple objectives (Saaty, 1980).

The areas of strongest interest (Table 1) were those associated with supporting local business, customer issues of satisfaction, product policies and breaches of consumer privacy and employment issues. Performance and financial issues such as net sales, and cost of goods (COGS) and payroll (the more traditional financial information) were ranked low with a mean response indicating they were only of moderate to strong importance. An analysis of variance of the three groups, members, employees and others indicated no statistical difference except for donations and COGS. Employees rated COGS as being of higher importance, not surprisingly as some of this group would have responsibility for reporting on financial aspects. Donations, however, were rated slightly more important by members than employees. The areas identified aligned to some degree with the areas identified for reporting in the GRI, of note however, is the relative importance, and thus clear preference, for the non-financial areas, privacy and policy issues, identified by the stakeholders.

Table 1: Reporting Topics Ranked In Order Of Importance.

	Mean	Std. Dev.		Mean	Std. Dev.
Breach consumer privacy	3.65	1.22	Awards for SEA	2.96	1.247
Occupational policies	3.43	1.227	Loans paid in terms	2.92	1.201
Product information policies	3.38	1.254	Employee turnover	2.9	1.376
Customer satisfaction policy	3.34	1.161	Advertising policies	2.9	1.101
Buy local	3.33	1.26	Native habitats	2.86	1.226
Environmental impact	3.29	1.16	Net sales	2.75	1.167
Employee conditions	3.2	1.265	COGS*	2.41	1.153
Donations*	3.1	1.114	Workforce by region	2.41	1.079
Employee policies	3.07	1.244	Payroll	2.4	1.125
Non compliance OH&S	3.04	1.216	Customer location	2.39	1.061
			Mining activities	2.12	1.202

* F score less than 0.05 indicating a significant difference between the three stakeholder groups.

The survey also requested respondents to rank their preference for the type of information and the preferred measurement style in order to establish a weighting of stakeholder preferences. The Expert Choice Computer Model was used to analyse the pairwise comparisons. The matrixes for each of the pairwise comparisons are given in Tables 2 and 3. The tables are constructed to show the relative importance of the row item to the column heading, thus it can be seen in Table 3 that Human Resource Performance is just over two and half times more important to the respondents than Community Engagement and Environmental Performance and over six times more important than Organisation Performance. Alternately, it can be viewed that Organisation Performance is approximately one sixth as important as Human Resource Performance and one half as important as Community Engagement and Environmental Performance.

Table 2: Pairwise Comparison Of Information Categories

	Human Resource Performance	Community Engagement and Environmental Performance	Organisation Performance
Human Resource Performance	1	2.66/1	6.26/1
Community Engagement and Environmental Performance	1/2.66	1	2.35/1
Organisation Performance	1/6.26	1/2.35	1

The results for the style of reporting appear, however, to be problematic when considered in tandem with the previous weighted demand for information. Respondents clearly indicating a preference for quantitative traditional financial reporting, being nearly four times as important as the categories associated with Social and Environmental Issues. A preference for a style similar to traditional financial reports, adopting a numeric base to the report, was evident.

The cause of the apparent inconsistency, it is postulated, could be due to the comfort level of the established information style represented by the traditional numeric financial reports or the recognition that the less defined categories inherent in reporting social and environmental issues may have led to confusion and questions as to what it is that is actually being reported. Further investigation of the data is clearly indicated and further research into the use by stakeholders of the information would appear to be warranted. However, the model proposed recognises the acceptance of the format for traditional reports and in response to the data seeks to integrate the established format for financial reporting into the proposed conceptual framework.

Table 3: Pairwise Comparison Of Style Of Report Options

	Traditional Financial Reporting categories	Social and Environmental categories
Traditional Financial Reporting categories	1	3.78/1
Social and Environmental categories	1/3.78	1

In summary respondents desired information beyond the traditional financial measures of performance, indeed there was a strong preference for measures rather than the traditional financial measures. However there was also a clear message that the style of traditional reports was favoured. The question posed was how to satisfy the demand for information yet retain the qualities of traditions financial reports. This resulted in a closer look at the existing conceptual framework for financial reporting and the characteristics of the information reported under the conceptual framework and the currently available social and environmental reporting guidelines.

Assumptions Of The Proposed Model

The first challenge in designing the model was the need to keep the model flexible. By its very nature legitimacy theory requires an understanding of society's expectations which are dynamic. Failure to accommodate the dynamic nature of society's expectation would inevitably lead to the legitimacy gap identified by Sethi (1978).

The model however, also acknowledges stakeholder theory accepting Gray, Koughy and Lavers (1995) view that stakeholder theory and legitimacy theory are overlapping. Ethical stakeholder theory acknowledges that there may be conflict between stakeholders leading to the situations where the interests of one group are sacrificed for the interests of another, however interestingly, such a conflict was not evident in the data collected.

Further, the model also seeks to overcome criticism of the concept of social and environmental reporting by those who would argue that social and environmental reporting is merely green washing (Laufer, 2003; Ramus & Montiel, 2005) the public. The establishment of a framework for reporting, bearing common characteristics between financial and social dimensions will achieve a transparency lacking in the current adhoc approach.

The inclusion of corporate governance performance in addition to social and environmental performance stemmed from the need for the model to ensure that the philosophy of social responsibility is embedded into the organisations goals and decision making processes. This fourth dimension to the accepted social, environment and economic dimensions was noted by Woodward, Woodward and Val (2004, p.8) as being the 'umbrella' to hold the other three dimensions.

The model does not disregard the indicators and standards developed under GRI (2006), SA8000 (2001) or AA1000 (1999). Rather the model accepts the value of these indicators where there is an holistic approach resulting from consistency in the application of the required information characteristics. Further research is currently underway to explore the availability of current data collection systems to reflect the array of information required by these standards.

The model attempts to take into account the findings of the previous study in acknowledging the importance placed on the current format of financial reports and thus the framework in which they are prepared. Further the model seeks to give the level of importance attributable to the social and environmental issues that was revealed in the reference rankings (Table 2). As the model has been based on research conducted within the narrow confines of the credit union sector at this stage its application is proposed only for this sector.

Components Of The Model

In constructing the model (Diagram 1) the current conceptual framework utilised by Australian and International accounting standard setters (CPAAustralia, 2007) and the International Accounting Standards Board (IASB) discussion paper 'Preliminary Views on an Improved Conceptual Framework for Financial Reporting: The Objective of Financial Reporting and Qualitative Characteristics of Decision-useful Financial Reporting Information' (IASB, 2006) provided the basis for its development.

The primary objective reflects the objectives as set out in paragraph 1 of SAC1 of the Australian Accounting Standards and chapter 1 of the discussion paper and is in accordance with the respondents' desire for parity with the current format of financial reports.

The primary objective reflects the objectives as set out in paragraph 1 of SAC1 of the Australian Accounting Standards and chapter 1 of the International Accounting Standards Board discussion paper 'Conceptual Framework for Financial Reporting: Objective of Financial Reporting and Qualitative Characteristics of Decision-useful Financial Reporting Information'.

In order to support the primary objective information generated should be of sufficient range to enable users to judge the performance of the organisation from a holistic perspective, encompassing all dimensions of performance, not just profit attainment or growth but social and environmental impacts.

The Corporate Governance Report will be informed by the Australian Stock Exchange (ASX) Principles of Good Corporate Governance and Best Practice Recommendations in order to provide evidence of a 'system by which companies are directed and managed' in order to display that the structures in place 'encourage companies to create value (through entrepreneurism, innovation, development and exploration) and provide accountability and control systems commensurate with the risks involved'. The report will be aided by reference to AA1000 (1999) and the guidance it provides to setting goals, targets and measurement of performance against those targets incorporating the key component of consultation with stakeholders. This reflects stakeholders concerns that the stated objectives, to provide a balance of social, environmental and financial aspects to the management of the entity were reflected in the operations of the enterprise with information on policy ranked higher than operational issues.

Social and Environmental reports would be prepared as a matrix of the GRI and SA 8000. The report will be a mix of qualitative and quantitative information and is the subject of further research. The Directors report and Financial reports continue to be prepared in accordance with International Accounting Standards.

The characteristics of the information are defined by the Conceptual Framework discussion paper of the IASB and US Financial Accounting Standards Board (FASB) which seeks to establish a common conceptual framework. The framework builds on the existing financial accounting frameworks and the characteristics are consistent conceptually with the GRI reporting principles. In adopting the IASB and FASB characteristics the model seeks to embrace the fundamental characteristics of the traditional financial reporting categories as preferred by the respondents. Rather than two distinct sets of information characteristics, the model acknowledges the similarities between characteristics developed for social and environmental information and financial information and seeks to have a set of fundamental characteristics to be applied in the context of social, environmental and financial information.

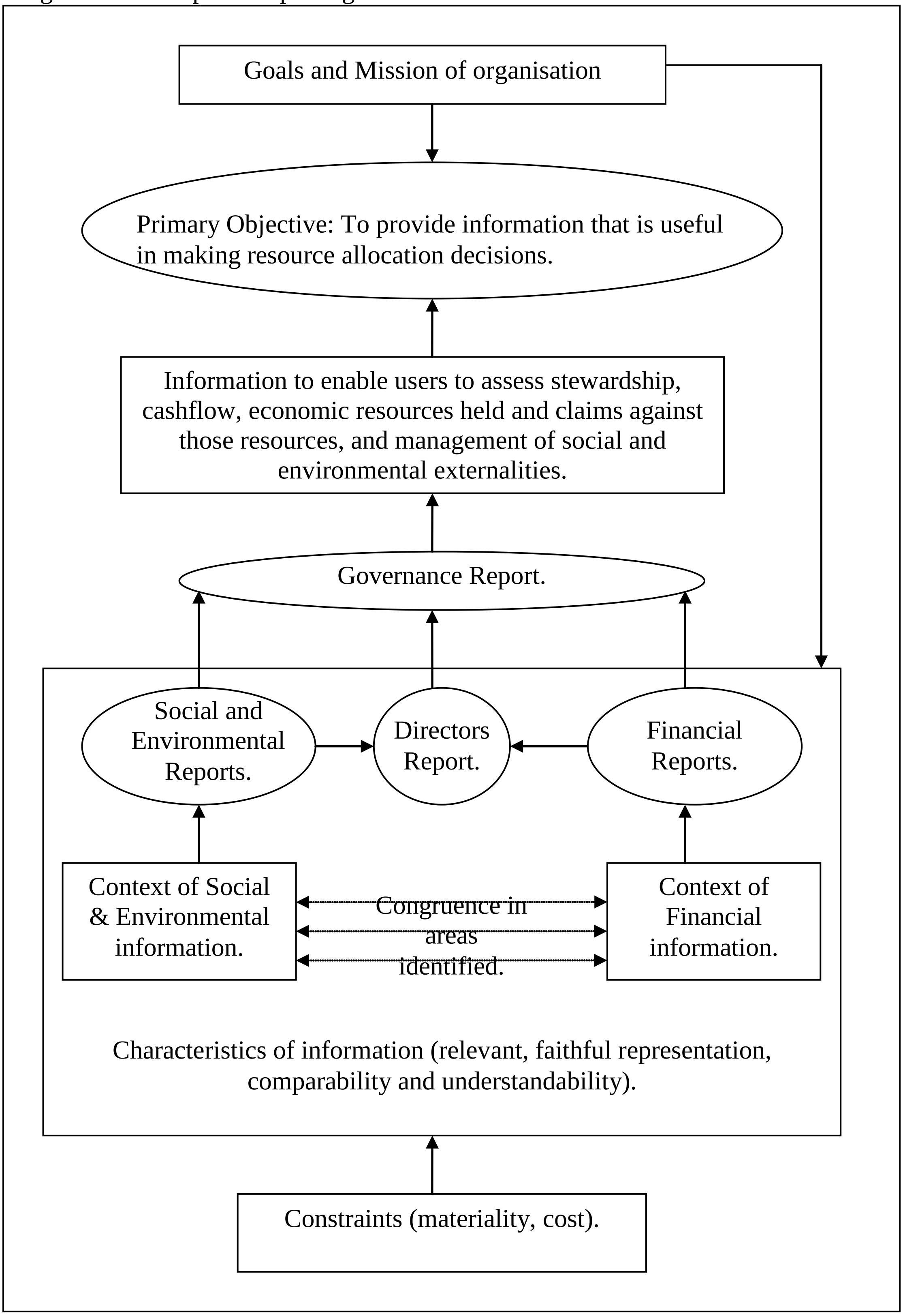
A fundamental component of the model is the congruence between the social and environmental information and the financial information to be included in the respective reports. When considering information to include, based on the information characteristics, if an activity is sufficiently relevant to be reported under either the financial or social and environmental branches, then its impact on all aspects should be reflected. For example if philanthropic activity is of such a level or importance to the community the extent of financial support would also be relevant, or if environmental damage is to be remedied the cost of such remedial action should be identifiable in the financials. Where externalities are identified in the social and environmental activities the impact on the assets and liabilities now and in the future should be noted. It is not required that such impacts be necessarily reflected in the bottom line profit, but guided by the accounting standards, might appear as a note to the financials.

Ultimately the benefit from providing the information must justify the costs to obtain and prepare. The justification lies in how material the information is to the users and is a matter to be considered by the preparers of the reports taking into account both the nature of the item under consideration and the amount. Referring to the previous example of philanthropic activity, its materiality and thus subsequent reporting would not be dependant solely on the amount, indeed based on the amount only few of these activities would be deemed material, however if due to the nature of the activity it has a significant impact on community, relations with community, happiness of workforce etc than the activity is material, and as such should be specified in both the financial and social and environmental reports. Currently this is often not the case with activities of this nature well documented in the social report but having little if any mention in the financial reports. This of course would be subject to the information not being too costly, but it is noted that much of the financial and non financial data for reporting is collected and it may be that adjustments to traditional reporting formats need to be enacted to extract the information rather than imposing cost burdens to collect additional information.

The conceptual framework model proposed was taken back to three credit union stakeholder groups, directors, management and a representative of the regulatory bodies. For consistency credit unions of a similar size and characteristics, geographically based and regional were selected to seek feedback on the model. A list of all credit unions satisfying the criteria and located in the three states on the mainland, for ease of access, were identified from website information. Of the total of 131 credit unions in Queensland, New South Wales and Victoria 35 qualified to be approached for interviews. Telephone and email, where phone contact was unsuccessful, were used to seek participation in a two hour interview. Four organisations were able to provide access to management and directors for the interviews. Two organisations had a social and environment agenda, although both had not published a report in the past year and two did not report and had not reported at any time. A member of on of the supporting bodies of the credit union sector also agreed to be interviewed. The option to adopt elite sampling was founded on the belief that the views of the group most closely involved in using the model to prepare the reports would have the most to offer in critically evaluating the proposed model.

The interviews were semi structured, thus while focused on the model, allowed the exploration of issues raised and were flexible in the way respondents approached their evaluation of the model, some opting for a top down approach while others focused on particular aspects of the model. The interviews were taped and transcripts analysed using Content Analysis (Silverman, 2001) to identify themes in the responses and resulted in the model presented in Diagram 1

Diagram 1: Conceptual Reporting Framework For Credit Unions



While the focus of the interview was on the model the semi structured nature of the interview as previously discussed allowed respondents to reflect on the process of reporting that was or was not taking place at their organisation. Of particular interest were the following comments that were made when prompted by the constraint component of the model. While not specific comments on the model they do provide further insight into challenges faced by these organisations to move forward in the area of social and environmental reporting and areas for future research.

- Firstly, recognition that training and education is required:
  "skill set really needs to change and the culture of today to adopt a broader issues approach"
- The need for resources and to maintain focus:
  "at the forefront when it all started but it probably hasn't kept up to speed and it hasn't kept up with all the changes and best practice".
- The need for some systems change:
  "Social and environmental bookkeeping system needs better development and allow better data collection".

When questioned on the usefulness of the information drawn from the GRI indicators and the availability of the information in the current data systems there was an overwhelming agreement as to the usefulness of the data for decision-making. Further the perception was that a significant amount of the information was currently available or could be available, even if not currently extracted and used in the formal reporting process. All respondents identified reporting of some activities via newsletters, in either print or web formats but no respondents had entered into a regular and formalised reporting regime, this was despite the availability of the CUFA Toolkit.

Table 4: Availability And Useful Of GRI Indicators

	% Available	% Useful	% Not Available	% Not Useful	Not Applicable
Policy: Indicators that cover policy development and adherence					
Policy relating to internal stakeholders					
Affirmative action					
Hire local policy	100	100	Nil	nil	Nil
Industrial relations policies, including right to union representation, actions against child and forced labour	90	100	10	nil	Nil
Demographics of workforce: Includes remuneration, total equivalent number of employees and break-up by minority segments, turnover	100	100	Nil	nil	Nil
Professional development	100	100	Nil	nil	Nil
Governance procedures to ensure consideration of social and environmental impacts	80	100	20	nil	Nil
Policy relating to external stakeholders					
Public policy positions and participation in public policy development and lobbying	50	80	20	20	30
Practices related to customer satisfaction	100	100	nil	nil	Nil
Description of policy and procedures to implement policy to assess and reduce risk to the environment from core business					
Processes and parameters applied to assess and mitigate environmental impacts from within organisation	70	100	30	nil	Nil
Description of policy and procedures to implement policy to assess and reduce risk to the environment from clients and suppliers	70	100	30	nil	Nil
Description of policy and procedures to implement policy to identify and assess performance in respect of organisations core social values from core business	80	100	20	nil	Nil
Indirect impacts: Indirect social and environmental impacts of the organisation					
Indirect environmental impacts characterised by: Water, energy, greenhouse gas emissions and biodiversity	30	100	70	nil	Nil
Initiatives to reduce indirect impacts on environment	80	90	20	10	Nil
Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities	40	90	50	10	10
Direct impacts: Direct social and environmental impacts of the organisation					
Arising from Operations					
Percentage materials used from recycled sources	70	100	30	nil	Nil
Environmental impacts of transport	60	100	40	nil	Nil
Other environmental expenditure	50	100	50	nil	Nil
Buy local policy: staff and materials	100	100	nil	nil	Nil
Products designed with social and environmental criteria	90	100	10	nil	Nil
Arising from Staff activities					
Human rights training and incidents of violations	70	90	nil	10	30
Provision of, development and training with respect to personal and skill development across all categories of employees	100	100	nil	nil	Nil
Cash and in kind support for community and not-for-profit					
Infrastructure for public benefit	100	100	nil	nil	Nil
Philanthropic	100	100	nil	nil	Nil
Political party	Nil	nil	nil	100	100

	% Available	% Useful	% Not Available	% Not Useful	Not Applicable
Regulatory compliance: Adherence and penalties in respect of Laws and Regulations					
Value of fines and the number of legal actions and sanctions in respect of product and services provided	100	100	nil	nil	Nil
Compliance with general laws and regulations					
Where financial assistance provided, adherence to conditions of support.	60	90	30	10	10
Preventative measures to ensure compliance					
Programs and training to ensure adherence to laws and regulations	100	100	nil	nil	Nil
Corruption action and risk analysis	100	100	nil	nil	Nil
Measures of compliance					
Adherence to labour laws and regulations including wages, conditions and superannuation	100	100	nil	nil	Nil
Value of fines and the number of legal actions and sanctions in respect of breaches to laws not in respect to the environment	100	100	nil	nil	Nil

The areas identified as having data unavailable included Public Policy development and lobbying with mixed views on the usefulness of this information. It should also be noted that there was unanimous agreement that cash and in-kind support for political parties was irrelevant and reflects a view that it was not the role of the credit union to become involved in political matters, although some participants felt that it was necessary for the credit union to be involved in policies related to the community such as access to health services.

Respondents while believing that policy and procedures to assess and reduce the risk to the environment from the core business were considered useful felt that data regarding the processes was not perceived to be universally available in the current systems. This was consistent with the level of availability of data documenting the direct impacts from operations, apart from activities associated with buy-local policy.

The indirect impacts on society and the environment were important but perceptions were that this type of information was not colleted and thus unavailable. This is in contrast to initiatives to reduce impacts. The theme of responses exploring this area indicated that a number of the organisations had programs in place to reduce power consumption by turning off lights or creating products to encourage clients to be conscious of their environmental impacts such as green loans but that no action had been taken to ascertain the effectiveness of the initiatives.

Human rights issues were important to the respondents but it was also noted that this type of information was not applicable in the Australian context as there existed strict laws embedding appropriate behaviour into the conduct of business. Similarly for compliance to conditions of support, this category was felt to be useful and though not available it was implicit in the conduct of the organisation that regulations and laws were adhered to as part of the governance process.

As evidenced in Table 4 a significant component of the reporting requirements of the GRI applicable to the credit union sector are currently able to be generated from existing internal systems. For many of the respondents this came as a surprise as all the organisations from which the participants had been drawn were not involved in regular or consistent reporting of their social and environmental impacts due to perceptions that it would require resources tied up in other priority areas of the organisation. This was true even for organisations that had prepared reports in previous years. Further it was found that the information provided by a reporting framework such as the GRI would be of value to this group of decision makers.

Conclusion

This paper presented a conceptual framework for reporting which integrates social and environmental information with financial information drawing on the GRI as one means of reporting social and environmental impacts. The model built on prior research which had documented the requirements for social and environmental accounting information by members and management associated with an organisation in the credit union sector and as such limits itself to that sector.

The GRI (2006) is increasingly being used as a framework to report on an organisation's social and environmental impacts. This paper explores the ability of smaller regionally based credit unions to draw on existing reporting systems to extract data to allow reporting under the GRI guidelines.

The information requirements under the GRI framework were compared with what is currently available or is potentially available under existing traditional reporting mechanisms to gain an insight into the level of change needed within organisations to adopt a social and environmental reporting strategy. Based on the responses of management and directors a significant component of the reporting requirements of the GRI are currently able to be generated from existing internal systems or able to be generated with small modifications. The focus of the GRI guidelines alignment with data available in various formats came as a surprise to the respondents as there was a perception that reporting on social and environmental impacts would require a significant change to current practices and would be resources intensive.

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