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Origins and development of sustainability reporting: Analysis of the Latin American context

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Origen y desarrollo de la divulgación de información de sostenibilidad: Análisis del contexto Latinoamericano

Origem e desenvolvimento da divulgação de informação de sustentabilidade: análise do contexto Latinoamericano

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This research aims to show the evolution of the sustainability reporting practices since its inception. To this issue, the most relevant theoretical approaches to sustainability reporting are reviewed and discussed. This paper also analyses the current state of sustainability reporting in an emerging region in the area: the Latin American context. Specifically, the most relevant countries in disclosing social and environmental reports in the Latin American region are further studied. Concerns about the evolution of the number of reports, the GRI mentions associated to them and its quality levels is analysed.

El trabajo pretende mostrar la evolución de las prácticas en materia de divulgación de información de sostenibilidad desde sus orígenes. Para ello, se revisan y discuten las principales teorías que explican este fenómeno. La presente investigación analiza también el estado de la cuestión en materia de divulgación de información de sostenibilidad en una región emergente: el contexto Latinoamericano. De forma específica, se estudian las prácticas realizadas por los países más relevantes en la divulgación de información de sostenibilidad en Latinoamérica. Aspectos como el volumen de informes divulgados, las menciones GRI asociados a los mismos, así como sus niveles de calidad son analizados.

Esta pesquisa aponta mostrar a evolução da divulgação de informação de sustentabilidade informando práticas desde seu começo. A este assunto, as chegadas teóricas mais relevantes a reportagem de sustentabilidade são revisadas e são discutidas. Este papel também analisa o estado actual de reportagem de sustentabilidade numa área emergente: o contexto latino americano. Especificamente, os países mais relevantes em divulgar relatórios sociais e ambientais na região latino americana mais adiante são estudados. As preocupações sobre a evolução do número de relatórios, o GRI menciona associado a eles e seus níveis de qualidade é analisado.

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1. Introduction

The popularisation of the concept of sustainable development in the last years of the 20th century was the starting point for adopting policies aimed at improving social welfare or environment preservation, aspects that had been partly ignored by political, institutional and business community. The greatest impact of sustainable development has been felt by business organisations. As a result, the Neo-classical Theory driving business, the almost sole objective of which was to maximise shareholder value (Friedman, 1962; Friedman 1970), has been widely questioned in current literature (Freeman, 2008; Wood, 2008).

This has led companies to modify their strategic management from attending only to the financial dimension to considering factors related to different stakeholders. The stakeholders, originally introduced by Freeman (1984), have a legitimate interest, directly or indirectly, in the firm's running, which may influence the achievement of defined objectives and its survival (AECA, 2004). One of the main effects of this new managerial approach is on the company discloses its annual reports do not provide an adequate description of actions taken by companies in the social and environmental fields (Deegan and Rankin, 1996). Aspects such as social and environmental externalities require different reporting systems and disclosure methods, generally with greater flexibility, in order to enable the understanding of how companies behave in these areas (Wood, 1991; Clarkson, 1995; Fineman and Clarke, 1996; Henriques and Sadorsky, 1999; Post *et al.*, 2002).

The idea of disclosing Social and Environmental Reports (SER), in addition to financial reports, is not new (Buhr, 2007). One of the first approaches to this concept was called '3P', in reference to 'people, planet and profit', and was included in the first SER disclosed by the Anglo-Dutch petrol company, Shell, in the year 2000. However, it was not until the end of the 20th century that this type of reporting became systematic in organisations (ACCA, 2004). These documents show how companies manage the social and environmental aspects inherent in any organisation by linking the corporate reporting systems and sustainable strategic management. However, the motivation underlying this behaviour has not yet been sufficiently reliably defined (KPMG, 2005; KPMG, 2008).

The sustainability reporting phenomenon has been analysed from two theoretical approaches: a) the economic approach and b) the socio-political approach.

The **economic approach** explains sustainability reporting according to the Neo-classical Economic Theory. It can be sub-divided into two theoretical approaches: a) the Theory of usefulness for investor decision-making and b) the Agency Theory or Positive Accounting theory. The first of these needs special mention. The ethical reasoning of investors, or Theory of usefulness for investor decision-making, upholds that there are investors in the market who analyse SER when making investment decisions (Spicer, 1978; Freedman and Stagliano, 1991; Lorraine *et al.*, 2004). In other words, it highlights the existence of a type of investor who takes positions in the market depending on perceptions of the socially responsible behaviour of organisations.

The **socio-political approach** to sustainability reporting criticises the reductionist character of the economic approach (Putxy, 1993), arguing that disclosure of SER must be

KEY WORDS
Sustainability reporting, Global Reporting Initiative, social and environmental reports, sustainable development, emerging economies

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interwoven with political and institutional processes (Burchell *et al.*, 1980). The socio-political approach to sustainability reporting can be sub-divided into three theoretical approaches: a) Economic Theory (ET) b) Legitimacy Theory (LT) and c) Stakeholder Theory (ST). LT and ST have been the most widely used by the literature in the field, in addition to making a more significant contribution to understanding the sustainability reporting phenomenon (Gray *et al.*, 1995).

Thus, LT shows that different organisations disclose SER with the aim of being accepted by society (Deegan, 2002). Therefore, sustainability reporting is deemed to be a corporate communication mechanism to influence stakeholders' image of the company (Deegan and Gordon, 1996; Deegan and Rankin, 1996; Buhr, 1998; Deegan *et al.*, 2002). On the other hand, research that takes ST into account when explaining the sustainability reporting phenomenon is focused on the accountability of organisations. Starting with Ullman's (1985) work, there have been many more in the field that have taken ST as their theoretical framework (Roberts, 1992; Al-Tuwaijri *et al.*, 2004; Magness, 2006).

2. Overcoming past paradigms: the triple bottom line approach

In 1992, the United Nations Conference on Environment and Development (UNCED) was held in Rio de Janeiro. The aim of this event was to obtain a fair balance between the economic, social and environmental needs of present and future generations, promoting the bases for worldwide collaboration between developed and developing countries and between governments and society, based on an understanding of common needs and interests. The first tangible result of UNCED was the Commission on Sustainable Development (CSD), established to support, encourage and monitor governments, United Nations organisations and the main economic and social agents, such as the business sector, non-governmental organisations and other sectors in society, in the measures that would have to be adopted to develop the agreements reached in the Conference.

The conclusions of the CSD have been incorporated into the sphere of corporate strategic management. A few years later, Elkington's seminal work (1997) 'Cannibals with Forks: The Triple Bottom Line of 21st Century Business' dealt with the idea of a three-dimensional view of development and proposed the 'triple bottom line' approach to show that an organisation must be a social and environmental entity in addition to being an economic one.

The 'triple bottom line' approach reinforces the view that companies should to be responsible in agreement with sustainable development principles. Society requires this responsibility and, using this approach, corporations would be able to communicate their commitment to sustainable development to their stakeholders (Gray *et al.*, 1996).

The principle of 'accountability' identifies this responsibility and shows society's 'right to know' (Gray *et al.*, 1996) about some aspects that may affect it, such as environmental violations or social injustice in which companies are involved. This 'right to know' is becomes real with the stakeholders, who represent the interests of society from many perspectives (Gray *et al.*, 1996; AccountAbility, 2005). The principle of accountability involves a wide range of social agents who not only claim the 'right to know' but also require that companies take responsibility for their actions.

Thus, the accountability concept indicates that each organisation has a responsibility to carry out some actions and to inform about their implications to the different stakeholders. These aspects make up the core of sustainability reporting (Moneva, 2006).

3. Sustainability reporting: forty years of history

Traditionally, a company's accountability relates to its duty to provide data to its shareholders. Financial statements fulfil this function and provide the economic and financial data most required by these agents. Over the years, these reports, have began to include aspects on social and environmental issues linked to real or potential impact on CFP (see Table 1). Financial statements basically focus on costs, investment and environmental provisions (Larrinaga *et al.*, 2002).

As stated by Henriques (2004), financial statements do not comply with the principles established by the triple bottom line approach because the success of a company is a wider concept than profitability or shareholder value. Companies need to refocus their reporting systems in order to satisfy the needs of their stakeholders. Nevertheless, sustainability reporting has existed in several forms of corporate reporting, such as voluntary information in the annual statements (see Table 1), and independent reports, whether or not they are disclosed to comply with any legal requirement (Wilmshurst and Frost, 2000).

Although sustainability reporting has existed for the last forty years, it was only in the 1970s and 1980s that it took a formal shape (see Table 2). Arising within this context is the 'social balance sheet', which has a variety of interpretations. For instance, the social audit from the consultancy firm 'Abt Associates (1971)' provided a reporting system based on notifying, via economic figures, social and environmental impacts through a traditional balance sheet. Similar experiences were carried out in Europe, although they were called Social Accounting (such as Beechwood College and Migros Cooperative in 1978). However, these models have not enjoyed general recognition by the business community because of the difficulty in making comparisons among them and because of their low level of impact on stakeholders.

Table 1. Mechanisms for sustainability reporting

		Annual Report		Separate report
		Mandatory information (financial statements)	**Voluntary information**	
Financial reporting		- Assets, costs, environmental provisions and contingencies on the balance sheet, profit and loss account and Annual Report	- Description of costs, investments, environmental provisions and contingencies	- Ecological balance sheet - Full ecological costs accounting
Non-financial reporting	**Quantitative**	- Physical quantification of the environmental impact - Number of employees	- Physical quantification of the company's environmental impact, supported by graphs, tables, etc. - Quantification of accidents at work	- Environmental report - Ecological balance sheet - Social balance sheet - Social and Environmental reports
	Qualitative	- Description of environmental impact or environment initiatives - Description of social risk control mechanisms	- Description of environmental impact and proactive initiatives - Description of the work atmosphere	- Technical description of impacts and proactive programmes - Social balance sheet - Social and Environmental reports

Source: Adapted from Larrinaga *et al.* (2002)

Table 2. Evolution of sustainability reporting

Period	Data disclosed	Characteristics
1970s	Social Audit (Abt)	Financial report on environmental impact
	Social balance sheet (Bank of Bilbao)	Information on aspects of interest for representatives of the organisation
1980s	Social and Environmental data	Data supplied in company financial statements
1990s	Environmental reports	Reports arising from implementing Environmental Management Systems
	Financial environmental reports	Accounting rules applied to environmental aspects
2000-2010	Social and Environmental Reports	Reports that include the economic, social and environmental dimensions of organisations

Source: Adapted from Moneva (2005)

In the environmental field, the development of sustainability reporting arose from concern about the serious ecological problems of the planet, promoted by the United Nations and ecological organisations (Larrinaga *et al.*, 2002). This led firms that were more susceptible to environmental incidents, such as petrol and chemical companies, to start disclosing reports on these issues in their annual reports (Moneva and Llena, 2000). Environmental management systems (ISO 14001, EMAS), which had the aim of reflecting a public commitment on environmental aspects, were implemented later.

Another advance in the field was the introduction of accounting rules that show the need to incorporate environmental aspects in financial reports (made in the United States in the 1980s), based on Superfund legislation and the efforts of the Securities Exchange Commission (SEC) and Financial Accounting Standards Board (FASB).

The growth of sustainability reporting was the driving force in the elaboration of SER towards the end of the 20th century. The main objective of the SER is to communicate an organisation's commitment to sustainable development as well as describing the results of its actions in the economic, social and environmental dimensions.

Sustainability reporting might also contribute to other objectives of the company. The most important of these are described below:

a) The introduction of innovative management systems, focused on the sustainability of activities, which may provide competitive advantages in the mid-long term (Porter and Kramer, 2006).
b) Improvement of the organisation's image by communicating its CSR practices to their stakeholders (local community, NGOs, etc).

Thus, there are three factors to manage when elaborating SER in order to differentiate them from other types of corporate reporting.

a) Firstly, the organisation should implement measures to control the social and environmental impacts arising from the company's activities.
b) Secondly, SER must constitute an essential element, for which adopting a generally accepted format would be most suitable. Thus, choosing a standard to compare with is very important.
c) Finally, accountability to the different stakeholders is the third key element. Unlike financial statements, SER are not focused on an economic framework, but on the strength of the impact on stakeholders.

Based on these three factors, disclosing SER may help the company to achieve several internal and external objectives. They can be described as follows (KMPG, 2005):

a) Evaluating the organisation's performance on sustainable development in relation to established regulations and voluntary initiatives.
b) Highlighting the relationship and influence on each other among organisations, and expectations created around the sustainable development.
c) Comparing the performance of an organisation with other companies, as well as analysing its evolution over time.

d) Reducing the risk level in managing the social and environmental aspects that affect corporations.
e) Reducing costs through improving management mechanisms and increasing profits by accessing socially or environmentally-oriented markets.
f) Increasing its stock market capitalisation due to the growing ethical investment.

The latter point has served as an argument for disclosing SER in many multi-national companies, especially for those listed on stock markets. In recent decades, mechanisms for pushing companies to implement and formally notify socially responsible behaviour have been introduced for quoted companies. The two most important are:

a) Ethical, or socially responsible, investment funds, which play a large role in Europe (Eurosif, 2006; Eurosif, 2008) and the United States (Social Investment Forum, 2007). This type of institutional investment build their portfolios on a base of the most socially and environmentally responsible corporations to allow agents to fit their investment policies to their ethical values (Domini, 2001). This means that sustainability reporting analysis is one of the main tools in selecting the companies to be included in ethical investment funds.
b) Sustainability stock exchange indexes, which bring together the leading companies in terms of sustainability or CSR practices. The most important are the Dow Jones Sustainability Group Indexes and the FTSE4GOOD Indexes.

4. Looking forward: the Global Reporting Initiative framework

The Global Reporting Initiative (GRI) came about in 1997 as an initiative from the Coalition for Environmentally Responsible Economies (CERES) and the United Nations Environmental Programme (UNEP) with the aim of creating a common global framework for voluntary reporting on the economic, social and environmental impact of corporations and other organisations (White, 1999). It evolved rapidly, with large changes, into an independent institution (see Table 3).

The three main features for improving the standardisation process are:

a) Globalisation of corporate activities, which demonstrated the need to develop innovative instruments for accountability, both from an economic and a social and environmental perspective.
b) The shortcomings of eco-efficiency as an environmentally-friendly production system, within the new perspective of sustainable development, in that it does not consider future generations.
c) The need for comparability and reliability in sustainability reporting, so that stakeholders may improve their decisions.

Table 3. Evolution of the Global Reporting Initiative

Year	Event	Relevant aspects
1997	Constitution of the GRI by CERES and UNEP	Initiative depending on the two institutions with the aim of developing a reference framework for sustainability reporting Start of conceptual projects
1999	First Draft of the guide for elaborating the GRI Reports	Trial test run with 31 companies, including leading multi-nationals Bayer, General Motors and Shell, among others
2000	**First** guide for elaborating the GRI Reports	Disseminating the report and ratification by leading companies Conceptual framework for financial reporting
2002	**Second** guide for elaborating the GRI Reports	Presentation in Johannesburg. Wide acceptance by companies and their stakeholders Conceptual framework based on accountability to the stakeholders
2004	GRI becomes an independent entity located in Amsterdam	Increase in entities providing sustainability reports and a need for a new structure
2005	Beginning of the revision of the G3 guidelines	Proposals for modifications based on differentiating between reports and management
2006	**Third** guide for elaborating the GRI Reports (G3)	Public presentation in Amsterdam Support from institutions and NGOs Conceptual framework based on transparency and credibility

Source: Moneva (2006)

The framework proposed the GRI to be a guide in elaborating SER is based on considering five principles: inclusion of stakeholders, balanced global process, full use of communication technologies, transparency and efficiency.

The current G3 guide was launched in October 2006. It was aimed at enhancing transparency in organisations and at improving the credibility of the SER drawn up in accordance with the previous GRI 2002 guidelines (GRI, 2006).

To this end, a new focus was established to categorise the SER. In the 2002 guide, only two levels were provided:

a) ‘in accordance’: in which the following requirements had to be met:
   - Report on the elements listed in sections 1 to 3 of Part C.
   - Include a contents index.
   - Provide data about the core indicators.
   - Ensure that the report agrees with the principles laid down in Part B of the guide.
   - Include a signed ratification by the board of directors or the corporation CEO.
b) ‘content index’: which is given to any SER that, without fulfilling the requirements of the ‘in accordance’ category, included a GRI-type table of contents.

The G3 guide has changed these two categories for another model that is aimed at the stakeholders' demands. Thus, three levels are proposed (A, B and C) which can be further split because each receives a '+' if the report has been checked by an external audit firm (see Table 4).

Table 4. Mentions associated to G3 GRI Reports

Categories	C	C+	B	B+	A	A+
Profile	Report about: 1.1 2.1-2.10 3.1-3.8, 3.10-3.12 4.1-4.4, 4.14-4.15		Report about level C plus: 1.2 3.9, 3.13 4.5-4.13, 4.16-4.17		Idem level B	
Management approach	Not needed	Verified by an external audit company	Breakdown by category	Verified by an external audit company	Breakdown by category	Verified by an external audit company
Performance indicators	Minimum of 10 indicators. At least 1 in each category (3)		Minimum of 20 indicators. At least 1 in each category (breakdown of social category)		G3 central indicators and for the sector supplement. Apply Materiality principle: report or justify	

Source: Moneva (2007)

This new framework is more rigorous in classifying SER. 2002 guide was criticised because of the excessive ease of access to the 'in accordance' category (Moneva, 2007). Likewise, the opportunity for an external audit attempts to ensure greater credibility for readers (Moneva, 2006).

In addition, this new classification model is similar to others applied in other fields, such as the risk of public debt, and is, therefore, well-known to large corporations. These considerations seem that, in spite of trying to include SMEs, it is a model that is still oriented to global companies, as with the 2000 and 2002 guidelines (Moneva *et al.*, 2006).

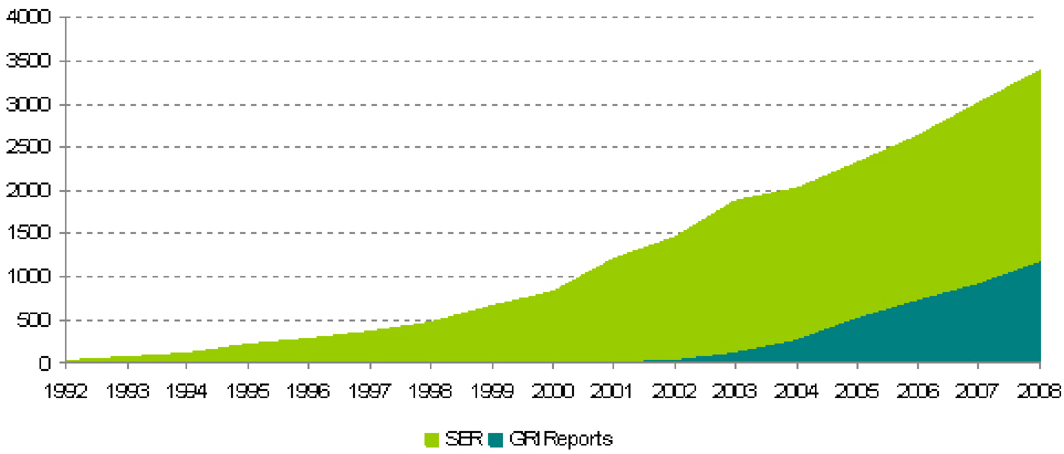
It is, therefore, interesting to test whether the challenges set by the GRI have been achieved. The descriptive study below analyses these aspects.

5. Descriptive analysis

The number of organisations providing SER has grown progressively over the last thirty years (KPMG, 2005). The number of SER has risen from 2,694 in the year 2000 to more than

23,000 on September 23, 2009 (Corporate Register database; http://www.corporateregister.com). As disclosing this type of reports is voluntary, it can be assumed that corporation commitment to sustainability is being consolidated. Since 2004, more than 2,000 SER have been disclosed each year and over 3,000 since 2007 (see Figure 1). The most significant increase in the number of reports published took place in 2002, when the 2002 GRI Guide was launched. Since then, there has been a similar trend in SER and GRI Reports (following the 2002 and G3 guidelines).

Figure 1: Evolution of Social and Environmental Reports and GRI Reports

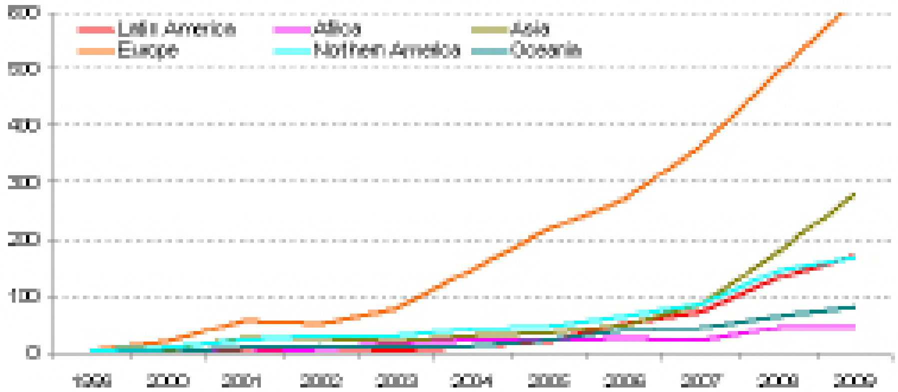


Source: Own elaboration based on data from http://www.corporateregister.com/ in September 2009. The SER series shows the evolution of reports disclosed by companies on the social and environmental impact generated by their activities, but not adhering to any generally accepted standard. The GRI Reports series show the evolution of SER in accordance with any of the GRI guides (G2 or G3 guides)

A very important aspect is that a large part of sustainability reporting comes from large companies quoted on the main stock exchange indexes. According to data from the survey on practices of disseminating SER carried out by SIRAN and the KLD Research Group into companies included in the S&P 100 (S&P 100 Sustainability Report Comparison, 2008), 49 of the companies quoted on this stock index disclosed a SER, an increase of 26% over results from 2005. Moreover, there was an increase in the number of SMEs that found incentives to disclose SER (Moneva, 2007). This increase was helped by the offer of the 'High 5' resource from the GRI (included in the 2002 guide), which promoted the creation of SER by SMEs. With the aim of adapting the High 5 resource to the G3 guide, the GRI also produced a standard solely for SMEs.

The general evolution of the number of GRI reports disclosed presents special features depending on the region considered, an aspect that has been identified in previous studies (SustainAbility and UNEP, 2006). For instance, as shown in Figure 2, companies located in regions such as Europe and Asia have always led the field in the number of GRI reports disclosed, although there are other areas with a significant growth, such as Northern America and Latin America.

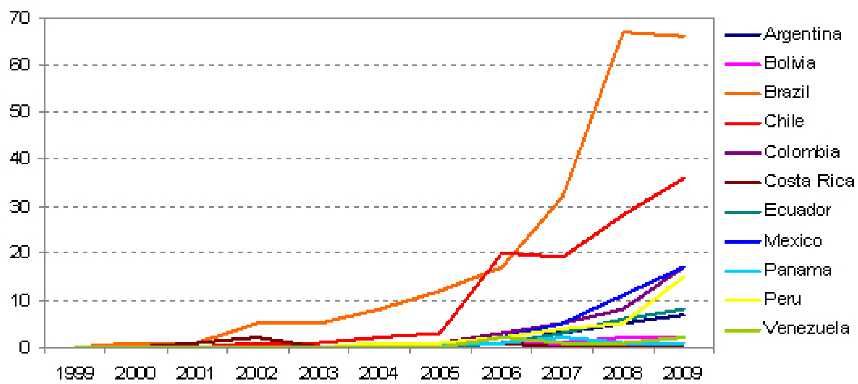
Figure 2: Evolution of GRI reports by Region



Source: Own elaboration based on data from http://www.corporateregister.com/ in September 2009

The case of the Latin American organisations is especially interesting because, between 1999 and 2004, they had only disclosed up to 30 GRI reports, while the number stood at 489 in September, 2009. Likewise, the relative weight of GRI reports disclosed by Latin American companies has increased, rising from 4.01% (30 reports in Latin America to 748 worldwide) in 2004 to 10.12% in 2009 (489 reports in Latin America to 4,832 worldwide). The countries with more relevance in this area are Brazil and Chile. As shown in Figure 3, Brazilian and Chilean companies disclosed more than the 65% of the GRI reports in Latin America (327 to 489). It is shown how the Chilean and Brazilian companies experienced it most significant growth in the number of GRI reports disclosed in the 2006 period, matching up with the release of the GRI G3 guide.

Figure 3: Evolution of GRI reports in Latin American countries



Source: Own elaboration based on data from http://www.corporateregister.com/ in September 2009

5.1. Adaptation to the Global Reporting Initiative framework

The various standards for elaborating SER proposed by the GRI are those which have been most accepted by organisations throughout the world. The empirical evidence is overwhelming. The percentage of SER agreeing with the recommendations made by the GRI (established in the second and third GRI guides) over the total number of SER disclosed has risen from 1.59% in 2002 to 34.2% in 2008. In addition, data for 2009 are encouraging, as the percentage has increased to 39.6% (January 2009-September 2009).

It is interesting to analyse the spatial distribution and the quality of the different SER disclosed according to any GRI guideline in the Latin American context (and in its two mainstream countries). Table 5 shows the extent to which the recommendations of the GRI have been implemented in SER disclosed by organisations in leader countries in the field in Latin America.

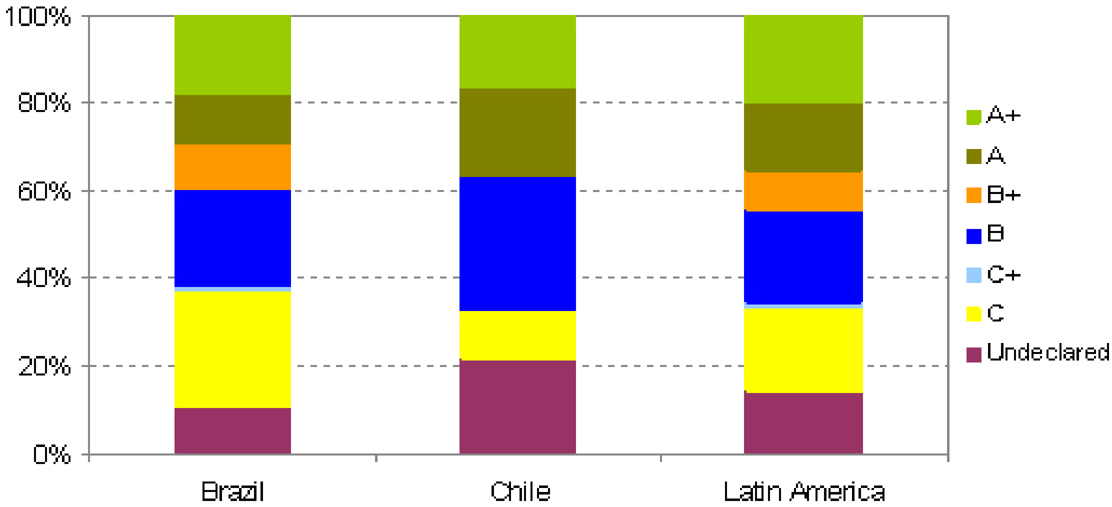
Table 5: Spatial distribution of GRI Reports (G2 and G3 guidelines)

		Brazil	Chile	Latin America
G2	Content Index	0	0	0
	In Accordance	14	11	30
G3	C	44	9	71
	C+	2	0	5
	B	36	24	80
	B+	17	0	34
	A	20	16	58
	A+	29	13	75
	Undeclared	18	17	54
	Total GRI Reports	**180**	**90**	**407**

Source: Own elaboration based on data obtained on http://www.corporateregister.com/ in September 2009

Table 5 shows that Brazil and Chile is currently top of the organisations disclosing GRI Reports in the Latin American context (270 GRI reports to 407). This holds true for SER adhering to both the 2002 and the current G3 guides. To understand this phenomenon, Figure 4 shows the mentions obtained by G3 GRI Reports.

Figure 4: Mentions associated with G3 GRI Reports

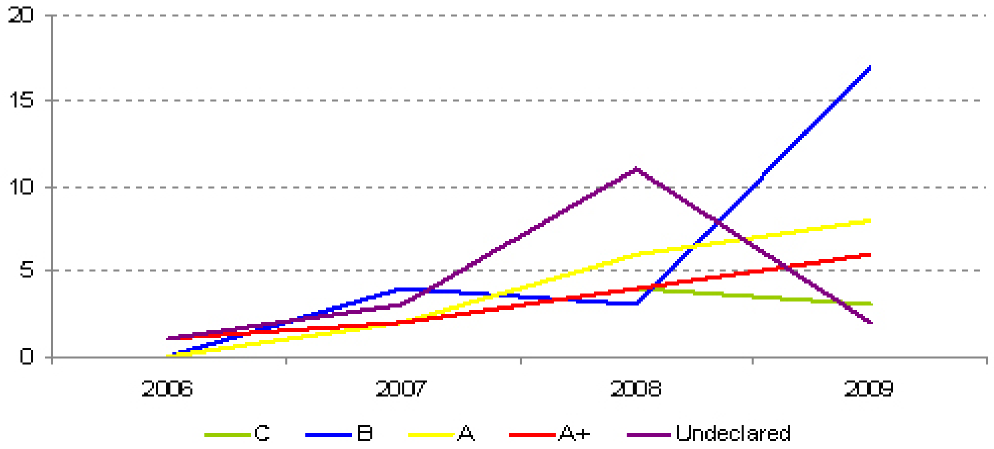


Source: Own elaboration based on data obtained on http://www.corporateregister.com/ in September 2009. The columns show the relative value of the mentions obtained by the G3 GRI Reports to the total G3 GRI Reports disclosed

The most notable example is found in the number of GRI Reports rated A+. It can be seen that GRI Reports disclosed by Latin American companies (with A+ mention) represents about the 15.38% of the total GRI reports published in this region. It is shown that the Chilean percentage is about the 16% and the Brazilian one is over 17%. The most relative weight of mentions associated to GRI reports published by Chilean Companies is the B mark (30.38%), and for the Brazilian companies the C mark (26.51%). It is interesting to note that the GRI reports disclosed by Chilean companies with the maximum mention (A and A+) represents more than 35% of the total GRI reports published in this country. This percentage goes down to about 20% when talking about Brazilian companies. This aspect demonstrates the commitment of Chilean companies to elaborating high-quality GRI Reports. Figure 5 shows the evolution of the mentions associated with G3 GRI Reports.

Figure 5 indicates that the number of GRI Reports with the highest mentions (scores A and A+) disclosed by Chilean organisations has followed a positive trend over the almost three years in which the G3 guide has been in force. At present, GRI Reports with A and A+ scores predominate in the GRI Reports disclosed by Chilean organisations. Similarly, lower scores (C and Undeclared) are becoming less frequent, which once again confirms the general trend towards higher ratings achieved by the GRI Reports disclosed by Chilean companies.

Figure 5: Evolution of G3 GRI Reports mentions for Chilean organisations



Source: Own elaboration based on data from http://www.corporateregister.com/ in September 2009

5.2. Quality of the reports

Another interesting aspect to be analysed concerns the quality or credibility of the SER. In the same way that accounting audits give credibility to financial annual reports (AECA, 2004), the growing importance of SER has made it necessary to look to external organisations to guarantee their credibility (O'Dwyer and Owen, 2005). This need for credibility is directly related to the lack of trust that greets any type of report disclosed by corporations following the erosion of stakeholder trust that resulted from several recent financial scandals (Dando and Swift, 2003; Sustainability and UNEP, 2003; Adams and Evans, 2004).

The quality of SER, conceived as the degree of veracity of the data provided may be analysed from two perspectives. Firstly, GRI Reports can be assured by the GRI. Secondly, any SER or GRI Report disclosed can be externally audited. This means that independent auditing companies can verify the quality of the reports and even grant quality mentions such as AA1000AS[1] or ISAE 3000[2]. The first edition of the AA1000 Assurance Standard was published in 2003 as the world's first sustainability assurance standard. It was developed to assure the credibility and quality of sustainability performance and reporting and was the result of an extensive, two-year, worldwide consultation involving hundreds of organisations from the professions, the investment community, Non-Governmental Organisations (NGOs), labour and business (AccountAbility, 2008). The 2008 edition of the AA1000 Assurance Standard, AA1000AS (2008), is the second edition of AccountAbility's assurance standard. It draws on the growing body of practice and experience in sustainability assurance and super-

1. See http://www.accountability21.net/default2.aspx?id=1024 for further details.

2. See http://www.accountability21.net/uploadedFiles/Issues/ISAE_3000.pdf for further details.

sedes all previous versions published by AccountAbility (AccountAbility, 2008). The purpose of the ISAE3000 is to establish basic principles and essential procedures for, and to provide guidance to, professional accountants in public practice for the performance of assurance engagements other than audits or reviews of historical financial reporting covered by International Standards on Auditing (ISAs) or International Standards on Review Engagements (ISREs).

The external audit approach is based on the need for external assurance as a means of evaluating the effectiveness of internal systems and processes for providing relevant, reliable data for measuring company performance on social and environmental issues. However, the following factors must be taken into account when selecting assurance providers:

a) Their degree of independence (no bias, influences or conflict of interests)
b) The ability to take a balanced view of the various stakeholders' claims
c) That they are not involved in any way in the corporations' reporting systems and control of sustainability.

Table 6 shows the level of quality of the GRI reports disclosed by organisations in Latin America and in its two mainstream countries in the field (externally and by the GRI).

Table 6: Quality of GRI G3 reports

	Brazil	Chile	Latin America
G3 GRI Checked	53	13	121
GRI Checked to GRI Reports	24,42%	11,82%	24,74%
G3 TPC	22	6	48
G3 TPC to GRI Reports	10,14%	5,45%	9,82%

Source: Own elaboration based on data obtained on http://www.corporateregister.com/ in September 2009. The 'GRI checked' data correspond to the number of GRI reports verified by the GRI (for the G3 guide). Data in the 'G3 TPC' field refer to GRI Reports following G3 guidelines and checked by independent organisations outside the GRI

Table 6 shows that the model followed by countries such as Brazil and Chile consists of checking the GRI reports supplied through the GRI assurance service. About one from four GRI reports disclosed by Chilean companies is checked by the GRI. This mark goes down when talking about Brazilian companies (11.82%). This assurance pattern is also appreciated when analysing the global scope (Latin America).

On the other hand, external assurance services like obtaining certificates such as AA1000AS or similar is a secondary assurance models for these countries. It should be mentioned here that, according to Wheeler and Elkington (2001), this model is a stronger and more strategically relevant alternative, due to its connotations of responsible management and control of risk strategy. It transcends the interests of companies because of the recognition given to the reports disclosed, which helps them to gain greater credibility with their stakeholders.

Another important aspect is that organisations in Brazil are the ones with the higher level of assurance in their GRI reports (about 35%). This mark for Chilean companies is about 18%.

5.3. The industry effect

It has mainly been companies carrying out activities with potential risk to the environment that have been most involved in disclosing SER (Moneva and Llena, 2000). These companies disclose the SER in order to show their stakeholders that they are operating according to their claims and, therefore, ensuring the survival of the corporations (Lindblom, 1994).

From a conceptual point of view, it would seem that the motivation of these companies in disclosing SER is to legitimise any of their activities which may have a negative effect on sustainability (Patten, 1991; Deegan and Gordon, 1996; Hackston and Milne, 1996; Wilmshurst and Frost, 2000; Campbell, 2003). Most papers analysing the underlying reasons for disclosing SER conclude that they essentially respond to a legitimising act (Deegan and Rankin, 1996; Buhr, 1998; Deegan *et al.*, 2002; O'Donnovan, 2002; Patten, 2002; Ahmad and Sulaiman, 2004).

Table 7 shows the distribution of the number of GRI reports disclosed for each industry in which the reporting companies operate, both globally for the Brazilian and Chilean cases. An overview of the data reveals that the trend noted previously prevails in the Brazilian context because it is companies involved in industries such as chemicals and energy (energy utilities, metal products, and mining) that are most likely to disclose the SER (Deegan and Gordon, 1996; Campbell, 2003). The mining sector is highly relevant for the Chilean context, but retailers and agriculture also play a relevant role.

Table 7 shows that financial services (banking, insurance, etc.) have a high weight in the total of SER disclosed in the Brazilian scope. In the earlier research into sustainability reporting, only a slight social and environmental impact was attributed to the activities of companies operating in the financial sector, and they usually were excluded from the analyses. However, both active and passive operations linked to potentially damaging investment projects mean that the activities of this industry are not harmless to society and the environment (Moneva, 2007). This has led an increasing number of companies in this industry to disclose these reports recently.

Table 7: GRI reports in each industry

Industry	Brazil	% Brazil	% Brazil - Latin Am.	Chile	% Chile	% Chile - Latin Am.
Agriculture	2	0,92%	7,14%	21	19,09%	75,00%
Automotive	1	0,46%	33,33%	0	0,00%	0,00%
Chemicals	1	0,46%	20,00%	4	3,64%	80,00%
Commercial services	1	0,46%	50,00%	0	0,00%	0,00%
Conglomerates	0	0,00%	0,00%	0	0,00%	0,00%
Construction	4	1,84%	33,33%	2	1,82%	16,67%
Construction materials	6	2,76%	46,15%	1	0,91%	7,69%
Consumer durables	2	0,92%	66,67%	0	0,00%	0,00%
Energy	48	22,12%	70,59%	0	0,00%	0,00%
Energy utilities	32	14,75%	57,14%	6	5,45%	10,71%
Equipment	2	0,92%	66,67%	1	0,91%	33,33%
Financial services	22	10,14%	41,51%	0	0,00%	0,00%
Food and beverage prod.	13	5,99%	65,00%	2	1,82%	10,00%
Forest and paper prod.	12	5,53%	100,00%	0	0,00%	0,00%
Healthcare products	4	1,84%	66,67%	0	0,00%	0,00%
Healthcare services	5	2,30%	62,50%	0	0,00%	0,00%
Household and personal prod.	12	5,53%	92,31%	1	0,91%	7,69%
Logistics	3	1,38%	20,00%	2	1,82%	13,33%
Media	1	0,46%	50,00%	0	0,00%	0,00%
Metal products	15	6,91%	93,75%	1	0,91%	6,25%
Mining	14	6,45%	28,57%	25	22,73%	51,02%
Non-profit / services	2	0,92%	28,57%	4	3,64%	57,14%
Public agency	1	0,46%	50,00%	1	0,91%	50,00%
Retailers	2	0,92%	10,53%	14	12,73%	73,68%
Technology hardware	2	0,92%	66,67%	1	0,91%	33,33%
Telecommunications	2	0,92%	11,11%	5	4,55%	27,78%
Tobacco	1	0,46%	14,29%	1	0,91%	14,29%
Tourism / Leisure	1	0,46%	50,00%	0	0,00%	0,00%
Universities	0	0,00%	0,00%	1	0,91%	100,00%
Waste Managament	0	0,00%	0,00%	0	0,00%	0,00%
Water utilities	2	0,92%	33,33%	4	3,64%	66,67%
Other	4	1,84%	11,76%	13	11,82%	38,24%
Total	**217**			**110**		

Source: Own elaboration based on data from http://www.corporateregister.com/ in September 2009

6. Concluding Remarks

The aim of this research is to analyse the evolution of SER disclosure in the Latin American context and, more specifically, for the case of the Brazilian and Chilean companies. The analyses show that the current situation of Latin American organisations with respect to sustainability reporting is relevant throughout the world. The increase in the number of SER disclosed according to GRI standards is appreciated in the 2006 period.

In general, the relative importance of mechanisms such as SER disclosing when establishing business strategic management policies is growing, as omitting them may cause a loss in competitiveness in comparison with other firms in the same industry (Porter and Kramer, 2006). This aspect is of great interest for management at the highest level in organisations because the results show that more aspects relating to sustainable management are being taken into account with greater frequency when making investment decisions. Moreover by enhancing transparency, a company's social and environmental reporting increases its credibility and potentially reduces an investor's risk apprehensions (Cormier and Magnam, 2007).

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