



LOUVAIN
School of Management

UNIVERSITE CATHOLIQUE DE LOUVAIN
LOUVAIN SCHOOL OF MANAGEMENT

Sustainable HRM and sustainability reporting in Belgian multinational organisations
- A case study research

Supervisor : Pr. Ina Ehnert

Research Master Thesis submitted by
Caroline Derom

With a view of getting the degree
Master in Management

ACADEMIC YEAR 2014-2015

I would like to thank my supervisor Ina Ehnert for her guidance and advice throughout my research.

My special thanks go to Anette Böhm for her expert advice in defining the topic of the thesis and invaluable help in making contact with practitioners in the four companies I analysed.

My warm thanks to Julia King who advised me on how to carry out my interviews in the best way possible and encouraged me at a key point in the process.

I also gratefully acknowledge the time, interest, feedback, and advice the interviewees from the Delhaize Group, UCB, Umicore and Solvay provided me with. Their passion for the field studied was clear throughout.

Finally, I would like to thank my family and friends for their support throughout.

Table of Contents

1. Introduction	1
1.1 Overview and specification of the research interest	1
1.2 Research objectives and questions	3
1.3 Brief overview of the working method	4
2. Literature Review	5
2.1 Sustainability reporting	5
2.1.1 Concepts of sustainability and reporting	5
2.1.2 Imperative behind sustainability reporting	7
2.1.3 Typology of sustainability reporting	8
2.1.4 Quality criteria of sustainability reporting	9
2.1.5 Reporting guidelines and standards	12
2.1.6 Assurance	15
2.1.7 Rankings and ratings	16
2.1.8 Trends in sustainability reporting	18
2.1.9 Conclusions	20
2.2 Social and human aspects of sustainability reporting	20
2.2.1 Metrics and indicators of social and HRM sustainability	21
2.2.2 Measuring and reporting social impact	23
2.2.3 Assessing social impact in the value chain	24
2.2.4 Conclusions	25
2.3 Sustainability and HRM	25
2.3.1 Importance of sustainability for HRM	25
2.3.2 Sustainability and HRM	26
2.3.3 Role of sustainable HRM	29
2.3.4 Conclusions	29
3. Framework Development	31
3.1 Aspects of HRM sustainability reporting	32
3.1.1 Internal HRM sustainability reporting	33
3.1.2 Upstream and downstream HRM sustainability reporting	36
3.2 A roadmap for quality in sustainable HRM reporting	37
3.3 Application guidelines	38
4. Working Method	45
4.1 Research approach	45
4.2 Research method	45
4.3 Research structure	47
5. Analysis of Belgian MNC Cases and Results	49
5.1 Overview of Belgian MNC cases	49
5.1.1 Delhaize Group	49
5.1.2 UCB	51
5.1.3 Umicore	53
5.1.4 Solvay	54
5.2 Current HRM sustainability reporting practises in Belgian MNC cases	56
5.2.1 Delhaize Group	57
5.2.2 UCB	60
5.2.3 Umicore	62
5.2.4 Solvay	65
5.3 Cross-case comparison and findings	68
5.4 Discussion	72

II.

6. Conclusions and Implications.....	77
6.1 Research implications	78
6.1.1 Theoretical implications	78
6.1.2 Managerial implications	78
6.2 Limitations and future research.....	79
6.3 Conclusions	80
References	81
Appendices	87
Appendix 1: Overview and relations of basic concepts and terminology related to sustainability reporting	88
Appendix 2: Occurrence of selected criteria of reporting quality in the literature	89
Appendix 3: Labuschagne et al. proposed operational sustainability framework.....	90
Appendix 4: GRI guideline overview for the social category of sustainability	91
Appendix 5: Social impact assessment—description of inputs, outputs, outcomes, and impact.....	92
Appendix 6: Dreyer et al. Social Product Life Cycle diagram.....	93
Appendix 7: GRI indicators regarding human rights of internal HR	94
Appendix 8: Work and Wellbeing Survey (UWES)	95
Appendix 9: GRI indicators regarding assessment of human rights of upstream and downstream HR	96
Appendix 10: GRI indicators regarding assessment of labour practises of upstream and downstream HR	97
Appendix 11: Semi-structured interview guide	98
Appendix 12: Interview with Mr A. and Ms B. (Delhaize Group)	102
Appendix 13: Interview with Mr D. and Ms E. (UCB).....	118
Appendix 14: Interview with Mr C. (UCB)	128
Appendix 15: Interview with Mr G. (Umicore)	135
Appendix 16: Interview with Mr H. (Umicore)	143
Appendix 17: Interview with Mr F. (Umicore).....	154
Appendix 18: Interview with Mr I. (Solvay).....	163
Appendix 19: Interview with Mr J. (Solvay)	173

1. Introduction

Examples of social crises facing the modern world include extreme poverty, youth unemployment, unacceptable working conditions, and mental illnesses such as depression and burn-out. Globalisation (Kolk, 2003) and the growing access to information that advanced technology allows (United Nations, 2013) have led to increased attention and criticism being paid to the social practises and impacts of large multinational companies (MNCs). It is no longer enough for MNCs to tackle these challenges; they are expected to communicate to their stakeholders how they do so, and even to involve them in decisions relating to these topics (Manetti, 2011; Hahn & Kühnen, 2013). *Stakeholders* may be defined as ‘entities or individuals that can reasonably be expected to be significantly affected by the organization's activities, products, and services; and whose actions can reasonably be expected to affect the ability of the organization to successfully implement its strategies and achieve its objectives’ (GRI, 2013a, p. 92).

The necessity of reporting on these issues is the starting point of this thesis. The aim of this case study research is to gain a better understanding of how to ensure high-quality reporting on human resources. Therefore, understanding the meaning of quality in human resource management (HRM) sustainability reporting is necessary.

1.1 Overview and specification of the research interest

Sustainability reporting has greatly evolved over the last half-century. Companies first published occasional social reports in the 1970s as a response to criticism about their negative externalities (Herzig & Schaltegger, 2006; Fifka, 2012). As globalisation emerged, stakeholders voiced their concerns about the impacts of MNCs and the lack of international regulatory bodies to control such impacts (Kolk, 2003). Reporting then re-emerged in the 1980s, with a focus on environmental issues as a reaction to various environmental scandals (Herzig & Schaltegger, 2006). Non-financial reporting has evolved and broadened ever since. It has gradually begun to include social aspects to establish environmental and social reporting and, more rarely, economic aspects, thus creating so-called ‘triple bottom-line’ reports (Kolk, 2010). The Rio+20 event in 2012 put sustainability reporting in the spotlight (Fogelberg et al., 2013).

Numerous organisations have worked to support companies (as well as governments) to improve their sustainability reporting, including the Global Reporting Initiative (GRI), the

United Nations Global Compact (UNGC), the international Netherlands-based firm KPMG, AccountAbility, the International Standards Organization (ISO), the Organisation for Economic Co-operation and Development (OECD), and, more recently, the International Integrated Reporting Council (IIRC).

Until recently, the social aspect of sustainability has not received much attention (Hutchins & Sutherland, 2008). While practitioners and researchers have widely addressed the impact of the environmental aspects on companies' financial performance ('eco-efficiency'), they have rarely addressed the effects of the social dimension on the bottom line (Herzig & Schaltegger, 2006). The number of papers on sustainability reporting has increased steadily, particularly since the beginning of the millennium. A majority of these papers have jointly addressed the social and environmental dimensions of reporting; research that exclusively addresses the environmental dimensions of reporting, however, is in a more advanced state than research on the social aspects of reporting (Hahn & Kühnen, 2013). Hahn and Kühnen find that a minority of research papers on sustainability reporting have concentrated on social issues such as 'human resources, labor practises, occupational health and safety, child labor, human rights, community impact and customer safety' (2013, p. 9).

The literature has extensively covered the determinants as well as the extent of sustainability reporting. The determinants of sustainability reporting attend to the drivers of reporting, as well as the characteristics of the companies that report on these matters (Hahn & Kühnen, 2013). Researchers have demonstrated that large MNEs (Fortanier et al., 2011; Gallo & Jones Christensen, 2011), companies listed on the stock market (Haddock, 2005), and government-owned companies (Amran & Haniffa, 2011; Gallo & Jones Christensen, 2011; Tagesson et al., 2009) tend to report more on sustainability, while concentrated ownership has a negative effect on reporting adoption, extent, and quality (Brammer & Pavelin, 2006). The key driver of the adoption of reporting for large companies is reputation; these companies are highly visible and thus need to report on their impacts. Furthermore, belonging to a sector with high environmental and social impacts has been shown to have a positive effect on the adoption (and extent) of reporting (Hahn & Kühnen, 2013).

But how may we ensure that reporting communicates a fair view of an organisation's HRM sustainability efforts? Hahn and Kühnen draw attention to a widespread neglect of the *quality* of reporting in the literature: 'Few studies specifically examine reporting quality, which is a central issue for providing a true and fair view of a company's sustainability performance' (2013, p. 16). The reasons for this might include the difficulty of qualifying

reporting quality. Hahn and Kühnen (2013) interpret reporting quality as the communication of a transparent and balanced view of sustainability.

1.2 Research objectives and questions

The overall objective of this study is to understand how managers who are involved in building sustainability reports work to ensure the quality of their disclosures. More specifically, based on the gaps identified above, the thesis studies the process of formulating disclosures on HRM. This involves several research questions:

- Managerial question: *What is the optimal way to ensure quality in reporting about HR aspects of sustainability?*

This question introduces investigations of the criteria for the quality of reporting, and of how to report on HRM sustainability, specifically, as well as on the link between HRM and sustainability, and what leads to high-quality sustainability reporting. This managerial question can thus be divided into four different research questions:

- RQ 1: *What are the quality criteria of sustainability reporting?*
- RQ 2: *What is the optimal way to report on the social and human aspects of sustainability?*
- RQ 3: *What is the link between HRM and sustainability?*
- RQ 4: *Which practises in the current processes of building a sustainability report ensure high-quality reporting on HR aspects?*

The first research question aims to uncover the criteria and the manifestations of quality in reporting. The objective is not to prove the relationship between reporting practises and the quality of reporting, but rather to describe those practises that, according to the literature, lead to quality in reporting. The second question's purpose is to uncover the specificities of reporting on social and human aspects; indeed, these aspects cannot be measured and reported on in the same way that environmental or economic considerations are. The third question aims to describe the relationship between HRM and sustainability, and to define the concept of HRM sustainability. Finally, the fourth question's objective is to identify the specific actions taken by managers, as well as the steps taken in the process of reporting, that have a positive effect on the quality of reporting.

This case study research attends to the gaps previously identified in the literature by (1) presenting an overall view of the current practises that lead to enhanced quality of sustainability reporting, as well as the efforts that still need to be made; (2) looking specifically at how to measure and report on social and human aspects, applying this to HR aspects; and (3) identifying the specific steps that are taken in the process of sustainability reporting that lead to enhanced quality in reporting on HR aspects of sustainability.

1.3 Brief overview of the working method

A literature review and case study research were conducted to examine these questions. Chapter 2 reviews the literature on reporting, the social and human aspects of reporting, and on HRM sustainability. The first section, on reporting, addresses the quality criteria and manifestations of reporting, as well as future efforts that still need to be achieved in terms of reporting quality. The second section, on the social and human aspects of reporting, provides an overview of different concepts and frameworks to effectively measure and report specifically on these aspects. Finally, the third section discusses previous research on the relationship between HRM and sustainability. Chapter 2 serves as the deductive part of this thesis.

Chapter 3, based on the previous conclusions, addresses the content of HRM sustainability reporting and develops a roadmap for identifying steps of the process of enhancing reporting quality. This roadmap serves as the basis for the analysis of the cases in Chapter 5. Chapter 4 formulates, in more detail, the methodology used.

Chapter 5 analyses four selected Belgian multinational case studies, considered as ‘best in class’ in terms of sustainability reporting. The objective is to understand their current HRM sustainability reporting practises and to draw conclusions on how to ensure quality when reporting on these aspects. The case study sources include the sustainability reports of the selected Belgian MNCs as well as interviews. The sustainability reports are analysed in terms of their content and quality. The interviews with HR and CSR (corporate social responsibility) managers of these companies provide insight into the reporting process.

The final chapter then outlines the findings and their implications for theory and practise, as well as the study’s limitations, and concludes with suggestions for future research.

2. Literature Review

This chapter is composed of three sections that outline the theories, frameworks, and definitions constituting the backbone of this thesis. Section 2.1 addresses the practise of sustainability reporting in an attempt to identify in the literature the practises that lead to quality in reporting (cf. research question 1). The second section (2.2) concentrates on the social and human aspects of sustainability reporting, and specifically addresses the question of how to measure and report on social impacts (cf. research question 2). Section 2.3 briefly summarises the literature on the link between HRM and sustainability, paying particular attention to the discipline of sustainable HRM (cf. research question 3).

2.1 Sustainability reporting

This section first briefly describes the sustainability and reporting concepts, the drivers of sustainability reporting, and the specific typology of sustainability reporting; it then moves on to identifying the practises in the literature that lead to quality in reporting. It summarises the quality criteria in sustainability reporting based on sustainability standards and guidelines, sustainability reporting surveys, and research. The section then explores the role of sustainability guidelines and standards, as well as the role of non-financial assurance in ensuring quality. Finally, this section studies the trends in sustainability reporting and identifies the criteria of quality that are steadily gaining importance.

2.1.1 Concepts of sustainability and reporting

Among the many terms used for non-financial reporting, the most common are *sustainability*, *corporate responsibility* (CR), or the aforementioned *corporate social responsibility* (CSR) (KPMG, 2013, p. 6). The concepts of sustainability and CSR do present some differences.

The European Commission defines CSR as ‘the responsibility of enterprises for their impacts on society’, and adds that in order to ‘fully meet their corporate social responsibility, enterprises should have in place a process to integrate social, environmental, ethical, human rights and consumer concerns into their business operations and core strategy in close collaboration with their stakeholders’ (European Commission, 2011, p. 6). Equivalently, ISO 26000 defines social responsibility as the ‘responsibility of an organization for the impacts of its decisions and activities on society and the environment, through transparent and ethical behaviour’ (International Organization for Standardization, 2010, p. 3).

While responsibility of the firm is at the core of the concept of CSR, the concept of sustainability concentrates on a three-dimensional approach, and inter- as well as intra-

generational justice (Hahn & Kühnen, 2013, p. 7). Adopting the Brundtland inter-generational perspective (referring to the work of the Brundtland Commission, which produced the seminal report *Our Common Future* in 1987), Dyllick and Hockerts define corporate sustainability as ‘meeting the needs of a firm’s direct and indirect stakeholders (...) without compromising its ability to meet the needs of future stakeholders as well’ (2002, p. 131). In order not to compromise future generations’ needs, companies should regenerate their economic, social, and environmental resources. This is qualified as working towards the ‘triple bottom line’ (often described as ‘people, planet, profit’), which is integral to the concept of sustainability (Hahn & Kühnen, 2013, p. 6).

Because there has been a progressive convergence of the concepts of CSR and sustainability in recent years (Hahn, 2011), the terms sustainability, CR, and CSR are used interchangeably throughout this thesis.

Sustainability accounting, which measures sustainability performance, constitutes the bridge between sustainability and reporting. Sustainability accounting ‘is used to describe new information management and accounting methods that aim to create and provide high quality information to support a corporation in its movement towards sustainability’ (Schaltegger et al., 2006, p. 15). Sustainability accounting is the basis upon which sustainability reporting is built (Hahn & Kühnen, 2013, p. 7).

Hahn and Kühnen write that ‘on the basis of reliable accounting data, sustainability-related reporting then provides and substantiates information about the status and progress of corporate sustainability towards internal and external stakeholders through formalized means of communication’ (2013, p. 7); the authors emphasise sustainability accounting as the reporting foundation. KPMG concentrates on the idea of sustainability reporting as ‘the process by which a company can gather and analyse the data it needs to create long term value and resilience to environmental and social change’ (2013, p. 10). The World Business Council for Sustainable Development (WBCSD) defines sustainability reports as ‘public reports by companies to provide internal and external stakeholders with a picture of the corporate position and activities on economic, environmental and social dimensions’ (Heemskerk et al., 2002, p. 7). Here the WBCSD describes sustainability reports from a triple bottom line perspective, and makes clear that sustainability reports should convey an organisation’s current situation.

Finally, it is important to understand the relations between the concepts of CSR/sustainability, sustainability accounting, and sustainability reporting. While sustainability accounting initially measures the performance of CSR/sustainability

development in a company, in a second phase, the company uses sustainability reporting as a tool to communicate this performance externally (cf. Appendix 1) (Hahn & Kühnen, 2013).

2.1.2 Imperative behind sustainability reporting

The objective of this sub-section is to understand the drivers of reporting on sustainability. Indeed, most companies voluntarily report on social and environmental issues, which leads to the question of their motivations to do so (Bouten et al., 2012, pp. 567-568).

Sustainability reporting 'is essential to convince investors that your business has a future beyond the next quarter or the next year' (KPMG, 2013, p. 10). For large companies, sustainability reporting has even become a necessary condition to continue doing business. Indeed, the larger the company, the more environmental, social, and economic impacts it has, and therefore the more its activities need to be legitimised in the eyes of the public (Daub, 2007, p. 77).

More broadly, sustainability reporting is a necessity to ensure sustainable development itself. Sustainable development requires the involvement of stakeholders, 'which in turn requires the reporting and communication of sustainability-relevant issues and activities' (Herzig & Schaltegger, 2006, p. 301). In addition, according to the GRI,

(...) sustainability reporting helps organizations to set goals, measure performance, and manage change in order to make their operations more sustainable.(...) In doing so, sustainability reporting makes abstract issues tangible and concrete, thereby assisting in understanding and managing the effects of sustainability developments on the organization's activities and strategy. (GRI, 2013a, p. 3)

Other drivers also explain the will of companies to engage in sustainability reporting. Gray, Owen, and Adams describe sustainability reporting as driven by ethical considerations; it is 'an attempt to provide additional accounts which will capture some of the externalities and, by doing so, to encourage behaviour which will ameliorate the consequences of Western economic life' (1996, p. 2). According to Lozano and Huisinigh (2011, p. 100), the purpose of sustainability is twofold; the first is to assess a company's present situation and its performance towards economic, social, and environmental objectives, while the second is the communication of this evolution to stakeholders.

Finally, Morhardt et al. list sustainability reporting drivers as:

The attempt to meet regulatory requirements and reduce the cost of future regulations by adopting a pro-active approach; the effort to bring operations into line with environmental codes especially when under the threat of sanction for

non-fulfilment; the effort to reduce operating costs; [and] the attempt to improve stakeholder relations. (Morhardt et al., cited by Daub, 2007, p. 77)

For the G250 companies,¹ the top drivers of reporting are reputational and branding considerations, followed by ethical considerations, employee motivation, innovation, and learning. Nearly half (47 percent) of G250 companies and one-third of N100 companies are also interested in seeing the benefits of sustainability initiatives on their financial bottom lines. These surveyed companies increased their revenues, decreased their costs, or grew their market share by imbedding sustainability into their operations (KPMG, 2011, p. 18). Among the G250 companies that report on sustainability, 90 percent use it to distinguish different social and environmental challenges that they face (KPMG, 2013, p. 9).

2.1.3 Typology of sustainability reporting

Hahn and Kühnen (2013, p. 7) discern different levels of reporting, ranging from one-dimensional reporting (social or environmental reporting) to multidimensional sustainability reporting and integrated reporting. They argue that only reports that fully integrate the economic, social, and environmental pillars of sustainability can be termed ‘sustainability reports’, while one-dimensional reports are solely *sustainability-related*. KPMG (KPMG/WIMM, 2002, p. 7) adds the combined environmental and social reporting to this typology. This type of report can be considered to be a two-dimensional report.

In order to evolve from sustainability reporting to integrated reporting, companies often go through a phase of ‘combined reporting’. The combined report refers to an annual report that includes a section about sustainability. In such cases, companies choose not to publish separate sustainability reports (Daub, 2007). Integrated reporting ‘integrates sustainability information together with traditional financial information in a single report to provide a holistic picture of value creation over time’ (Hahn & Kühnen, 2013, p. 7).

Sustainability reporting can be mandatory, solicited, or voluntary. A mandatory report is regulated by the state, while a solicited report is demanded by a certain stakeholder group in order to gain access to the specific information needed. The most recognised form is voluntary reporting, which gives a certain freedom to organisations in the extent, form, and content of the disclosure. This freedom has been widely criticised, however, thus leading to

¹ KPMG has surveyed the 250 largest companies in the world, referred to as the ‘G250’. Here, ‘N100’ refers to the 100 largest companies among 34 countries studied in the 2011 International Survey of Corporate Reporting, representing some 3,400 companies.

the adoption of increasingly more numerous and rigorous standards and guidelines (Golob & Bartlett, 2007, p. 3).

2.1.4 Quality criteria of sustainability reporting

It is one thing for an organisation to report on sustainable development; it is quite another to report it in such a way that conveys a realistic picture of the company's situation and drives sustainable development even further. This section describes five criteria for quality in sustainability reporting that have been identified in the literature: 1) stakeholder engagement, 2) a focus on materiality, 3) the quality of objectives and indicators reported, 4) value chain reporting, and 5) the principles of transparency and balance. These criteria have been selected from the wider number of existing quality criteria suggested in the literature, as these are the ones that are most addressed by guidelines and standards, sustainability reporting surveys, academics, and rating agencies (cf. Appendix 2).

The quality of reporting matters because it is taken as indicative of the quality of management/what is actually happening inside the company.

—KPMG (2013, p. 38)

2.1.4.1 Stakeholder engagement

Appropriate stakeholder engagement is necessary to enhance reporting quality (Laufer, 2003, p. 259). Stakeholder engagement increases a company's credibility, and demonstrates the extent to which the company is aware of its social, environmental, and economic impacts. Stakeholder inclusiveness is one of the GRI's Sustainability Reporting Guidelines principles (GRI, 2013a). Bebbington and Thomson confirm that 'the quality of reporting (...) is intimately linked to the quality of stakeholder engagement' (2005, p. 517). According to KPMG, 'companies should identify stakeholders in their CR reports, explain the process used to engage with stakeholders, and the actions taken in response to their feedbacks' (2013, p. 8).

Stakeholder engagement is specifically important when deciding on the organisations' 'material' issues, discussed in the next sub-section. At this stage, stakeholder consultation is not enough to ensure the quality of the sustainability strategy; companies should endeavour to continuously involve their stakeholders in the decision-making process (Manetti, 2011).

It is thus surprising to note that not only do a minority of companies include stakeholder comments in their sustainability reports, but including negative comments is still a difficulty faced by most companies (KPMG, 2013).

2.1.4.2 Materiality

The OECD defines *material information* as the ‘information whose omission or misstatement could influence the economic decisions taken by users of information’ (OECD, 2011, p. 29). The GRI’s G4 guidelines² (GRI, 2013a) state the materiality principle as the idea that the report should cover the aspects relevant to the business. These are the aspects that ‘reflect the organization’s significant economic, environmental and social impacts; or substantively influence the assessment and decisions of stakeholders’ (GRI, 2013a, p. 17). This materiality focus will become increasingly important with the progressive adoption of the G4 guidelines in future.

The quality of reports can be assessed through investigating the process by which companies identify their material issues. According to KPMG (2013), a company should disclose not only its material issues but also both the process of identifying these issues as well as how often this process is reiterated. This identification process should also be done regularly, with the involvement of both internal and external stakeholders. Lastly, companies should describe in precise terms how, exactly, stakeholders are involved in the identification and selection of material issues (KPMG, 2013, pp. 54-56).

2.1.4.3 Objectives and indicators

Unlike financial disclosures, the reporting of non-financial data is not systematically regulated. As non-financial issues are becoming increasingly material to businesses, however, the quality of their data, targets, and indicators is gaining importance (KPMG, 2011, p. 26).

The criteria for the quality of sustainability targets include a link to the material business issues, a clear baseline and timeline for achievement, and measurability. A good sustainability report thus presents targets with a clear beginning and end date, as well as a baseline. The targets presented are linked to the material issues, the measuring of progress towards these targets is based on a rigorous process, and the report demonstrates transparency in its performance towards these targets (KPMG, 2013).

Sustainability targets should also ‘be supported by clear KPIs [key performance indicators] for managing and measuring progress’ (KPMG, 2013, p. 58). Indeed, such indicators ‘help to measure progress, distance to target, and failures of plans or their implementations’ (Spangenberg & Bonniot, 1998, p. 4).

² The ‘4’ in GRI’s G4 guidelines refers to the fact that it is the fourth edition of the guidelines.

2.1.4.4 Value chain reporting

A high-quality report incorporates not only targets and indicators about a company's own impacts, but also about the sustainability of its value chain. Large MNCs play a role in influencing the sustainability of suppliers ('upstream') and customers ('downstream') (United Nations, 2013). Indeed, the value chain is often where the most impacts are found (KPMG, 2013, p. 62).

Today, although many companies have drawn up expectations for their suppliers, they rarely consider the whole value chain and fail to take action over these expectations (United Nations, 2013). Only 11 percent of companies that have committed to the UN Global Compact provide their suppliers with resources for the improvement of projects, only 16 percent review and comment on suppliers' remediation projects, and only 18 percent help their suppliers in defining and reviewing targets (United Nations, 2013, p. 18). Considering a company's value chain is the next step for companies to improve their sustainability reporting (United Nations, 2013).

While reporting on value chain sustainability is a necessity, such reporting can also be beneficial to companies that make such reports. It can help foster long-term relationships, develop better understandings of suppliers' situations, and bring useful data for supplier risk assessments (GRI, 2011, p. 39).

2.1.4.5 Transparency and balance

Transparency is a necessary condition for sustainability reporting, but it is also a means for improved corporate transparency (Fernandez-Feijoo et al., 2014, p. 245). The rationale for transparency is based on the 'desire of stakeholders to make informed decision; moreover it is based on the notion that stakeholders would make different choices if they had less complete information' (Dingwerth & Eichinger, 2010, p. 79). As the authors write, 'the GRI defines transparency as the complete disclosure of information on the topics and indicators required to reflect and enable stakeholders to make decisions, and the processes, procedures, and assumptions used to prepare those disclosures' (2010, p. 79). Similarly, Fombrun and Rindova (2000) observe that communication with stakeholders is the best way to achieve transparency.

The GRI (2013a) lists a series of quality criteria that represent the foundation of transparency. Indeed, reporting should be balanced, comparable, accurate, timely, clear, and reliable. Balanced information means that the data is disclosed, 'regardless of whether the trend highlights areas of success or failure' (KPMG, 2013, p. 76), and challenges, failures,

and setbacks are communicated alongside successes ‘to enable a reasoned assessment of overall performance’ (GRI, 2013, p. 17). Comparability demands the disclosure of data year after year in order for stakeholders to be able to compare it and thus extricate trends (KPMG, 2013).³ Finally, Fernandez-Feijoo et al. argue for the use of standards as important tools to improve the transparency of sustainability reporting (2014).

2.1.5 Reporting guidelines and standards

Different institutions have drawn up different guidelines and standards. The goal of reporting guidelines and standards is to harmonise sustainability reporting and to guide executives in the management of sustainable development (Herzig & Schaltegger, 2006). Guidelines and standards also enhance the quality, credibility (Herzig & Schaltegger, 2006), transparency (Reynolds & Yuthas, 2008), and comparability (KPMG, 2011) of reports. Thanks to guidelines and standards, companies can create benchmarks against their competitors as well as against their own targets (KPMG, 2011, p. 20). Guidelines and frameworks have a specific role in ensuring the quality of the information disclosed (Comyns et al., 2013).

There is a notable difference between sustainability guidelines and standards. As Heemskerk et al. write, “‘Guidelines’ provide broad direction and offer recommendations while ‘standards’ give detailed requirements of how a report should be designed or executed’ (2002, p. 30). Herzig and Schaltegger define a guideline as ‘a non-binding guidance document based on practical experiences’ (2006, p. 310). Examples of these guidelines include the GRI, the OECD guidelines for multinational enterprises, the UNGC, and the integrated reporting framework published by the International Integrated Reporting Council (IIRC). Standards, on the other hand, ‘are developed by standardisation organisations and are often a basis for certification procedures’ (Herzig & Schaltegger, 2006, p. 311). The ISO is an example of a standardisation organisation that has developed standards for sustainability development and reporting.

In this section, we focus on the description of global frameworks that advise companies on their sustainability strategy and reporting, and more specifically those that include guidelines about the *social* pillar of sustainability and sustainability reporting.

2.1.5.1 The GRI sustainability guidelines

The United Nations Environment Programme (UNEP), co-founder of the GRI, developed the first Sustainability Reporting Guidelines in 2000 in collaboration with many stakeholders

³ For more information about the GRI quality principles: cf. GRI, 2013, pp. 17-18.

(Hutchins & Sutherland, 2008, p. 1691). The GRI ‘promotes the use of sustainability reporting as a way for organizations to become more sustainable and contribute to sustainable development’ (GRI, n.d.) through these guidelines. The aim of the G4 guidelines (the latest version) is ‘to help reporters prepare sustainability reports that matter, contain valuable information about the organization’s most critical sustainability-related issues, and make such sustainability reporting standard practice’ (GRI, 2013a, p. 3). The G4 guidelines emphasise:

(...) the need for organizations to focus the reporting process and final report on (...) topics that are material to their business and their key stakeholders. This ‘materiality’ focus will make reports more relevant, more credible and user-friendlier. This will, in turn, enable organizations to better inform markets and society on sustainability matters. (GRI, 2013a, p. 3)

While organisations may be active in a variety of sustainability-related topics, the focus on materiality means that they should centre their sustainability reports on ‘matters that are really critical in order to achieve the organization’s goals and manage its impacts on society’ (GRI, 2013a, p. 3).

The GRI G4 guidelines are based on reporting principles that are divided into two categories. First, a set of four principles should be followed in order to define the reporting *content*: stakeholder inclusiveness, sustainability context, materiality, and completeness. Second, a set of six principles underlies the *quality* of the sustainability reporting: balance, comparability, accuracy, timeliness, clarity, and reliability. Companies are then requested to disclose information, organised into three different categories (economic, environmental, and social) that are then further divided into ‘aspects’; a company should only report on aspects that are material. Companies disclose information for each specific material aspect in the form of ‘disclosures on management approach’ (DMA) or indicators. A DMA ‘provides narrative information on how an organization identifies, analyses, and responds to its actual and potential material economic, environmental, and social impacts’ (GRI, 2013a, p. 45). Indicators, on the other hand, provide information on the performance or impacts of the organisation associated with the material aspects (GRI, 2013a).

There are two options for a company to publish a report in accordance with the G4 guidelines. The ‘Core’ option requests a company to disclose its main economic,

environmental, and social impacts, while the ‘Comprehensive’ option is more extensive and requests that the company report *all* indicators associated with its material aspects.⁴

The KPMG benchmarking report (2013, p. 12) states that the GRI guidelines are widely used globally, with 78 percent of the N100 reporting companies referring to these guidelines in their sustainability reports; this makes the GRI guidelines the leading sustainability reporting guidelines worldwide.

2.1.5.2 The United Nations Global Compact

The UNGC is a ‘strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption’ (UNGC, 2013). These ten principles are signed by businesses that commit to following these human rights, labour, environment, and anti-corruption principles. In addition, ‘(...) companies also commit to issue an annual Communication on Progress (COP), a public disclosure to stakeholders (...) on progress made in implementing the ten principles of the UN Global Compact and in supporting broader UN development goals’ (United Nations, 2015).

This commitment to the Global Compact principles is the first step of the Global Compact Management Model, also developed by the United Nations (United Nations, 2013, p. 4): this model ‘is a practical yet comprehensive tool to help companies evolve their sustainability efforts’ (United Nations, 2013, p. 5). Comprised of six management steps, it guides companies through the process of truly implementing these principles in their daily activities. The model ‘(...) is designed to maximize corporate sustainability performance. (...) The six steps of the model form a circular process by which companies can continuously adjust and improve alignment with the Ten Principles, as well as local and international regulations’ (United Nations, 2013, p. 5).

2.1.5.5 The integrated reporting framework

The IIRC developed the Integrated Reporting (IR) framework, which was launched in January of 2014. This framework does not suggest new indicators, but rather guides companies ‘to integrate financial and non-financial information using existing reporting standards and guidelines, such as those of GRI and the International Financial Reporting Standards (IFRS)’ (Fogelberg et al., 2013, p. 22). The aim of this framework is to report on the whole value creation of the company in a single standing communication (IIRC, 2013, p.

⁴ For more information about the criteria for preparing a sustainability report in accordance with the G4 guidelines: cf. GRI, 2013a, pp. 11-14.

1). As the IIRC puts it, ‘an integrated report is a concise communication about how an organization’s strategy, governance, performance and prospects, in the context of its external environment, lead to the creation of value over the short, medium and long term’ (2013, p. 7).

This framework uses a principles-based approach; the guiding principles must be followed in order to declare reporting ‘in accordance’ with the framework. In addition, the integrated report should cover eight ‘Content Elements’ that complement each other (IIRC, 2013, p. 4).⁵ Only 10 percent of the N100 companies reference the IR framework (KPMG, 2013). The first driver for companies to evolve into implementing integrated reporting is the integration of sustainability matters into their business strategies (KPMG, 2011).

2.1.6 Assurance

Similarly to financial audits, companies can have the qualitative and quantitative information of their sustainability disclosures assured by a third-party organisation. The rate of assurance among the N100⁶ was 38 percent in 2013, even though assurance is still voluntary in most countries (KPMG, 2013). The majority of assurance providers are large accounting firms.

Among the drivers of assurance are credibility in the eyes of stakeholders, rating criteria, reliability of data, and a clearer understanding of sustainability (KPMG, 2013, p. 33). Other drivers include improving the quality of data and of the reporting processes themselves (KPMG, 2011, p. 30).

External verification has been demonstrated to have ‘a direct impact on the overall level of CSR reports’ quality’ (Hąbek & Wolniak, 2015, p. 17). Furthermore, according to Comyns et al. (2013), assurance is a possible solution for improving the quality of so-called ‘credence information’, which is nearly impossible for interested parties to verify. Examples include the rate of employee incidents and other qualitative information. In order to verify this information, specific details are needed about how the company calculates such indicators. This type of information needs an in-depth audit to be verified. Assurance thus can provide interested parties with a guarantee of quality for this type of information.

Nonetheless, some observers have criticised the idea of assurance. Comyns et al., for example, question ‘whether the current process leads to increased report reliability as problems such as the independence of the verifiers, as well as the scope of [the] report covered by the verification process, have been raised as weaknesses’ (2013, p. 241).

⁵ For more information about the IIRC guiding principles and content elements: cf. IIRC, 2013, p. 5.

⁶ Here, ‘N100’ refers to the 100 largest companies among 41 countries studied in the KPMG Survey of Corporate Responsibility Reporting 2013, representing some 4,100 companies.

2.1.7 Rankings and ratings

The aim of sustainability rankings and ratings is to drive capital investment towards more socially responsible companies (Boulter & Goodchild, 2011, p. 18). Rankings have developed criteria to assess the sustainability of public companies based on public information such as sustainability reports and other sustainability disclosures, or on questionnaires that are filled in by companies applying for these ratings (Herzig & Schaltegger, 2006):

Such rankings can also involve recommendations for improvement in future. By this means, rankings aim to improve the quality of sustainability reporting and, to some extent, also contribute to a certain degree of standardisation. In most cases, the criteria for both ratings and rankings of sustainability reports are often generated from reporting guidelines (...) as well as from other standards and research activities on sustainability reporting. (...) (Herzig & Schaltegger, 2006, p. 315)

Based on SustainAbility's research, the best ratings are those that are based on existing frameworks (such as the GRI), broken down into different sectors, and which are transparent on the methodology used (Boulter & Goodchild, 2011, p. 18).

The focus of this thesis is on the processes that organisations go through in order to bring to life, in their sustainability reports, their progress in terms of HR sustainability. Some companies adopt an 'inside-out' approach to reporting, which bases 'reporting activities on the company's strategic priorities and sustainability accounting indicators' (Herzig & Schaltegger, 2006, p. 316). Other companies adopt an 'outside-in' approach, which means that they base the content of their reporting on the 'criteria applied by rating agencies, ranking schemes, and published guidelines' (Herzig & Schaltegger, 2006, p. 316). Companies that follow this approach systematically search and produce the data and information requested by external institutions with the objective of being highly ranked or awarded. This approach has some upsides; indeed, it is flexible and reactive to changing demands. It can lead to the omission of issues that are important to certain stakeholders, however, as well as being an insufficient reflection of the sustainability issues that are material to the business (Herzig & Schaltegger, 2006, p. 316-317).

The following sub-sections describe two global rankings in which the companies studied in this research have appeared: the Dow Jones Sustainability Index (DJSI) and the Global 100 most sustainable companies, published by Corporate Knights, a Canadian

publishing company that produces corporate sustainability rankings (Corporate Knights, n.d.).

2.1.7.1 The Dow Jones Sustainability Index

The DJSI invites the world's 2,500 largest publicly traded companies to take part in the Corporate Sustainability Assessment (CSA), the research basis for the DJSI. These companies are asked to answer a questionnaire in view of possibly being included in one of the DJSIs (RobecoSAM AG, 2015). The questionnaire includes at least 50 percent sector-specific questions. The companies receive a sustainability score between 0 and 100, and are then ranked against competitors in their sector (RobecoSAM AG, 2015).⁷

The strengths of this questionnaire reside in its information sources as well as in its sector-specific approach. Its questionnaire-based methodology provides deeper knowledge than rankings that are solely based on public disclosures. In addition, RobecoSAM (a Zurich-based international investment company) completes this information with 'publicly available information and reputation analysis provided by RepRisk' (Sadowski et al., 2011, p. 17). Companies have to invest time in answering this questionnaire, however, which can prove to be costly. Because some companies that are performing well in terms of sustainability do not answer this questionnaire for this reason, the ranking can be biased, as all invited companies do not participate.

2.1.7.2 Corporate Knights' 100 Most Sustainable Companies

Corporate Knights only considers publicly traded companies with a market capitalisation of at least US\$2 billion. In order to be considered, these companies have to disclose 75 percent of 'priority' indicators, which are those indicators that are the most often disclosed in the company's specific industry. The company also has to answer a certain number of financial criteria and to have had a low number of sustainability-related fines. Lastly, tobacco companies and weapons manufacturers are taken out of the shortlist, while Global 100 companies from the previous year are added (Staff, 2015a). Companies that make it to the Global 100 shortlist are then scored based on twelve key performance indicators: energy, carbon, water, and waste productivity; innovation capacity; percentage tax paid; CEO to average worker pay; pension fund status; safety performance; employee turnover; leadership diversity; and transparency (Staff, 2015b).⁸

⁷ For more information about the DJSI methodology: cf. RobecoSAM AG, 2015.

⁸ For more information about the 2015 Global 100 methodology and the twelve KPIs: cf. Staff, 2015a and Staff, 2015b.

The Corporate Knights Global 100 ranking is based on quantitative criteria, which makes it an objective ranking (Staff, 2015a). It gives additional points to companies that have their sustainability practises and reporting audited by a third-party company, thus encouraging the assurance of sustainability reports (Sadowski et al., 2011, p. 19). It is questionable, however, if the assessment of sustainability based on only twelve KPIs is enough to grasp the complexity of a company's sustainability strategy, as well as the interactions between the different dimensions of sustainability.

2.1.8 Trends in sustainability reporting

Sustainability reporting has largely evolved since its first wave in the 1970s. After this brief stream of social reports, mainly in the United States and Western Europe, the sustainability reporting that re-appeared in the 1980s was mainly centred on the environmental aspect. This focus progressively broadened to social as well as a few economic issues (Kolk, 2010, p. 368). Sustainability reporting is thus constantly evolving.

Let us now look at the current and future trends in this field. In view of our research objective, understanding the current and future evolution of sustainability reporting is important in order to understand the efforts of multinational enterprises in improving the quality of their sustainability reporting. We have compared the latest surveys that uncover trends in sustainability reporting: the *International Survey of Corporate Responsibility Reporting 2013* (KPMG, 2013), covering the 100 largest companies in 41 countries, for a total of 4,100 companies; the *Global Corporate Sustainability Report 2013* (UNGC, 2013), covering 1,712 of the UNGC participants in 113 countries; and the *Carrots and Sticks* report (Fogelberg et al., 2013), which focusses on the development of reporting policies in 45 countries and regions. Below is a discussion of those global reporting practises and future trends that are the most relevant to the research question.

The United Nations uncovered a gap between what companies 'say'—in other words what they commit to—and what they 'do'. Companies commit to setting goals and designing policies, but the effective implementation, measurement, and communication of these policies is still lacking. In order to close this gap, companies have to invest more resources and time into these last three steps (UNGC, 2013).

The UNGC also points out the difficulties large companies face in developing their reporting. These difficulties involve the extension of sustainability reporting throughout their supply chains, subsidiaries, business units, and departments (UNGC, 2013). The top barrier for large companies to improve their reporting is extending it to their supply chains.

Currently, companies impose standards but do not measure the results, nor do they help their suppliers to attain good results (UNGC, 2013). KPMG enlarges this concept of supply chain reporting to the whole value chain:

A company's most significant CR impacts are often found not in its own operations but in its value chain—upstream in the social and environmental impacts of its suppliers, and downstream in the impacts of its products and services (through use and disposal). (KPMG, 2013, p. 62)

The barriers in value chain reporting are the complexity in measuring impacts and the uncertainty that is linked to these impacts (KPMG, 2013). KPMG has identified an increase in the number of companies (51 percent) that include sustainability information in their annual reports. This does not mean, however, that they publish integrated reports: instead, they continue to issue separate sustainability reports or to combine their annual and sustainability reports.

As mentioned, the use of the GRI guidelines is widespread; KPMG reports that more than three-quarters of 'reporting companies worldwide refer to the GRI reporting guidelines in their CR reports', making it the most used set of voluntary reporting guidelines (KPMG, 2013, p. 12). Companies tend to use these guidelines in different ways, however, which poses a problem for comparability. This issue should be resolved with the new, updated version of the GRI guidelines (the G4 guidelines) (KPMG, 2013). It is likely that the external assurance of sustainability reporting will increase in the coming years. This can be predicted by looking at the increase in the Global Fortune 250 companies' rate of external assurance reporting, which increased from 46 in 2011 to 59 percent in 2013 (KPMG, 2013).

Companies are in the process of improving the quality of their data. A quarter of Global Fortune 250 companies restated their sustainability data when it was found to be lacking, of which one-third claimed that they did so to implement improved methodologies (KPMG, 2013, p. 30). Other future trends include more frequent reporting, integrated reporting, and a larger focus on materiality issues with the progressive implementation of the G4 guidelines (KPMG, 2013, p. 46).

When looking at worldwide sustainability reporting policies and regulations, we observe an increase in mandatory reporting from governments and stock exchanges. Two-thirds of the 180 sustainability policies and initiatives identified worldwide are mandatory. These requirements focus on large companies and increasingly opt for a 'report or explain' approach. Many of these regulations refer to existing international sustainability frameworks

such as the GRI, ISO26000, and the OECD guidelines for MNCs. Lastly, companies are concerned about the multitude of reporting frameworks they should comply with, and have called for more harmonisation (Fogelberg et al., 2013). The overlaps between the trends identified in these reports are quite limited. These overlaps include the focus on material aspects and the trend to include data about a company's supply chain in the report.

2.1.9 Conclusions

This section has presented a novel view of the meaning of quality in sustainability reporting through the description of those quality criteria that are considered to be the most important in the literature (cf. Appendix 2). Stakeholder engagement is important in order to identify a company's most important impacts (Bebbington & Thomson, 2005). Their engagement is particularly important when selecting material issues (Manetti, 2011). Materiality focus is critical in order to demonstrate that the company is focussing on the most critical issues to stakeholders, linked to the business priorities (SHRM, 2012). The quality of targets and indicators is a third quality criterion of sustainability reporting (UNGC, 2013; KPMG, 2013; RobecoSAM AG, 2015). Lastly, value chain reporting is becoming increasingly important in non-financial reporting, as a company's biggest impacts often reside in the impacts of its suppliers, distributors, customers, and waste managers (KPMG, 2013). This section also exposes the importance of guidelines and standards, as well as third-party verification, in enhancing the quality of these reports, and discusses the methodologies used by rankings and rating companies to judge the quality of sustainability development and reporting of large companies.

2.2 Social and human aspects of sustainability reporting

The first section of this literature review looked at the practise of sustainability reporting in general. We identified the criteria and manifestations of quality as well as the trends towards improved quality in reporting practises.

Researchers have paid less attention to the social pillar of sustainability compared to the environmental and economic pillars (Hutchings & Sutherland, 2008). Nevertheless, companies face a social challenge: stakeholders expect companies to provide good working environments for their employees and to ensure that human rights and good labour practises are respected throughout companies' value chains. Reducing negative social impacts and increasing positive social impacts will grant companies social legitimacy (Daub, 2007, p. 77). Therefore, the aim of this section is to identify the particularities of reporting specifically on

social and human aspects of sustainability reporting in order to answer the thesis's second research question.

This section is based on the assumption that HR impacts can be measured and reported in a similar fashion as social and human impacts by considering that HR sustainability is an integral part of social sustainability. First, different suggestions of social sustainability indicators are reviewed (Section 2.2.1). A second sub-section specifically describes how social aspects can be measured through 'social impact' measurement (Section 2.2.2). Finally, section 2.2.3 introduces the measurement of social impacts throughout the value chain. We assume that these frameworks and indicators are applicable to the specificities of HR reporting, as most authors (e.g. Dreyer et al., 2006; Labuschagne et al., 2005; United Nations, 2007; Spangenberg & Bonniot, 1998) include HR indicators in their suggested frameworks.

Labuschagne et al. (2005) describe operational sustainability at four levels (cf. Appendix 3). The first level is the corporate responsibility strategy; this prerequisite for corporate sustainability means the company recognises its responsibility towards society and the environment. The second level divides the corporate responsibility strategy into two sections: the sustainability of the company's core activities (operational initiatives) and the company's corporate social investment and projects (societal initiatives). Operational initiatives are then further divided into a third level: economic, environmental, and social sustainability. The fourth level then specifies the criteria necessary to achieve each sustainability dimension.

This thesis mainly focusses on the sustainability of the company's core business, in this case referred to as 'operational initiatives', and more specifically on the internal aspects of social human resources. In this section, however, we will also consider suggestions of indicators, frameworks, and methods to measure the broader social sustainability of the core business as well as societal initiatives, as both of these can be applied to measuring HRM sustainability. In addition, this section addresses the notion of value chain social sustainability, which Labuschagne et al. do not consider.

2.2.1 Metrics and indicators of social and HRM sustainability

A first question we must ask ourselves, before defining metrics and indicators for social sustainability, is what do we wish to protect? According to Dreyer et al., the social areas of protection are 'human health' and 'human dignity and wellbeing'. These areas cover the

fulfilment of basic needs, such as safety and access to water, as well as higher needs, such as gender equality and education.

The next step is to identify the company's social impacts and to select relevant social indicators (Hutchins & Sutherland, 2008, p. 1693). Following Dreyer et al.'s (2006, p. 96) reasoning, social impacts can be defined as impacts that, sooner or later, will have a positive or negative effect on the social areas of protection identified, namely 'human health' and 'human dignity and wellbeing'. The main stakeholder groups to be considered when assessing corporate social impacts are employees, local community, and society (Dreyer et al., 2006, p. 88). Authors as well as organisations have suggested different indicators of social sustainability; those that address internal HR are presented in the remaining part of this sub-section.

The operational sustainability framework suggested by Labuschagne et al. (cf. Appendix 3) details criteria for measuring HR sustainability. The authors suggest four sub-criteria of internal human resources: employment stability, employment practises, health and safety, and capacity development. Employment stability covers the job opportunities within the company as well as the fairness of compensation. Employment practises is concerned with human rights, labour practises, and gender and racial equity. The health and safety criterion should give an indication of prevention and accidents. Lastly, capacity development is measured through investment in research and development towards sustainable development, as well as investment in training and education (Labuschagne et al., 2005).

Labuschagne et al. (2005) advise organisations about how to create indicators that measure the areas of sustainability, as previously laid out. They instruct organisations to base the indicators on information that is already available within the company and to use a scientific methodology. Finally, they suggest that value weights can be added.

The GRI uses four levels to categorise indicators in its sustainability reporting guidelines (Hutchins & Sutherland, 2008, p. 1691). The social area is divided into sub-categories. These sub-categories are then divided into aspects (cf. Appendix 4), which are measured by a series of indicators. The sub-categories of this framework that address HR aspects are labour practises and decent work, and human rights (GRI, 2013, p. 64).⁹

The Wuppertal Institute has adapted the Human Development Index (HDI, another creation of the UN Development Programme) to the corporate level by introducing the Corporate Human Development Index (CHDI) (Labuschagne et al., 2005, p. 375). The CHDI

⁹ For more information about the detailed indicators of each aspect: cf. GRI, pp. 64-83.

‘informs stakeholders about the attitudes of a company and its behaviour towards staff members’ (Spangenberg & Bonniot, 1998, p. 26). This index is based on three components. Each component is calculated based on several indicators, leading to a final CHDI performance figure between 0 and 100 percent. The indicators relative to each component are shown in the following table (cf. Figure 1) (Spangenberg & Bonniot, 1998).

Figure 1—Corporate Human Development Index: components and indicators

Components	Indicators
Quality of industrial relations and labour conditions	—Personnel rotation —Average duration of contract —Amount of regular work hours annually lost due to consequences of labour conditions
Education: input and maintenance of human capital	—Number of years of education of the personnel before entering the firm (input) —Average amount of hours invested in education and training skills per year per capita (maintenance)
Income level and distribution	—Income level (sum of all monetary contributions during a year) —Relative CEO income compared to average shop floor worker

Source: Spangenberg and Bonniot (1998), pp. 26-27.

Although there is no single, agreed-upon method to precisely measure HRM sustainability through well-established indicators, there are recurring themes among the frameworks studied above. A majority of these frameworks address labour practises, health and safety, education, and fairness in compensation. Human rights, as well as gender and racial equity, are also recurring themes.

2.2.2 Measuring and reporting social impact

Companies can make use of their resources to tackle several social crises. Poverty alleviation, access to healthcare or education, and ‘bottom of the pyramid’ strategies are only a few examples of ways to do so. These social investments, referred to as societal initiatives by Labuschagne et al. (2005), need to be measured and reported in order to demonstrate their effectiveness (KPMG, 2014). For this purpose, KPMG (2014) has developed the social impact assessment framework based on the theory of change. This framework suggests that companies measure the inputs, outputs, outcomes, and impact of social investments (cf. Appendix 5). Inputs are the resources invested, such as money, time, and other types of donations, while outputs are the immediate results, such as the number of people who benefit

from the social programme. Outcomes are short-term or long-term effects, such as an increase in educated people. Lastly, impact is the long-term effect the investment has on society: a lower unemployment rate, for example, could be a measured impact. Although 93 percent and 88 percent (respectively) of companies already measure social inputs and outputs, it is still a challenge for companies to report on measurable outcomes and the impact of their social investments (KPMG, 2014).

The social impact assessment framework was initially developed to measure societal initiatives, but it can also be used to monitor the advancement and impacts of HR sustainability initiatives. This framework primarily provides companies with insights into how to improve the initiative in place, as well as with meaningful data for reporting. Good reporting on inputs, outputs, outcomes, and impact requires transparency on how each measure is defined and computed, a combination of qualitative and quantitative information, verification of the data communicated, and disclosure of challenges and setbacks (KPMG, 2014, p. 24).

This framework goes beyond the frameworks discussed in Section 2.2.1 by distinguishing social outputs, outcomes, and impact. Nonetheless, the framework concentrates on the impacts of the organisation itself, and does not consider how to measure social impact across the value chain.

2.2.3 Assessing social impact in the value chain

Social life cycle assessment (SLCA) provides ‘information about the potential social impacts on people caused by the activities in the life cycle of their product’ (Dreyer et al., 2006, p. 88). In order to assess a company’s social impacts, information is needed on the conduct of each individual company involved in the product’s value chain (cf. Appendix 6); such assessments take into account the impacts on stakeholders of each organisation with a role in the value chain.

Hutchins and Sutherland (2008) suggest four sustainability indicators to measure social sustainability across the supply chain. Three of these indicators are concerned with HR impacts. The labour equity indicator provides an indication of the distribution of staff member compensation, while the healthcare indicator characterises the extent to which the organisation covers healthcare for its employees and their families. A safety indicator is calculated based on the number of days a worker is not injured out of total days worked. Lastly, ‘a share factor is used to represent the weight that is given to a company’s social profile in the aggregation of social impacts along the product chain, reflecting that company’s

importance in the overall life cycle' (Dreyer et al., 2006, p. 90). This can be done in different ways; for example, in order to emphasise the activities that affect the most people, the number of hours spent working on the product could be used as the basis for computing the share factor (Dreyer et al., 2006, p. 90).

2.2.4 Conclusions

This section answers the second research question by (1) suggesting specific indicators to measure HRM aspects of sustainability, (2) introducing the framework for social impacts assessment (KPMG, 2014), and (3) describing how social impacts can be measured throughout the value chain.

2.3 Sustainability and HRM

In previous sections we have explored sustainability reporting in general, as well as the specificities of human and social sustainability reporting. The objective of this section is to explore the literature in order to understand the link between sustainability and HRM (research question 3). Indeed, in order to address the research objective, it is necessary to review and gain a thorough understanding of the process of reporting on sustainable HRM. It is thus necessary to understand the concept of sustainable HRM as well as its importance and role in sustainable development. As Guerci et al. write,

One of the management systems that is critical in the development of corporate sustainability is the HRM system, since this is positioned in most companies to have a major impact on the design and implementation of practices that can enhance the organization's sustainability drive. (2014, p. 207)

2.3.1 Importance of sustainability for HRM

According to Ehnert and Harry, 'there are two major lines of arguments to support the importance of a sustainability perspective on HRM' (2012, p. 223). The first argument is the responsibility of the HRM function towards society and the planet: the HRM field must acknowledge its role in the sustainable development of organisations. The second argument is linked to the recognition that the HRM system itself is faced with a scarcity of human resources, aging workforces, and increasing work-related health problems. Making HRM systems more sustainable is necessary for the long-term viability of organisations (Ehnert & Harry, 2012, p. 223).

2.3.2 Sustainability and HRM

The interactions between sustainability and HRM have been studied from different perspectives, leading to different areas of research. These include sustainable work systems (SWS), sustainable HRM, and green HRM.

Mariappanadar defines a sustainable HR strategy as ‘the management of human resources to meet the optimal needs of the company and community of the present without compromising the ability to meet the needs of the future’ (2003, p. 910). He considers HRM practises as having negative psychological and social effects (i.e. externalities) on ‘stakeholders, such as employees, their families and communities’ (Mariappanadar, 2012, p. 169). Therefore, companies should implement sustainable HRM practises in order to minimise these externalities on stakeholders (Mariappanadar, 2012, p. 169). Mariappanadar further writes that ‘sustainable HR seeks to maximise the efficiency of companies’ HR, while considering the unsustainable social and economic impact on the community and government’ (2003, p. 910). In his opinion, HRM should benefit ‘the company while having the least unsustainable effect (externality) on the community’ (2003, p. 920). This perspective can be qualified as the elimination of negative externalities by replacing unsustainable HR practises with sustainable HRM.

Ehnert (2009a, p. 48) identifies three streams of literature linking sustainability and HRM, mentioned above. The main idea of research on SWS is that HR exploitation leads to work intensity and negative outcomes on human health, companies’ stakeholders, and society. Companies must take responsibility for these effects by preventing negative impacts (Ehnert, 2009a, pp. 51-53). Companies thus should foster sustainable HR practises, including, as Docherty et al. write, ‘skills, knowledge, cooperation and trust, motivation, employability, constructive industrial relations, and also broader institutional/societal prerequisites, such as training systems’ (2002, p. 11).

While the focus of the SWS literature is on the harm of work intensity on individuals, sustainable HRM is more broadly based on the Brundtland Commission’s definition of sustainability, viewed from an HRM perspective¹⁰ (Ehnert, 2009a, p. 53). In this approach, employees are seen as resources that should be regenerated rather than ‘consumed’. Companies and employees are responsible for the negative effects of HR (Ehnert, 2009a, p. 53). Ehnert lists the relevant instruments from a Sustainable HRM perspective as:

¹⁰ The Brundtland report defines sustainable development as ‘development that meets the needs of the present without compromising the ability of future generations to meet their own needs’ (WCED, 1987, p. 43).

(...) HR development, design of reward systems as well as consideration of sustainability in the company's goals, strategies, and organizational culture. Furthermore of importance are HR recruitment, HR marketing, HR care (e.g. job security, health promotion), HR deployment (e.g. flexible working time models, work-life balance, sabbaticals), and trust-sensitive, participative leadership. (2009a, p. 54)

Based on Thom and Zaugg's assumption that employees' individual benefits consist of improved employability, work-life balance, and participation in decision-making, adopting sustainable HRM instruments and strategies should prove beneficial to both companies and employees. Employees see their employability, wellbeing, and self-responsibility increased, while companies increase their economic value-added assets and improve the flexibility and viability of their organisational structure (Ehnert, 2009a, p. 54). Thom and Zaugg (2004) define *sustainable HRM* as 'those long-term oriented conceptual approaches and activities aimed at socially responsible and economically appropriate recruitment and selection, development, deployment, and downsizing of employees' (translated from the German by Ehnert, 2009a, p. 73). This definition considers sustainability as both a social responsibility and as an economic principle (Ehnert, 2009a, p. 73).

Sustainable resource management focusses on the relationship between a company and its environment in terms of resource flows; in this model, company resources, including HR, are considered to be scarce, and organisations' environments are seen as what are sometimes referred to as the 'sources of resources'. Only a company that is aware of its environments and the scarcity of its resources will sustain these resources in order to ensure long-term exploitation (Müller-Christ & Remer 1999, cited by Ehnert 2009a, p. 55). From this perspective, sustainable HRM is 'what companies themselves have to do in their environments to have durable access to skilled human resources' (Müller-Christ & Remer 1999, p. 76, translated from the German by Ehnert, 2009a, p. 74). From an HRM perspective, the sources of human resources are, for example, 'labour markets, education systems, or families' (Ehnert, 2009a, p. 56).

Ehnert (2009a) suggests a 'paradox perspective' on sustainable HRM by extending strategic HRM. The author focusses on both the elimination of negative externalities of HR practises on stakeholders and the reproduction and regeneration of HR (Ehnert, 2009a). She writes that 'sustainability is conceived of as the idea of balancing consumption and reproduction of the past, current, and future human resources of an individual company' (Ehnert, 2009a, p. 42). Ehnert et al. suggest the following definition:

Sustainable HRM can be defined as the adoption of HRM strategies and practises that enable the achievement of financial, social and ecological goals, with an impact inside and outside of the organisation and over a long-term time horizon while controlling for unintended side effects and negative feedback. This definition highlights two components of SHRM: (1) the recognition of multiple potentially contradictory, economic, ecological and social goals such as human sustainability (Docherty, Kira, & Shani, 2009; Wilkinson et al., 2001) or ecological sustainability (Jackson, Renwick, Jabbour, & Muller-Camen, 2011) and (2) complex interrelations between HRM systems and their internal and external environments with particular emphasis on relationships which allow the long-term reproduction of resources (Ehnert, 2009b) and which control externalities (Mariappanadar, 2003). (Ehnert et al., 2015, p. 3)

As Kramar writes, sustainable HRM ‘identifies negative as well as positive effects of HRM on a variety of stakeholders’ (2014, p. 1069). This model recognises the impact that people-management policies have on both human and financial outcomes as well as the wider range of outcomes, including, for example, the ‘impacts on individuals or groups within the organisation (human outcomes) and impacts on groups of people and relationships between people (social outcomes)’ (Kramar, 2014, p. 1070).

Guerci et al. consider HRM sustainability from a stakeholder perspective, writing that ‘HRM practices of the twenty-first century are challenged to meet needs and integrate the growing number of stakeholders’ needs and to support the long-term viability of the company’ (2014, p. 207). As companies gradually adopt a stakeholder perspective in their sustainability strategy, an HRM function that operates solely towards the value created for the bottom line and employees is insufficient. HRM systems should follow a multi-stakeholder-oriented strategy in order to remain consistent with their organisational strategy (Guerci et al., 2014, p. 214).

On top of human and social outcomes, some authors consider ‘the impact of HRM on ecological/environmental outcomes’ (Kramar, 2014, p. 1070). Green HRM discusses the link between HRM and environmental management. The role of HRM is to support organisations in their ecological/environmental initiatives. Muster and Schrader (2011) assert that the greening of HRM should cover employees’ work lives and private lives in order to reach its full potential (Muster & Schrader, cited by Jackson et al., 2011, p. 103).

Kramar (2014, p. 1075) considers the idea that sustainable HRM contributes to the development of human and social capital within the organisation as a recurring theme in the sustainable HRM literature. Recurring subjects in this field also include the harmful effects of HR practises, the consumption and regeneration of the HR base, health, and wellbeing.

2.3.3 Role of sustainable HRM

The HRM function can be a leading partner in shifting a company's business strategy to sustainability through the use of HR tools such as the creation of 'sustainability-linked performance targets, compensation and benefits, training and education and values-based recruitment using sustainability-informed employer branding' (Cohen et al., 2012, pp. 2-3). HRM has two key roles in the implementation of a sustainability strategy: 1) as Cohen et al. write, by 'supporting business sustainability: using the process-based tools of HRM to embed sustainability strategy in an organisation's culture and practices' (2012, p. 3); and 2) as Ehnert et al. write, performing HRM sustainability by making 'HRM systems *per se* become more sustainable' (2015, p. 4).

Based on an analysis of nine companies, Wirtenberg et al. (2010, pp. 15-17) conclude that HR contributes to sustainability through 1) leadership development, 2) employee training and development, 3) diversity/multiculturalism, and 4) ethics and governance. Other areas include 5) talent management, and 6) employee engagement (Wirtenberg et al., 2010, p. 15). In these nine companies, leadership development is centred towards a sustainability leadership strategy, while employee training and development serves to educate employees about their responsibility in working towards enhanced sustainability, and the relationship between their function and sustainable development. Ensuring diversity is a key sustainability challenge for HR; its contribution to ethics and governance includes 'ethics and compliance oversight committees, self-assessments, design and administration of mandatory ethics and compliance training programs, and e-learning programs' (Wirtenberg et al., 2010, p. 16). Talent management evolves towards making sure that the workforce understands the impact of the business on its environment. HR should foster employee engagement towards sustainable development. Wirtenberg et al. also observe that working towards sustainable development enhances employee engagement, as the employees want to contribute to a better world. Other roles of HR in sustainable development include change management, collaboration, and teamwork (such as in cross-functional teams), thus creating and inculcating sustainability values and health and safety in order to preserve human resources (2010, pp. 15-17).

2.3.4 Conclusions

This section has addressed the third research question by presenting various authors' ideas on the link between sustainability and HRM and by presenting three different areas of research concerned with this link (i.e. SWS, sustainable HRM, and green HRM). This section has also

exposed the importance of sustainability for HRM, as well as the role of sustainable HRM in supporting a business's sustainability (Cohen et al., 2012, p. 3) and making HRM systems themselves more sustainable (Ehnert et al., 2015, p. 4).

4. Framework Development

This research seeks to answer the managerial question, *What is the optimal way to ensure quality in reporting about HR aspects of sustainability?* A number of quality criteria for reporting are presented in the literature review (cf. Section 2.1.4), giving the reader an overview of what is meant by quality in sustainability reporting. Section 2.2 then highlights and summarises the particularities of reporting the social, human, and HR aspects of sustainability. Finally, Section 2.3 explores the link between sustainability and HRM, and introduces different areas of research that address this link. The previous chapter has thus addressed the first three research questions: 1) *What are the quality criteria of sustainability reporting?*, 2) *What is the optimal way to report on the social and human aspects of sustainability?*, and 3) *What is the link between HRM and sustainability?*

The following chapters will therefore address the fourth research question: *Which practises in the current processes of building a sustainability report ensure high-quality reporting on HR aspects?* This thesis does not aim to determine a single, universal way to achieve quality in HR sustainability reporting: there are very different ways of achieving this goal, depending on organisational contexts. It does aim, however, to identify certain practises, patterns, and HR sustainability reporting strategies that lead to quality in reporting. The next chapters will thus focus on analysing the current HRM sustainability reporting practises in Belgian MNCs that have been recognised for the quality of their sustainability reporting.

This chapter consists of three sections. In the first section, the focus is on the content of HRM sustainability reporting. In this section, a selection of HR sustainability-related issues are suggested for disclosure in MNCs' sustainability reports, and a selection of indicators is suggested to measure progress on these aspects. The second section presents a roadmap for reporting on HR-sustainability matters. Based on action research, we recommend a series of actions that should enhance quality in reporting on these aspects. The idea is to suggest actions that not only enhance the *quality* of reporting, but also accompany and drive *change* on these issues. By doing this, sustainability reporting becomes a tool that accompanies and drives organisational change. Indeed, as pointed out in the GRI G4 guidelines,

(...) sustainability reporting helps organisations to set goals, measure performance, and manage change in order to make their operations more sustainable. (...) Sustainability reporting makes abstract issues tangible and

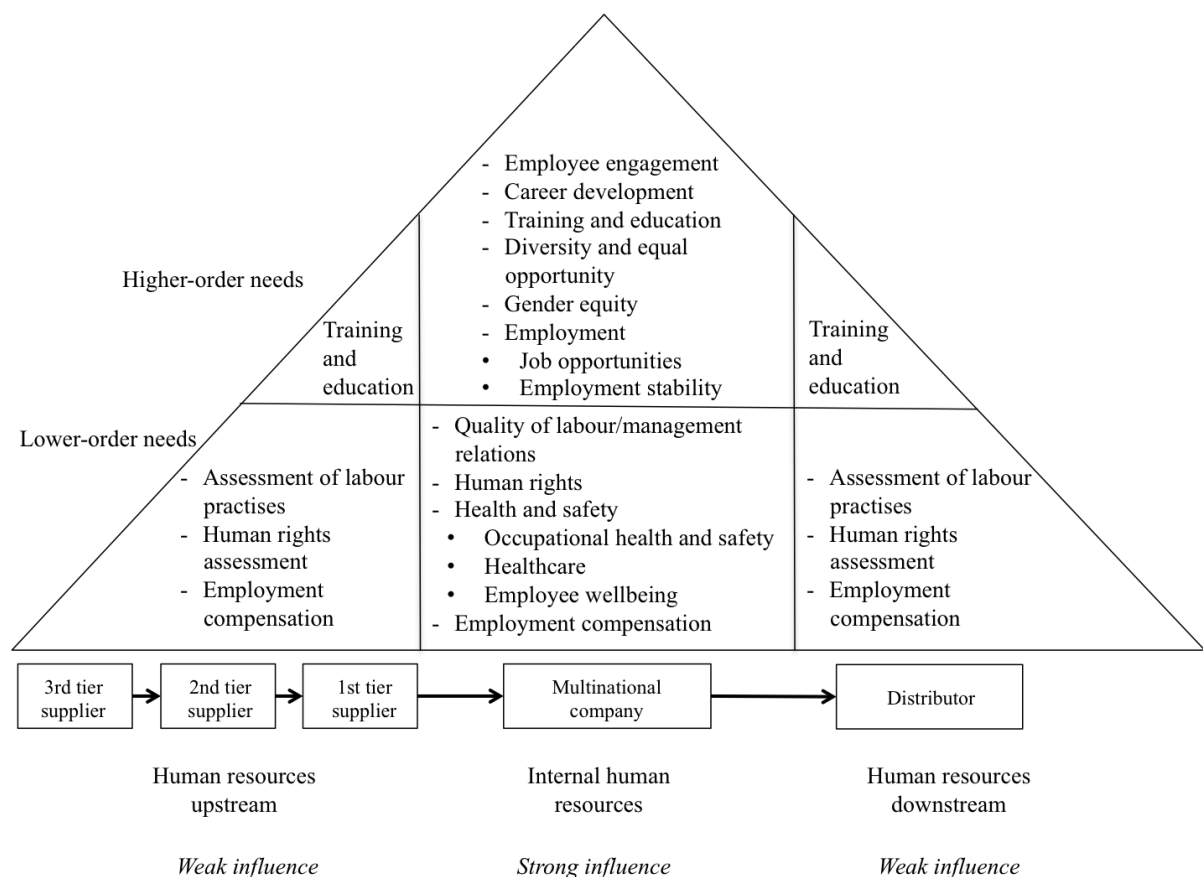
concrete, thereby assisting in understanding and managing the effects of sustainability developments on the organization's activities and strategy. (GRI, 2013a, p. 3)

Finally, the third section of this chapter describes in detail the steps of this roadmap.

3.1 Aspects of HRM sustainability reporting

Before tackling the issue of quality in HRM sustainability reporting, it is necessary to define its content. This section aims to categorise a number of HRM sustainability aspects for disclosure in global companies' sustainability reports, as shown in Figure 2.

Figure 2—HR product life cycle assessment and reporting



Source: Author's diagram based on Figure 3 in Dreyer et al. (2006, p. 91), Hutchins and Sutherland (2008), Labuschagne et al. (2005), Spangenberg and Bonniot (1998), Wirtenberg et al. (2007), and the social aspects of the G4 sustainability reporting guidelines (GRI, 2013).

This diagram is based on Dreyer et al.'s idea (2006, p. 91) that the data collector—in this case the MNC in question—is responsible for any matters over which it has an influence. Because

a company has more influence on its own activities than on activities upstream and downstream in its value chain (Dreyer et al., 2006, p. 91), it will disclose more HR sustainability-related aspects regarding its own employees compared to those aspects that are related to the people working upstream and downstream of the company's value chain. This diagram also divides HR-related sustainability matters into lower-order and higher-order needs, as suggested by the Millennium Development Goals (United Nations, 2000). Basic needs include reduction in poverty through employment compensation, healthcare, and safety, while the higher level covers needs such as training and education (Hutchins & Sutherland, 2008, p. 1691). Progress on these aspects can only be measured and reported if they are linked to specific indicators. Therefore, each aspect of HR-sustainability is described and linked to possible indicators in the following sub-sections (cf. sections 3.1.1 and 3.1.2).

3.1.1 Internal HRM sustainability reporting

The following sub-section discusses sustainability reporting of the internal factors within organisations.

Employment compensation contributes to a reduction in poverty (Hutchins & Sutherland, 2008, p. 1691), thus fulfilling physiological needs such as the need for food and shelter. It can be measured by different indicators. The income level indicator is expressed in percentages. To compute this indicator, the minimum wage offered by the company is expressed 'as a multiple of the national social aid standard' (Spangenberg & Bonniot, 1998, p. 26). If both are equal, the indicator is given 0 percent, while 100 percent is given when the income level equals the national average (Spangenberg & Bonniot, 1998). Income distribution can be computed, according to Hutchins and Sutherland, by using

(...) the ratio of average hourly labour cost (including benefits and taxes to the total compensation package (converted to an hourly measure) for the company's highest paid employee (often the Chief Executive Officer or CEO). The closer this ratio is to one, the greater the compensation equity within the company. (2008, p. 1695)

Health and safety: This aspect can be divided into three different criteria: occupational health and safety concerns, healthcare provided by the organisation, and employee wellbeing.

- *Occupational health and safety*: This criterion discloses prevention as well as the occurrence of accidents and health impairments. The G4 guidelines (GRI, 2013a, p. 66) suggest various indicators to measure and report occupational health and safety

performance. The first indicator is the ‘percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs’ (GRI, 2013a, p. 66). The guidelines further recommend a series of standard occupational health and safety indicators: injury rates, occupational diseases rates, lost day rates, and absentee rates. Finally, organisations are expected to disclose if their workers are at risk of diseases related to their work activity and the health and safety matters covered in trade union agreements, as well as the type of injuries that have occurred and the number of work-related fatalities (GRI, 2013a, pp. 66-67).¹¹

- *Healthcare*: This criterion examines the extent to which a company financially supports healthcare for its employees and their families. The indicator suggested by Hutchins and Sutherland is ‘the ratio of company paid healthcare expenses per employee to the market capitalization per employee’ (2008, p. 1695).
- *Employee wellbeing*: This criterion includes areas such as nutrition, physical activity, physical health, and mental wellbeing. It can be addressed with initiatives such as training on the subjects of physical activity, nutrition, and wellbeing; health screenings and medical check-ups; and free participation in various organised physical activities (Delhaize Group, 2015).¹² One possible indicator of employee wellbeing is the number of company facilities that have implemented employee wellbeing programmes. A description of these programmes should be provided in order for the examiner to be able to judge their quality.

Human rights: This aspect addresses compliance with internationally declared human rights standards. This compliance can be evaluated through reviewing ‘disciplinary and secrecy practices as well as employee contracts’ (Labuschagne et al., 2005, p. 379). The G4 guidelines and principles suggest a comprehensive set of indicators regarding human rights compliance, largely based on the United Nations International Bill of Rights and the International Labour Organization’s (ILO’s) ‘Declaration on Fundamental Principles and Rights at Work’ (cf. Appendix 7).

¹¹ For more information on computing the G4 occupational health and safety indicators: cf. GRI, 2013b, pp. 151-156.

¹² Because the Delhaize Group’s operating companies have put a number of employee wellbeing programmes in place, the group provides us with good examples of such employee wellbeing initiatives.

Quality of labour/management relations: This aspect addresses the quality of dialogue between a company's management and its employees or their representatives. According to the GRI (2013a, p. 66), the 'minimum notice periods regarding operational changes, including whether these are specified in collective agreements' are an indicator of the quality of this dialogue. Indeed, according to Cohen et al., extended advanced notice of operational changes shows 'respect for employees and concern for their wellbeing in situations where workplace changes may lead to job losses, job changes or transfers' (2012, p. 19).

Employment: This aspect addresses two criteria: a company's ability to provide job opportunities, and the stability thereof (Labuschagne et al., 2005).

- *Job opportunities:* The indicator linked to this criterion is the 'total number and rates of new employee hires.(...)' (GRI, 2013a, p. 65).
- *Employment stability:* This criterion can be evaluated based on personnel turnover, duration of employment, and average contract duration. Thus, a first indicator is employee turnover, expressed in total number and rates (GRI, 2013a, p. 65); a second indicator of employment stability can be built by setting 'lifelong employment (from education until full retirement benefits are granted) as 100 percent and short term contracts (less than 1 year) as 0 percent' (Spangenberg & Bonniot, 1998, p. 26).

Gender equity: The GRI (2013a, p. 68) suggests a straightforward indicator of gender equity: namely the ratio of basic salary and remuneration of women to men. This ratio can be calculated for each employment category and/or facility location.

Diversity and equal opportunity: This aspect is closely related to the ability of the company to hire 'women, members of minority groups, people over the age of 45, people with disabilities, or those who have been unemployed for extended periods of time.(...)' (Cohen et al., 2012, p. 9). An indicator for measuring this aspect is the 'breakdown of employees per employee category according to gender, age group, minority group membership and other indicators of diversity' (GRI, 2013a, p. 68).

Training and education: Cohen et al. stress that 'increasing the knowledge, skills and employability of workers is crucial to ensuring a positive impact from a sustainable HRM system' (2012, p. 10). One way of achieving this is through training and education; a

commonly used indicator for this aspect is the ‘average amount of hours invested in education and training of skills per year and capita’ (Spangenberg & Bonniot, 1998, p. 26).

Career development: Similarly to the previous aspect, career development aims to maintain and improve the knowledge, skills, and employability of employees through career guidance promotion opportunities and lateral moves (Cohen et al., 2012; Labuschagne et al., 2005). The ‘percentage of employees receiving regular performance and career development reviews’ (GRI, 2013a, p. 68) is an accepted indicator of career development.

Employee engagement: As Schaufeli et al. write,

Contrary to those who suffer from burn out, engaged employees have a sense of energetic and effective connection with their work activities, and they see themselves as able to deal with the demands of their jobs. Work engagement is defined as a positive fulfilling work-related state of mind that is characterized by vigor, dedication, and absorption. (2006, p. 702)

Furthermore, as Erickson (2005) writes, ‘engagement (...) is about passion and commitment—the willingness to invest oneself and expend one’s discretionary effort to help the employer succeed’ (p. 14). This aspect is traditionally measured based on employee survey data (Macey & Schneider, 2008; Fortanier et al., 2011). Schaufeli et al. (2006) suggest a questionnaire (cf. Appendix 8) to measure the three dimensions of engagement (i.e. vigour, dedication, and absorption).

3.1.2 Upstream and downstream HRM sustainability reporting

This sub-section discusses upstream and downstream HRM sustainability reporting; most of this material is covered elsewhere in this thesis:

- *Training and education:* cf. Section 3.1.1
- *Employment compensation:* cf. Section 3.1.1
- *Human rights assessment:* The GRI suggests a series of indicators to measure the performance of upstream and downstream human rights assessments (cf. Appendix 9).
- *Assessment of labour practises:* Two GRI indicators measure the performance of upstream and downstream labour practises assessments (cf. Appendix 10).

3.2 A roadmap for quality in sustainable HRM reporting

The roadmap presented in this section (cf. Figure 3) recommends a step-by-step process to ensure quality in reporting on the HRM aspects of sustainability that were defined in the previous section (cf. Section 3.1). The process is divided into four steps, each composed of a series of actions. For each step, the actions are divided into four categories, corresponding to the first four quality criteria of sustainability reporting identified in the literature review (cf. Section 2.1.4).

The roadmap is based on action research, a method developed by the psychologist Kurt Lewin (1946), founder of the field of social psychology. The assumptions of this theory are that (1) there is a problem to be faced by engaging in change; (2) the group facing this problem is unsure of the present situation, its dangers, and what to do about it; (3) action is required to change the situation; and finally, as Burnes writes (4), ‘successful action is based on analysing the situation correctly, identifying all the possible alternative solutions and choosing the one most appropriate to the situation at hand’ (2004, p. 984).

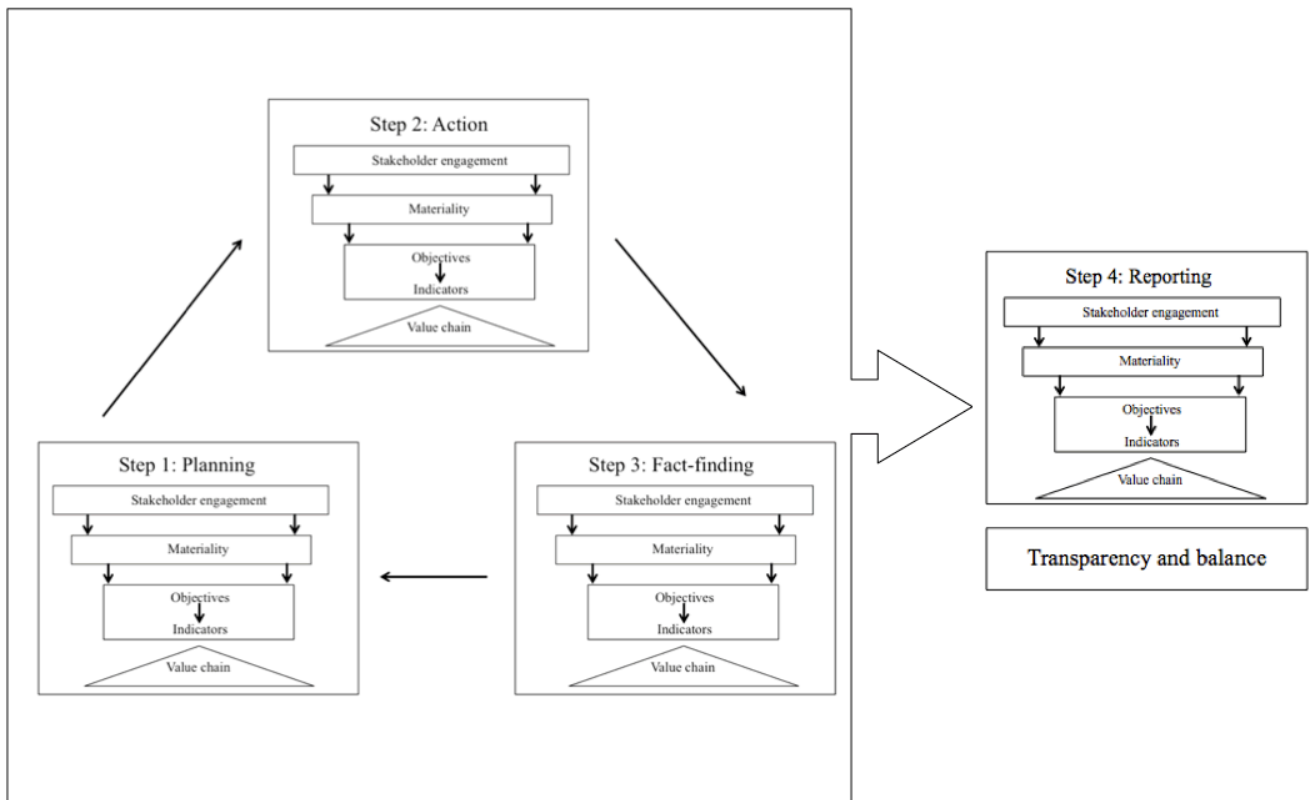
In the context of reporting on HR-related sustainability aspects, the ‘situation at hand’ is the negative impacts of companies on people, combined with the growing expectations of stakeholders to manage such negative impacts, to generate positive impacts, and to report on these impacts (cf. Section 1). The groups that face this problem are those organisations that are unaware of their own impacts on people, let alone the impacts caused to people across their value chains. To address this problem, these organisations must take action, and must communicate with others about the actions taken in the best way possible.

As Lewin writes, action research ‘(...) proceeds in a spiral of (...) [stages], each of which is composed of a circle of planning, action, and fact-finding about the results of the actions’ (1946, p. 206). For the purpose of this roadmap, we have added a fourth step, ‘reporting’. This step provides specific guidance on how to report on the actions taken throughout the cycle in a transparent and balanced way. This roadmap illustrates how reporting is integrated in change itself, thus driving the organisation further towards sustainable development.

At each step of the cycle, actions are to be taken in order to fulfil the quality criteria defined, namely *stakeholder engagement*, *materiality*, *objectives and indicators*, and *value chains*. Reporting is based on the principles of *transparency and balance* (the last quality criterion identified in the literature review; cf. Section 2.1.4.5). The reporting actions of the

roadmap all partially contribute to fulfilling this criterion. Nevertheless, a series of actions specific to these principles are added to fully achieve transparency and balance in reporting.

Figure 3—Steps of the roadmap for quality in sustainability reporting



Source: Author's diagram based on action research (Lewin, 1946) and corroborated by Cohen et al. (2012, p. 11).

3.3 Application guidelines

This section describes the steps of the roadmap, and the necessary actions recommended by the literature to fulfil the quality criteria of each step.

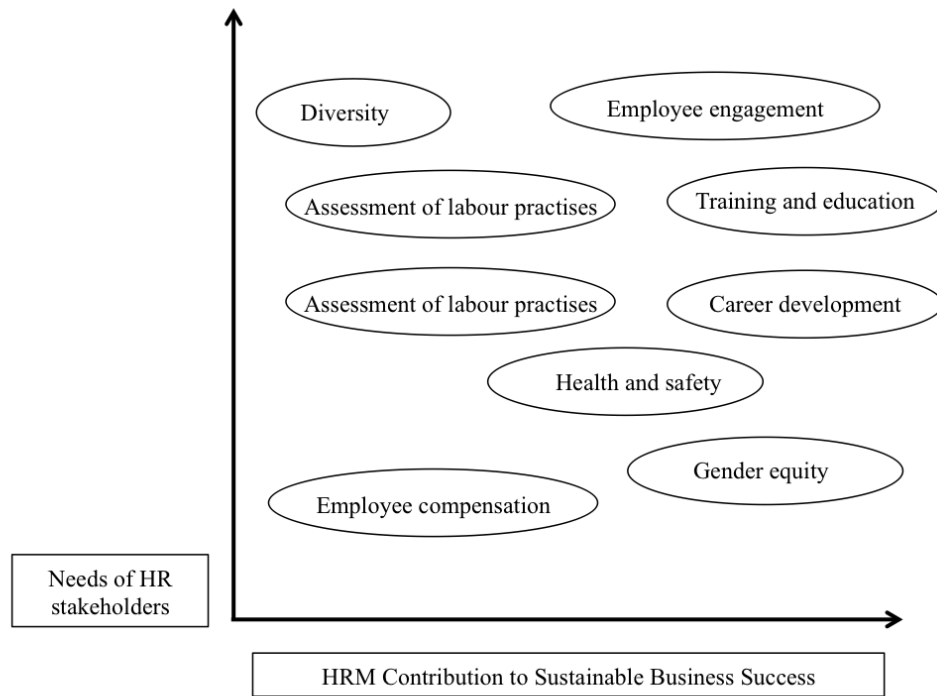
Step 1—Planning: the first step of action research starts with a general objective. Here, the objective of the organisation is twofold: (1) achieving HRM sustainability in itself, and (2) achieving quality in reporting on the HR aspects of sustainability through the fulfilment of five criteria (stakeholder engagement, materiality, objectives and indicators, value chains, and the principles of transparency and balance). In general in action research, because it is not clear how to delineate and how to achieve a desired objective, more information on the situation is required (Lewin, 1946, p. 37).

- *Stakeholder engagement*

- 1.1 Identify HRM stakeholders, which are ‘defined as those affecting the performance of the HRM function or those affected by it’ (Cohen et al., 2012, p. 27). For example, this could include internal departments, executive teams, managers, employees, family and friends of employees, members of academia, local communities, local schools, suppliers, or distributors;
- 1.2 Consult the identified stakeholders about the changes they hope to see as a result of the company’s HRM activities, including the company’s possible influence on HRM activities in the value chain (SROI Network, 2012);
- 1.3 Involve stakeholders in identifying the HR impacts produced by the company and the actors in its value chain (SROI Network, 2012);
- 1.4 List the HRM sustainability aspects that are of importance to these stakeholders (Cohen et al., 2012, p. 28);
- 1.5 Ask stakeholders how they would like to be involved in the future (SROI Network, 2012).

- *Materiality*

- 1.6 Based on the information obtained from stakeholders, prioritise the HRM sustainability aspects using a matrix (cf. Figure 4 for an example of materiality matrix) (Cohen et al., 2012, p. 28);
- 1.7 The reporter should select the key stakeholders (GRI, 2013) and those HR sustainability-related issues that are the most critical ‘to supporting a sustainable organisation’ (Cohen et al., 2012, p. 27). Indeed, these are the matters that are really necessary for attaining a company’s objectives and managing its impact on people.
- 1.8 Conduct this materiality assessment regularly (KPMG, 2013).

Figure 4—Example of HRM Materiality Matrix

Source: Author's diagram based on Cohen et al. (2012, p. 29).

- *Objectives and indicators*

1.9 Set objectives linked to each of the HRM material issues selected. In addition to this, because the organisation 'may want to achieve a minimum level of performance in other areas' (Cohen et al., 2012, p. 28), objectives can also be set for non-material issues. All objectives should be measurable and should have a clear baseline and end date; each of the objectives should be linked to a specific indicator to measure performance, progress, and outcomes (KPMG, 2013).

- *Value chains*

1.10 Based on the HR sustainability issues identified in the company's value chain (upstream and downstream) and the objectives linked to these issues, the reporter should formalise the requirements for the actors in the value chain (KPMG, 2013);

1.11 The reporter should ensure that the KPIs that are linked to the objectives are based on accessible data (Labuschagne et al., 2005).

Step 2—Action: Assuming that the planning stage was successful, a plan of actions will materialise, and the first action to be taken will clearly appear (Lewin, 1946, p. 37).

- *Stakeholder engagement*
 - 2.1 Involve stakeholders in the actions taken towards HRM sustainability.
- *Materiality*
 - 2.2 Manage selected HR material issues to improve performance.
- *Objectives and indicators*
 - 2.3 Follow the defined KPIs regularly to measure performance;
 - 2.4 Identify the HR issues that are not progressing as planned, and manage these problems accordingly in order to meet the objective by the end-date.
- *Value chains*
 - 2.5 Set up mechanisms and systems to manage the HR impacts and improve the value chain partners' HRM performance on given requirements (KPMG, 2013);
 - 2.6 Support these actors in their efforts to improve their HR impacts (KPMG, 2013).

Step 3—Fact-finding: From the action step succeeds 'fact-finding about the results of the action' (Burnes, 2004, p. 984), the objective of which is to adapt 'as accurately and objectively as possible to new situation[s]' (Lewin, 1946, p. 38). The fact-finding step aims to evaluate a company's performance in advancing the selected HRM sustainability aspects, and to learn by gathering insight on the strategies and techniques the company uses to reach these objectives. This learning serves to modify the plan developed in step 1. The next stage consists of a cycle of planning (step 1), action (step 2), and fact-finding (step 3) (Lewin, 1946, p. 38).

- *Stakeholder engagement*
 - 3.1 Gather feedback and insights from HRM stakeholders on the outcomes and impacts of actions that have been taken (SROI Network, 2012).

42.

- *Materiality*

3.2 Based on the feedback and insights of HRM stakeholders, classify the HRM material issues into three categories: those that have progressed, those that remain stable, and those that have deteriorated.

- *Objectives and indicators*

3.3 Measure performance against each objective set using the indicators defined (cf. action 1.9).

- *Value chains*

3.4 Audit value chain partners against requirements (KPMG, 2013);

3.5 Measure performance against the objectives set (KPMG, 2013).

Step 4—Reporting: Once a year, the organisation proceeds to external reporting on the actions taken: the results accomplished throughout the cycle, as well as the challenges and efforts that remain to be done. The actions taken during this stage are based on the principles of *transparency and balance* (cf. Section 2.1.4.5).

- *Stakeholder engagement*

4.1 Gather feedback from HRM stakeholders about the report (SROI Network, 2012);

4.2 Include HRM stakeholder comments (positive and negative) in the report (KPMG, 2013);

4.3 Describe the stakeholder engagement process (KPMG, 2013);

4.4 Explain how the company has responded to the HRM stakeholders' expectations and interests (GRI, 2013).

- *Materiality*

4.5 Disclose the material issues (KPMG, 2013);

4.6 Disclose the process for materiality assessment (KPMG, 2013).

- *Objectives and indicators*

4.7 Disclose the performance against each objective set, whether positive or negative (KPMG, 2013);

4.8 Disclose specific challenges and failures, as well as successes (KPMG 2013).

- *Value chains*

4.9 Disclose the performance against each objective set, whether positive or negative (KPMG, 2013);

4.10 Disclose specific challenges and failures, as well as successes (KPMG, 2013).

- *Transparency and balance*

4.11 In order to avoid ‘over-claiming’, compare the results with what would have happened if the company did not exist or did not engage in this specific activity (SROI Network, 2012);

4.12 Include full information on the source(s) of the evidence (SROI Network, 2012);

4.13 Include information on the methodology used (SROI Network, 2012);

4.14 Provide the greatest possible access to the sustainability report (SROI Network, 2012)

4. Working Method

This chapter is composed of three sections, describing the research approach (Section 4.1), strategy (Section 4.2), and structure (Section 4.3) applied in the inductive part of this thesis (Chapter 5).

4.1. Research approach

Through this research, we seek to understand the current HRM sustainability reporting practises of MNCs recognised as ‘best in class’ in terms of their sustainability reporting. As the interest of this thesis is to analyse the HRM sustainability reporting content and to understand the reporting process, as well as to discover new ideas and concepts, the research approach is primarily inductive. This means that first the data is collected, and any conclusions are developed as a result of the data analysis.

The next chapter focusses, in the first stage, on describing the contexts of each case (Stake, 2005) based on their sustainability disclosures (covering the years 2010 to 2014) and the interviews conducted with HRM and sustainability managers in the selected MNCs.

In the second stage, the chapter analyses the current practises of HRM sustainability reporting through (1) describing the HRM sustainability-related content disclosed by each company, as well as the challenges in doing so, and (2) analysing the steps of the reporting process based on the structure of the roadmap developed in the previous chapter (cf. sections 3.2 and 3.3). Lastly, the findings concerning the practises that should lead to higher quality are presented and discussed.

4.2. Research method

Whatever the field of interest, the distinctive need for case study research arises out of the desire to understand complex social phenomena.

—Robert K. Yin (2014, p. 4)

The research method chosen for this thesis is multiple case study research. The complex phenomenon under analysis is the content and process of sustainable HRM reporting in selected Belgian multinationals. The objective of this thesis is to understand the current practises in HRM sustainability reporting. The research question is: *What is the optimal way to ensure quality in reporting about HR aspects of sustainability?*

As discussed in the literature review, researchers have not yet agreed on a common definition of sustainable HRM. The boundaries between the concept and its context are thus not clearly evident, making an understanding of the context a must (Yin, 2014, p. 16). This observation led to the selection of the case study research method.

Three conditions should be met in order for case study research to qualify as the optimal research method used (Yin, 2014, p. 9). The first condition covers the research question (Hedrick, Bickman, & Rog, 1993). ‘How’ or ‘why’ questions are explanatory and likely to lead to the use of a case study, history, or experiment as research method (Yin, 2014, p. 10). The research question above is explanatory, as it ‘deals with operational links needing to be traced over time, rather than mere frequencies or incidence’ (Yin, 2014, p. 10). As a second condition, the researcher must not have any influence on the behaviours being analysed. In this case, the researcher is dealing with interviews and external documents; the researcher does not have any influence on the process of reporting on HRM sustainability. Finally, the degree of focus is contemporary, as the object of analysis is current reporting practises. This research thus perfectly matches the conditions for case study research.

The unit of analysis under research is sustainable HRM reporting in Belgian MNCs. For this purpose, four Belgian MNCs have been selected: the Delhaize Group, Umicore, UCB, and Solvay. The first criterion of selection is the country in which the company is headquartered. The population of hypothetical cases was narrowed to a smaller population of accessible cases (Stake, 2005), and only companies with their headquarters in Belgium were considered; furthermore, as reporting has been shown to be country-specific (Fortanier et al., 2011), focussing on companies in one country makes the cases more comparable. Second, only multinational companies were considered, as larger companies tend to perform better in sustainability in general (United Nations, 2013) and have an important influence on other companies in global supply chains (Gereffi, 2014). The third criterion of choice is the active role of these companies in sustainable development and sustainability reporting. Therefore, the population of cases was once again restricted: this time to Belgian MNCs that are members of the aforementioned World Business Council for Sustainable Development, whose members work together to address the sustainability challenges of the future (WBCSD, 2015). The last criterion of choice is excellence in sustainability or sustainability reporting. Both Delhaize and Solvay were included in the *Sustainability Yearbook RobecoRAM 2015*, while Umicore and UCB have been included in Corporate Knights’ *World’s Most Sustainable Companies* index for several years running. The presence of these companies in these sustainability indices proves that they are considered to be ‘best in class’

in terms of sustainability and sustainability reporting. Companies that play an active role in sustainable development (the third criterion of selection) and that have been recognised for their efforts in this field (the fourth criterion) were chosen for this study, as the researcher felt these cases would offer the greatest opportunity to learn (Stake, 2005).

The specific aims of this multiple case research analysis are to: (1) understand the context of sustainability reporting in the organisation, (2) uncover the content of HRM sustainability reporting in high-quality sustainability reports, (3) analyse the process of reporting on these issues, and (4) draw conclusions by comparing the cases analysed. For this purpose, the interviews were constructed based on the literature review and, based on the idea of social life cycle impact assessment (Dreyer et al., 2005), were focussed especially on HRM reporting, not only in each organisation, but across its supply chain.

4.3. Research structure

This research is based on both interviews and analysis of external sustainability disclosures, crossing two types of data. In addition, at least two interviews were conducted within each company: one interview with a sustainability manager and one interview with an HR manager for each case. This method provides at least two perspectives on the subjects studied.

These different sources and perspectives were gathered in an attempt to triangulate the data through redundancy of data gathering (Stake, 2005; Yin, 2014). Furthermore, several elements have led to the increased reliability of this case study research (Yin, 2014). A case study database was built, containing the transcript of each interview conducted as well as all other documents analysed. A chain of evidence was maintained by thoroughly referring to the specific source (interview and/or document) that led to each finding. Finally, the circumstances of the data collection are specified hereafter.

The semi-structured interview guide was constructed based on the literature review (cf. Appendix 11). Each interview started with an introduction about the subject studied, followed by general questions to 'break the ice', and then moved on to more specific questions (Fontana and Frey, 2005, p. 713). Before starting the data collection process, a pilot interview was conducted with Julia King, a consultant with extensive experience in CSR strategy and communications (personal communication [henceforth 'PC'], 8 April 2015). The interview was then adapted based on her suggestions in order to narrow the area of questioning to HRM sustainability (internal and throughout the value chain) so that the respondents would better understand that the subject of this thesis does not include the

philanthropic areas of social sustainability, but rather concentrates on the people involved in the activities of their company across the value chain.

The next step was the data collection itself. Ten managers, all involved in the process of HRM sustainability reporting, were interviewed in total among the four selected companies. The interviews took place between 10 April and 1 June of 2015, and were audio-recorded and transcribed with the participants' permission (Silverman, 2004). I attempted to use myself as an instrument in listening, both to what the respondents said and how they said it (Peräkylä, 2005).

Although the process was more iterative, the following key steps attempt to describe my method in analysing the sustainability reports and interview data:

1. I first went through the interview transcripts with the objective of distinguishing themes to be studied. During this first reading, I quickly distinguished the contexts of importance to the understanding of each case (Stake, 2005). The contexts included corporate strategy, the meaning of sustainability for the organisation, the organisational structure around HRM sustainability and reporting, the meaning of HRM sustainability, and finally the characteristics (as well as the evolution) of the company's sustainability reporting (cf. Section 5.1);
2. I completed my knowledge about these different contexts by reviewing the yearly sustainability disclosures of each company, covering the past five years (from 2010 to 2014). This period allows for concentrating on the latest developments in this area while still being able to understand the evolution within this period;
3. Once the contexts were described, I coded the interview data based on a list of twenty-one codes. The codes were based on the framework (cf. Section 3.1) and roadmap (cf. section 3.2 and 3.3) developed in Chapter 3;
4. I used the same codes to analyse the yearly sustainability disclosures of each company for 2014;
5. I went through the interview transcripts again to identify the bases for comparison and the particularities of each case (Stake, 2005);
6. Lastly, I sent a draft of the case analyses to the interviewees and took their feedback into account (Stake, 2005), thus contributing to the construction of validity (Yin, 2014).

Based on the results of this analysis, I drew conclusions on the practises that led to enhanced quality in reporting.

5. Analysis of Belgian MNC Cases and Results

This chapter includes three sections. Section 5.1 outlines the relevant information about strategy, sustainability, organisational structure, HRM sustainability, and sustainability reporting in the four selected Belgian MNC cases. Section 5.2 describes the current cases' HRM sustainability reporting in terms of their content and quality. Section 5.3 then presents the findings of the analysis. The aim of this last section is to answer the fourth research question: *Which practises in the current processes of building a sustainability report ensure high-quality reporting on HR aspects?* Finally, Section 5.4 discusses these findings vis-à-vis the relevant literature, and critically addresses the limits and gaps of this research.

5.1 Overview of Belgian MNC cases

This section provides information about the different contexts of each case study researched. It briefly presents the overall corporate and sustainability strategies of each organisation, and then describes the organisational structure of each case surrounding various aspects of HRM sustainability and sustainability reporting. This overview also discusses how the interviewed HR/CSR managers voiced the meaning of HRM sustainability for their organisations. Finally, this section describes the characteristics of sustainability reporting in each company. The overview is based on the analysed sustainability reports, and the interviews that were conducted for the purpose of this case study (cf. Chapter 4).

5.1.1 Delhaize Group

The Delhaize Group is an international food retailer headquartered in Brussels. The group is decentralised, with most activities conducted within its seven operating companies (Food Lion and Hannaford in the United States, Delhaize Belgium, Alfa-Beta Vassilopoulos in Greece, Mega Image in Romania, Delhaize Serbia, and Super Indo in Indonesia). In 2014, the group employed nearly 150,000 associates in total, and generated revenues amounting to €21.4 billion (Delhaize Group, April 2015).

5.1.1.1 Corporate strategy and sustainability

Delhaize's overall group strategy, called its *strategic framework*, is to go forward in a balanced way in terms of its four identified stakeholders: associates, shareholders, communities, and customers (Mr A., PC, 10 April 2015). The overall strategy of the group is underpinned by the group's sustainability strategy (Delhaize Group, April 2015).

5.1.1.2 Organisational structure

For the purposes of this case study research, a joint interview was conducted with Mr A., chief of human resources and sustainability for the Delhaize Group, and Ms B., vice president of sustainability. The sustainability department of the Delhaize Group reports to the company's HR department. In Ms B.'s view (PC, 10 April 2015), this integrates sustainability in HR in a unique way, thanks to the way the company is organised.

Because the Delhaize Group is a decentralised company, few people work at the group level; the HR managers of each company manage most of the HR issues at the company level. 'Sustainable HRM is embedded in every leader in HR' (Mr A., PC, 10 April 2015). Half of these leaders' bonuses depend on their performance on HRM sustainability topics (i.e. employee diversity, wellbeing, and development) (Mr A., PC, 10 April 2015).

5.1.1.3 HRM sustainability

In the context of the *strategic framework* and the four identified stakeholders, the HR strategy is linked to the group's promise to its associates to be a rewarding employer. The Delhaize Group's HR department ensures that this is achieved through a yearly engagement survey, which asks employees if they believe they are fairly treated in all areas, including diversity, wellbeing, performance review development, careers, remuneration, and leadership. The results of the survey provide visibility on the happiness and engagement of employees at work (Mr A., PC, 10 April 2015). Three internal HRM topics are highlighted in the group's specific strategy for sustainable development. These topics are diversity, development, and employee engagement. Respect for the human and labour rights of the employees of suppliers of private brands is an additional material issue (Ms B., PC, 10 April 2015).

5.1.1.4 Sustainability reporting

The Delhaize Group published its first sustainability report in 2007 after a few years of including corporate responsibility information in its annual report. An operational disclosure section has been added to the report for each of the operating companies specifically since 2013, on top of the already disclosed sustainability information at the global level. Today, the company still publishes a yearly *Sustainability Progress Report* separately from its annual report (Delhaize Group, 2015). While the company's objective is to have an integrated report, the non-financial metrics are not yet mature enough, and the process too slow, to issue an integrated report by the legal date on which the annual report has to be published. The company adopts the GRI standard disclosures and reporting principles as guidelines for its reporting. According to Ms B. (PC, 10 April 2015), this is particularly useful as a benchmark

against other global companies. The Delhaize Group also reports to the aforementioned Dow Jones Sustainability Index, and was included in the DJSI world index and European index for food and drug retailers in 2012 and 2013. The group considers the DJSI to be a high-quality benchmarking tool for sustainable development, not only against competitors in the food and drug retail industry but also against companies in other industries. The DJSI also serves as a ‘thermometer’ to detect specific issues in which the company should improve its sustainability performance (Ms B., PC, 10 April 2015). Finally, a third-party auditor verifies a selection of the group’s key performance sustainability indicators (Delhaize Group, 2015).

5.1.2 UCB

UCB is a global biopharmaceutical company headquartered in Brussels that is established in nearly forty countries (UCB, 2015a). UCB is focussed on the treatment and development of drugs for ‘severe diseases of the immune system or of the central nervous system’ (UCB, 2015a). In 2014, UCB employed 8,600 people and attained revenues of €3.3 billion (UCB, 2015a).

5.1.2.1 Corporate strategy and sustainability

UCB’s corporate strategy is to continue to grow its core medicines (i.e. Cimzia®, Vimpat®, and Neupro®) while preparing new and breakthrough medicines through investment in R&D (UCB, 2015a).

UCB’s corporate societal responsibility strategy is centred on patients and the planet (Mr C., PC, 27 April 2015). Patient-centricity initiatives ‘focus on access to care and respect for persons living with epilepsy in low to middle income countries in Africa and Asia. (...)’ (UCB, 2014), while planet-centricity focusses on ‘commanding reduction of UCB’s ecological footprint (...)’ (UCB, 2014). UCB’s corporate societal responsibility commitment is to operate its business ‘with financial, societal and environmental objectives’ (UCB, 2015b) that bring value to its stakeholders. UCB has identified seven key stakeholders—persons living with chronic diseases, healthcare professionals, governments, payers, shareholders, communities, and the countries in which they operate (UCB, 2015b, p. 156).

5.1.2.2 Organisational structure

UCB has a small CSR department in place, headed by Mr D., head of CSR. Both Mr D. and the head of health, safety, and environment (HSE) report to the head of talent and company reputation, Mr C., who is responsible for social and environmental sustainability. In addition, UCB has a person who is accountable for CSR in each of its facilities worldwide. This is a

‘matrix’ structure, which is an effective system for implementing sustainability actions. Mr D. does the CSR reporting, based on the data provided by the matrix structure of the people who are accountable for sustainability across the organisation. For the purposes of this case study, I first conducted a joint interview with Mr D. and CSR trainee Ms E.; I then interviewed Mr C. in a second interview.

5.1.2.3 HRM sustainability

HRM sustainability, as described by Mr D., ‘is having the people engaged towards the focus of the patient’ (PC, 13 April 2015). He continued, ‘Our sustainability is really tailored towards making sure that people can deploy their talents, with a focus on delivering quality and care to patients living with severe diseases’ (PC, 13 April 2015).

According to Mr C., having a sustainable workforce requires setting objectives to give meaning to people’s actions, developing employees based on performance reviews, rewarding them, giving them broader career opportunities, and ensuring that people develop the right competencies linked to the right capabilities needed in the long term. Finally, HRM sustainability means ensuring people’s employability, because companies can no longer guarantee employment for life. Other aspects, such as diversity and labour laws, are a must (Mr C., PC, 27 April 2015).

5.1.2.4 Sustainability reporting

UCB combines sustainability reporting with financial reporting by featuring a corporate societal responsibility chapter in its yearly annual report. The term ‘societal responsibility’ was chosen to replace ‘social responsibility’ starting with the 2012 annual report onwards in order to ‘embrace the corporation’s responsibility towards society in the broadest sense, rather than to limited social aspects only’ (UCB, 2013, p. 129). UCB aims to issue integrated reports once the sustainability efforts of the company can be monetised and linked to financial performance. UCB uses the GRI as the sustainability standard for its comprehensive approach, and is in the process of preparing to align with the GRI G4 guidelines, which demands an integrated strategy. UCB has been included in Corporate Knights’ *100 Most Sustainable Companies* report for the last three years in a row (2013, 2014, and 2015) (Mr D., PC, 13 April 2015). Finally, a third-party verifier provides limited assurance for a selection of social sustainability indicators.

5.1.3 Umicore

Umicore is active in four different business groups: catalysis (i.e. chemical activity involving catalysts), energy materials, performance materials, and recycling. The company is headquartered in Brussels, with eighty-six industrial sites and twenty R&D sites across Europe, North and South America, Africa, and the Asia-Pacific region. Umicore employed more than 14,000 employees in 2014 and generated revenues of €2.38 billion that year (Umicore, 2015).

5.1.3.1 Corporate strategy and sustainability

The company makes sustainability its strategy; sustainability drives growth and increases Umicore's revenues to its shareholders (Mr F., PC, 21 April 2015). Umicore's businesses 'are related to creating a more sustainable society' (Mr G., PC, 10 April 2015) through the recycling of precious and other metals and the electrification of vehicles, among other activities (Umicore, 2015).

5.1.3.2 Organisational structure

Because at Umicore sustainability is the responsibility of everyone, employees should have a sustainability component in their thinking. Nevertheless, sustainability is 'owned' by the leaders of the organisation and is driven by a number of key actors, namely the CEO, the executive committee, and the communications team, as well as by Mr F., who is responsible for health and safety. Mr G. drives HR sustainability together with Mr H., who works on HR development processes (Mr G., PC, 10 April 2015). These three managers who work on HRM sustainability and HRM sustainability reporting were interviewed for the purposes of this case study research.

5.1.3.3 HRM sustainability

HRM sustainability is one pillar of Umicore's sustainability objectives, which it calls a 'great place to work'. For Umicore, being a great place to work means engaging people by providing them with development and growth opportunities while ensuring that they don't get injured or have their health impaired (personal communications with Mr G., 10 April 2015, and Mr F., 21 April 2015). This also means being a preferred employer, which entails having a good reputation, good business, and good practises compared to other companies (Mr G., PC, 10 April 2015). HRM sustainability is strongly linked to the success of the business. In order to stay competitive as a technology company, Umicore needs strong talent on board (Mr H., PC, 14 April 2015).

In addition to internal HRM sustainability objectives, sustainable procurement is part of Umicore's 'stakeholder engagement' pillar of sustainability; this includes standards in terms of environmental stewardship, as well as labour practises and human rights (Mr F., PC, 21 April 2015).

5.1.3.4 Sustainability reporting

Since Umicore's first environment, health, and safety (EHS) report was published in the late 1990s, the company's reporting has migrated to combined sustainability and financial reporting; it later evolved to integrated reporting. The reason for opting for the latter, as Mr F. put it, is that sustainability is part of Umicore's DNA: it is part of the company's business structure and strategy, and is not seen as being separate from financial information. Umicore's integrated report is presented as an outshoot of objectives collectively called 'Vision 2015' (Mr F., PC, 21 April 2015). These ten objectives are divided into three categories: 'great place to work', 'eco-efficiency', and 'stakeholder engagement'. In the first category, human capital information is disclosed; 'eco-efficiency' caters to the environment, as well as to the environmental impacts of the products; and the 'stakeholder engagement' category is further divided into community involvement issues and sustainable procurement concerns (Umicore, 2015).

Umicore opted to follow the GRI standard disclosures and reporting principles, primarily to build credibility by disclosing positive as well as negative performance in a set of representative indicators. As proof of its successful sustainability development strategy and consistent reporting, Umicore was included in Corporate Knights' *100 Most Sustainable Companies* index for five years in a row during the period of 2010–2014. Finally, a third-party verifier audits Umicore's social statements.

5.1.4 Solvay

Solvay is an international chemical group headquartered in Brussels that serves a variety of different markets, including 'energy and the environment, automotive and aeronautics, electrical and electronics' (Solvay, 2015a, p. 1). The group employed approximately 26,000 people in 2014 and reached €10,213 million in net sales in 2014 (Solvay, 2015a).

5.1.4.1 Corporate strategy and sustainability

Solvay is undergoing a complete transformation in order to meet growing challenges such as the aging global population; growing consumption, health, and food needs; and the

exhaustion of natural resources. The company hopes to meet these challenges by providing sustainable solutions to its customers (Solvay, 2015a). It describes its 'Solvay Way' as:

(...) the sustainability approach of the group. The Solvay Way is based on a reference framework towards six stakeholders (customers, employees, investors, suppliers, communities and the planet) to whom the Group has made 22 commitments [across] 49 associated practices. (Solvay, 2015b, p. 19)

The Solvay Way is a continuous improvement programme that requires that different actors (essentially from the different sites in the group) make self-assessments against criteria that are provided to them (Mr I., PC, 15 April 2015).

5.1.4.2 Organisational structure

The sustainable development department, as well as a group of 'Solvay Way Champions', manage sustainability within the group. In each function and business across the group, one such champion has been appointed. The Solvay Way Champions are the interlocutors between each functional department, global business unit, or zone organisation and the sustainability department (Mr I., PC, 15 April 2015). Mr I., Solvay Way Champion for HR, and Mr J., deputy chief sustainability officer, were interviewed for the purposes of this thesis.

5.1.4.3 HRM sustainability

Mr J. describes HRM sustainability as the commitments taken towards employees: one of the six stakeholders of the Solvay Way framework (PC, 1 June 2015). The five commitments the company pursues are 'ensuring employees' health and safety, respecting employees' fundamental human rights and guaranteeing their social rights, ensuring quality social dialogue, developing employability and motivating employees' (Solvay, 2015b, p. 21).

5.1.4.4 Sustainability reporting

In 2015, Solvay published a combined annual report for 2014, covering non-financial material issues as well as financial information. This report was addressed to stakeholders looking for information that is key to the business. In addition, the group also publishes a separate *GRI Annual Report*. This is a purely technical report that discloses the specific sustainability parameters and indicators suggested by GRI; such reports are addressed to specialists looking for specific sustainability indicators (Mr J., PC, 1 June 2015). In previous years, Solvay disclosed separate sustainability reports alongside its yearly annual reports.

According to Mr I. (PC, 15 April 2015), the group aspires to be able to issue an integrated report. Solvay takes part in a working group with the GRI on such an evolution towards integrated reporting (Mr J., PC, 1 June 2015). Mr J. considers integrated reporting to be ‘a basic need for sustainability through the measurement of responsible value creation’ (PC, 1 June 2015). Nevertheless, the lack of clear standards and indicators for human, social, and intellectual capital has thus far prevented the group from publishing such a report (Mr J., PC, 1 June 2015).

Solvay aligns with the GRI guidelines for reporting. Mr I. considers the GRI standard as being state of the art (PC 15 April 2015). The fact that it is largely used by 80 percent of the 250 largest companies makes the report comparable and easy to read for both stakeholders and shareholders.

Solvay was included in the DJSI European index for its sector in 2013. Solvay was not included in this index in 2014, essentially due to its competition’s comparatively fast progress in this area. The results of the social part of the questionnaire, however, improved compared to 2013 (Mr I., PC, 15 April 2015). The group invests a substantial amount of resources in answering different sustainability rating questionnaires. The company sees the number of recognitions in such indices as a good indicator of success in sustainable development (Mr J., PC, 1 June 2015). The group has also received recognition from FTSE4Good, Vigeo, and Ethibel.¹³

A third-party auditor verifies the information reported regarding employment, health, and safety (Solvay, 2015b).

5.2 Current HRM sustainability reporting practises in Belgian MNC cases

This section displays the data of the case studies and presents the findings separately for each case. The two sources of data are interviews and analysis of the current sustainability reporting of each company case. The HRM aspects disclosed in the current sustainability reporting of each company are presented in a ‘HRM sustainability reporting content’ section for each case. An analysis of the quality of reporting on these aspects is then conducted in a second section, called ‘Quality of HRM sustainability reporting’, based on the roadmap developed in Chapter 3 (cf. Section 3.2).

¹³ For more information about Solvay’s recognitions: cf. Solvay, 2015c.

5.2.1 Delhaize Group

5.2.1.1 *HRM sustainability reporting content*

The aim of this section is to present the content of the Delhaize Group's HRM sustainability disclosures. The four main internal HRM sustainability aspects disclosed by the Delhaize Group are diversity and equal opportunity, training and education, career development, and employee wellbeing. In addition, the group reports on fair working conditions in its supply chain, which corresponds to the upstream 'assessment of labour practises' and 'human rights assessment' aspects of the HR product life cycle (cf. Figure 2).¹⁴ The reporting on labour practises and human rights in the supply chain is, however, limited to the company's private brands. The initiative consists of a code of conduct that is signed by the private brands' suppliers and third-party audits.

5.2.1.2 *Quality of HRM sustainability reporting*

Based on the roadmap developed in Chapter 3 (cf. sections 3.2 and 3.3), this section describes how the Delhaize Group drives change towards HRM sustainability through planning, action, fact-finding, and reporting.

Step 1—Planning: The HRM stakeholders identified by the group are the associates (internal HRM stakeholders) and the suppliers of private brands (external HRM stakeholders) (Delhaize Group, 2015, p. 8). The company engages with these stakeholders through different means, including stakeholder meetings and associate surveys and dialogues (Delhaize Group, 2015, pp. 6-8).

Every few years, the company consults key stakeholders about material issues. The group suggests a list of possible material issues to these stakeholders, and asks them which ones are the most important, and which ones the company can most affect within the business (Ms B., PC, 10 April 2015). The group's material assessment is thus based on importance to stakeholders on the one hand and contribution to the business's sustainability success (issues where the company has the biggest impacts) on the other hand (cf. Figure 4) (Delhaize Group, 2015, p. 3). The exercise was conducted for the first time at the operating level in 2014. In addition to consulting global stakeholders, the company consulted eight to ten local stakeholders per operating company (Ms B., PC, 10 April 2015). Nevertheless, this exercise at the operational level was mainly focussed on the environmental and supply chain aspects

¹⁴ The place that the group occupies in the supply chain makes the downstream HRM sustainability aspects irrelevant; the last steps are consumption and waste.

of sustainability, and did not include many HRM stakeholders (Ms B., PC, 10 April 2015). The HRM material issues are ‘Labor & Human Rights’, ‘Employee Development & Engagement’, and ‘Diversity’ (Delhaize Group, 2015, p. 4).

The company discloses ‘2020 Goals’ related to four different HRM sustainability aspects: fair working conditions in the supply chain of private brands, associate development, healthy lifestyles, and associate diversity (Delhaize Group, 2015, p. 5). These HR goals are nearly aligned with the HR material issues. Instead of setting an ‘employee engagement’ objective, however, the company has opted for an objective linked to ‘healthy lifestyles’. While the associate development goal is linked to the quantitative indicator ‘percentage of associates who have gone through a yearly performance and development dialogue process’, the other three goals are all qualitative (Delhaize Group, 2015). Specific operational company goals related to these aspects have also been set.

Finally, although the Delhaize Group has formalised requirements for the suppliers of private brands in a supplier code of conduct, and has set a goal to work only with those suppliers that meet these requirements (Delhaize Group, 2015, p. 25), no measurable global indicator has been linked to this objective.

Step 2—Action: This step takes place at the company operating level. The HR and sustainability managers of each operating company are responsible for ensuring that progress is made on the material HRM aspects identified during step 1. The HR leaders are rewarded based on material HRM sustainability issues (i.e. associate engagement, diversity, and development). In addition, two project teams have been set up, composed of representatives of each operating company as well as a project manager at the group level; one team works specifically on associate engagement, while the other takes care of diversity. These two project teams were created in order to foster collaboration across the group on these topics. Finally, the talent and reward teams are responsible for associate development (Mr A., PC, 10 April 2015).

Step 3—Fact-finding: The most important HR stakeholder engagement tool for evaluating the new situation in terms of internal HRM sustainability aspects is the associate engagement survey (Mr A., PC, 10 April 2015), which educates HR and sustainability managers about how the actions taken have changed the way the associates feel in the organisation.

In order to have visibility of the evolution of the different KPIs defined, a system of quarterly internal reporting has been put in place in the company. Each operating company

reports information about HRM sustainability to the group level through two different tracking systems: the HR performance management office (PMO) and the sustainability PMO. There is a certain degree of overlap, as both tracking systems track HR sustainability KPIs, including diversity indicators, engagement scores, training hours counts, and health and safety metrics, among other factors (Mr A., PC, 10 April 2015).

Lastly, third-party auditors conduct fact-finding investigations about the working conditions in the supply chains of private brands. The fact-finding step has allowed the Delhaize Group to develop insights it may otherwise have missed.

We know now that in HR we must make sure that the way we report also helps sustainability and that the way we define 'sustainability' to the outside world really drives the right behaviour internally.

—Mr A. (personal communication, 10 April 2015)

Based on such insights, the company has redefined a few of its targets to ensure that they drive the right behaviour inside the company (Mr A., PC, 10 April 2015). This redefinition of targets demonstrates how the group transitions from step 3 to step 1, followed by step 2, entering into a cycle of change towards sustainable HRM.

Step 4—Reporting: The group gathers feedback from internal stakeholders (i.e. sustainability sponsors at the group and operational level) about the report. There is no process whereby external stakeholders review the reporting (Ms B., PC, 10 April 2015). The company assures the transparency of its reporting through different means; the company includes examples of HRM stakeholder engagement in the report (Delhaize Group, 2015, p. 8) and discloses its HRM material issues as well as the materiality process. Progress made against each objective is disclosed at the global and operational levels, and a data table is provided that informs interested parties about progress on a range of HR sustainability KPIs. In addition, the group includes a methodology section that provides clarity about the scope, definitions, and calculations of the metrics disclosed (Delhaize Group, 2015).

Balance is demonstrated through the disclosure of specific challenges, such as difficulties in data accessibility (Delhaize Group, 2015, p. 5) and the inclusion of balanced comments of external stakeholders in the report. Nevertheless, balance in terms of HR sustainability could be improved by including commentary by HR stakeholders specifically

on the company's advancement on this topic, and by highlighting the HR KPIs that are not progressing as successfully as planned.

5.2.2 UCB

5.2.2.1 HRM sustainability reporting content

The purpose of this section is to describe the HR sustainability-related aspects disclosed by UCB. The HRM sustainability aspects disclosed by UCB in its latest annual report are occupational health and safety, employee wellbeing, job opportunities, employment stability, gender diversity, training and education, career development, and employee engagement (UCB, 2015b).

UCB is particular in its way of describing employee engagement. UCB describes HR sustainability and employee engagement as a necessary condition towards achieving the company's mission—improving the lives of people living with severe diseases (UCB, 2015b).

HR sustainability is having people engaged towards the focus of the patient (...) making sure that people can deploy their talents (...) with the focus on delivering quality and care to patients living with severe diseases. (...) This is why we are proud of working in this company.

—Mr D. (personal communication, 13 April 2015)

UCB's supply chain is quite complex. Upstream, the company works with a number of outsourced facilities (i.e. affiliates). Beyond these facilities there is a long chain of upstream suppliers, over which the company has very limited control. UCB also has operating companies in charge of marketing and distribution to healthcare professionals and institutions before the product finally reaches the patients. Other than reporting on the training and education of healthcare professionals (UCB, 2015b, p. 157) the company does not report on the HRM sustainability aspects of its value chain (Mr D., PC, 13 April 2015).

5.2.2.2 Quality of HRM sustainability reporting

This section displays UCB's process of sustainability reporting on HR matters by using the roadmap of quality in HRM sustainability reporting developed in Chapter 3 (cf. sections 3.2 and 3.3).

Step 1—Planning: Although the company does engage with stakeholders and involve them in its materiality assessment, there is no formal process in which specific HRM stakeholders are identified and asked to voice what issues are important to them (based on personal communications with Mr D., 13 April 2015, and Mr C., 27 April 2015).

Furthermore, as no formal HR material issues have been selected thus far, there are no formal objectives that are linked to HR material issues. Instead, the company views good performance in HRM sustainability matters as a means to ‘ensure that talent brings new drugs and solutions for patients with serious conditions in the areas we operate in’ (Mr D., PC, 13 April 2015). Nevertheless, UCB has set a ‘zero accidents’ occupational safety objective (UCB, 2015b, p. 165) and has defined a wide range of meaningful HRM KPIs based on the GRI reporting guidelines (Mr C., PC, 27 April 2015; UCB, 2015b).

Lastly, UCB has formalised requirements for its first-tier suppliers in a suppliers’ code of conduct (Mr D., PC, 27 April 2015).

Step 2—Action: UCB says that its staff is engaged in achieving the company’s ultimate goal on a day-to-day basis (UCB, 2015b, p. 19). In addition, the company claims that it has engaged internal HRM stakeholders in acting towards HRM sustainability development through UCB staff ‘brainstorms’ on ‘on how to reach the “zero incident” objective’ (UCB, 2015b, p. 165).

The talent leads throughout the company are responsible for the monitoring and interpretation of the HRM KPIs defined in step 1. These KPIs have been defined in order to set up alerts; the HR managers must then act on these signals (Mr C., PC, 27 April 2015). In order to make sure that labour practises are respected at the local level, UCB has put a ‘strong control system in place’ (Mr C., PC, 27 April 2015). Finally, the procurement department ‘makes sure that the code of conduct is followed by suppliers’ (Mr D., PC, 13 April 2015).

Step 3—Fact-finding: Before proceeding to reporting, UCB’s CSR department interprets and evaluates the HR data (Mr D., PC, 13 April 2015); UCB also proceeds to use random controls and audits in order to ensure that the internal labour and human rights principles are respected at the local level (Mr C., PC, 27 April 2015). In addition, in the case of labour disputes or layoffs, UCB’s head of corporate societal responsibility would verify that all human rights and labour principles had been complied with. As mentioned above, however, such verification processes have yet to be extended to UCB’s value chain partners (Mr D.,

PC, 13 April 2015). Finally, UCB gathers information about the level of engagement of its employees through its ‘UCB Voices’ engagement survey (UCB, 2015b).

Step 4—Reporting: The stakeholder engagement and materiality processes are described in the CSR chapter of UCB’s annual report. These processes do not specifically address HRM sustainability issues (UCB, 2015b, pp. 156-157).

Although the report does not feature specific HRM sustainability objectives linked to material issues, a wide range of HRM indicators are disclosed for 2012, 2013, and 2014, thus making it possible to evaluate the company’s evolution on various HRM sustainability topics (UCB, 2015b, p. 171-173). Through the comparability of these indicators and the disclosure of the methodology used (UCB, 2015b, p. 174), UCB ensures that it respects the reporting principles of transparency and balance.

The interviewees identified writing up material issues as a key challenge in reporting (Mr D. and Ms E., PC, 13 April 2015). The CSR team is currently preparing to follow the GRI G4 sustainability reporting guidelines, and is therefore working on improving this aspect of the report (Mr D., PC, 13 April 2015).

5.2.3 Umicore

5.2.3.1 HRM sustainability reporting content

This section summarises the content of Umicore’s HRM sustainability reporting. The ‘great place to work’ section of Umicore’s annual report covers the aspects of occupational health and safety, career development, training and education, job opportunities, and employment stability. The ‘sustainable procurement’ part of the report addresses the subject of human rights and labour practise assessments of the company’s suppliers. The ‘social key figures’ section at the end of Umicore’s annual report presents key indicators for each of the HRM matters covered in the report, and addresses additional matters of the human rights of internal human resources and labour/management relations (Umicore, 2015).

Value chain reporting is quite particular in the case of Umicore: ‘Product life cycle is not really part of our concern; supply chain is’ (Mr F., PC, 21 April 2015). Indeed the company’s customers are mostly manufacturing companies, which are themselves concerned with the sustainability of their supply chain (Mr H., PC, 14 April 2015). Umicore therefore assesses and reports on the sustainability of its own suppliers through the implementation of a sustainable procurement charter as well as the screening and selection of suppliers against labour practises and human rights criteria (Umicore, 2015, pp. 24-25). In addition, Umicore

commits to a certain number of internal labour practises and human rights principles. The company was ‘one of the first to sign a sustainable development agreement with the international union bodies’ (Mr G., PC, 10 April 2015).

5.2.3.2 *Quality of HRM sustainability reporting*

The content of the company’s HRM sustainability reporting was reviewed in the previous section. This sub-section describes Umicore’s process of HRM sustainability reporting through the application of the roadmap developed in Chapter 3 (cf. sections 3.2 and 3.3). This provides a better view of how the company uses reporting as a change management tool towards enhanced sustainability.

Step 1—Planning: Stakeholder expectations inspire Umicore in the setting of sustainability objectives. Important specific HRM stakeholders are the local and global unions. Umicore has a yearly monitoring meeting with the global union (IndustriALL) (personal communications with Mr G., 10 April 2015; Mr H., 14 April 2015; and Mr F., 21 April 2015). In addition, the company uses a survey as a tool to measure employee engagement and to identify the changes employees hope to see (Mr G., PC, 10 April 2015).

At Umicore, material issues are so closely linked to sustainability objectives that Umicore managers do not distinguish between these two concepts. Each material issue is in fact an objective (cf. Figure 5).

Figure 5—Umicore’s HRM Vision 2015 objectives

HRM material issues	HRM sustainability objectives
Zero accidents	‘We aim to have zero lost time accidents’
Occupational exposure	‘We will reduce the body concentrations of specific metals to which our employees [are exposed]: Cd, Pb, Co, Ni, As, Pt’
People development	‘All employees worldwide will receive an annual appraisal to discuss individual development’
Preferred employer	‘We will target specific actions based on the results of the 2010 people survey’
Sustainable procurement	‘We will implement our new sustainable procurement charter throughout our business’

Source: Umicore, 2015, p. 3.

Every five years, the company proceeds to a formal stakeholder consultation in order to set its sustainability objectives. This process took place in 2010 and will take place again in 2015 (personal communications with Mr F., 21 April 2015, and Mr H., 14 April 2015). The people objectives are tied to the business priorities (Mr G., PC, 10 April 2015). These objectives include a sustainable procurement objective that addresses the HRM sustainability of the company's supply chain (Umicore, 2015, p. 3). A series of indicators have been defined that create a dashboard to evaluate the objectives (Mr F., PC, 21 April 2015).

Step 2—Action: Umicore is in regular contact with the international union IndustriALL regarding internal labour practises and human rights (Mr H., PC, 14 April 2014). The management of HR material issues mostly takes place at the business unit, regional, or site level. Furthermore, each business unit deploys the sustainable procurement charter and selects suppliers based on sustainability criteria (including labour practises and human rights criteria) (Umicore, 2015). EcoVadis¹⁵ also assists Umicore in the screening of suppliers (Umicore, 2015, p. 24). Finally, Umicore works with suppliers that don't meet its requirements in order to improve their sustainability performance (Mr F., PC, 21 April 2015).

Step 3—Fact-finding: Umicore uses a survey as a feedback tool to evaluate and benchmark progress on the objective of 'preferred employer' (Mr G., PC, 10 April 2015). This objective is related to the company's ability to attract and keep talent through implementing good internal practises (Mr G., PC, 10 April 2015).

We have regular reporting on the progress we are making towards the objectives.

—Mr G. (personal communication, 10 April 2015)

Indeed, the seven regional HR teams proceed to a quarterly internal sustainability reporting of the HR data and a yearly reporting of their progress against these objectives. The HRM sustainability leader then crosschecks the data and consults the sites or regions for necessary clarifications (Mr H., PC, 14 April 2015).

Step 4—Reporting: Umicore ensures the balance of its reporting through the disclosure of good and bad news (personal communications with Mr F., 21 April 2015, and Mr H., 14

¹⁵ EcoVadis, a Paris-based sustainability solutions company, rates suppliers based on various sustainability criteria. For more information: cf. EcoVadis, n.d.

April 2015; Umicore 2015). The text of the report is fact-based (Mr H., PC, 14 April 2015) and includes a description of the scope of the social statements (Umicore, 2015, p. 138). While these elements both ensure transparency, the company could improve its transparency by disclosing its materiality assessment process.

Umicore is approaching the end of its ‘Vision 2015’ strategy and is currently preparing for a new five-year cycle (Mr G., PC, 10 April 2015). This cycle starts with stakeholder consultation about material issues, followed by the definition of objectives linked to stakeholder expectations and business priorities (personal communications with Mr G., 10 April 2015, and Mr H., 14 April 2015). In the future, Umicore hopes ‘to stay at the same level of reporting while still adapting to the G4 guidelines’ by focussing more on materiality and stakeholder engagement (Mr H., PC, 14 April 2015).

5.2.4 Solvay

5.2.4.1 HRM sustainability reporting content

This section describes the content of the HRM sustainability reporting covered in both Solvay’s annual report and the GRI report. The CSR chapter of Solvay’s annual report addresses the internal HRM sustainability topics of occupational health and safety, employee engagement, wellbeing, quality of labour/management relations, and human rights (Solvay, 2015a). The GRI report covers a number of additional HRM topics: assessment of labour practises, human rights assessments, job opportunities, employment stability, training and education, career development, diversity, and gender equity (Solvay, 2015b).

Solvay’s HRM sustainability reporting mostly addresses internal HRM; value chain reporting is limited to upstream sustainability initiatives (Solvay, 2015a and 2015b). Solvay is working on a ‘Together for Sustainability’ project with other multinational chemical companies (Mr J., PC, 1 June 2015) in order ‘to drive sustainability through industry collaboration’ (Solvay, 2015b, p. 31). Through this initiative, the members share electronic assessments of suppliers as well as the results and findings of physical third-party audits. The audit criteria include health, safety, and labour and human rights criteria (Solvay, 2015b, pp. 31-32).

5.2.4.2 Quality of HRM sustainability reporting

The quality of Solvay’s HRM sustainability reporting is analysed in this section, following the roadmap developed in Chapter 3 (cf. sections 3.2 and 3.3).

Step 1—Planning: The HRM stakeholders identified are employees and suppliers. Employee engagement takes place through discussions with employee representatives: global unions (i.e. IndustriALL) and the European Works Council (Mr I., PC, 15 April 2015). Suppliers' engagement is encouraged by the 'Together for Sustainability' initiative. A number of suppliers took part in a 'Together for Sustainability' conference that took place in China (Solvay, 2015a, p. 110).

Solvay seeks inspiration from external stakeholders, but has not yet involved them in the definition of material issues (Mr I., PC, 15 April 2015). The materiality analysis took place internally; stakeholder engagement on materiality will occur starting in 2015. Solvay completely reviewed its materiality assessment process in 2014 (Mr J., PC, 1 June 2015). The group followed the framework of the US-based Sustainability Accounting Standards Board (SASB). The SASB suggests a list of possible material issues as well as a prioritisation method based on three materiality tests. In order for an issue to qualify as being 'material', the company has to have already tackled it, there must be evidence of financial impact, and the issue should become more important in time. If the topic fulfils these three criteria, it is material (Mr J., PC, 1 June 2015; Solvay, 2015a, p. 109). Solvay's human capital material issues are outlined in Figure 6. In order to complete this materiality analysis, the sustainability department involved different people throughout the organisation.

We (...) involved a complete network of sustainability specialists, and for each material issue, the function specialist linked to it; we double-checked it with pilots in the business units. What we still need to do is [external] stakeholder engagement, so [we can] compare [the issues] with each stakeholder's perception of the priorities of the company.

—Mr J. (personal communication, 1 June 2015)

Figure 6—Solvay's human capital material issues

Moderate materiality	High materiality (priorities in bold)
—Diversity and equal opportunity —Training and development —Recruitment and retention —Compensation and benefits —Child and forced labour	—Employee health and safety —Employee engagement and wellness¹⁶

Source: Solvay, 2015a, p. 109

¹⁶ This aspects includes labour relations and concerns about union practises (Mr J., personal communication, 1 June 2015).

The human capital priority targets are not aligned with the company's HRM material issues. These objectives instead address the subjects of safety and training. In addition, the criteria defined as being part of the 'Solvay Way' programme are also not aligned with the HRM material issues. The programme includes criteria on health, safety, and management/employee dialogue, as well as sustainable procurement (Solvay, 2015a, p. 107).

Step 2—Action: The action stage takes place at the site level and within the different functions of the group. The sustainability actions are led by the sustainability 'Champions' within each site or function. Every site works to improve its sustainability performance as part of the Solvay Way sustainability programme (Mr I., PC, 15 April 2015). Indeed, '38 percent of the company's workforce is involved in action plans to improve the Solvay Way score' (Mr J., PC, 1 June 2015). Progress still needs to be made, however, to get more people involved in this programme at the corporate level (Mr J., PC, 1 June 2015).

Finally, as mentioned above, Solvay is working on improving its labour practises and human rights in supply chain sustainability by pursuing the 'Together for Sustainability' initiative with other companies in the industry.

Step 3—Fact-finding: Every year, each site completes a self-assessment against the criteria of the Solvay Way (personal communications with Mr I., 15 April 2015, and Mr J., 1 June 2015). The objective of this self-assessment is to identify the areas of improvement at the site and group level (Mr I., PC, 15 April 2015). Mr I. insists on the importance of taking action based on what is learned through these self-assessments (PC, 15 April 2015). This demonstrates the importance that Solvay grants to moving from the fact-finding stage back to the planning and action stages of the roadmap (cf. sections 3.2 and 3.3).

The real job starts when you are aware of the problem and begin to solve it.

—Mr I. (personal communication, 15 April 2015)

Fact-finding on employee engagement is made through the Solvay Employee Survey (Solvay 2015b). Real issues around employees also are channelled up via the 'Speak Up' programme allowing each employee to get heard in case of grievance (Solvay, 2015b, p. 76).

Lastly, Solvay gathers information about upstream HRM sustainability through its 'Together for Sustainability' initiative. Based on the areas of improvement identified through this initiative, a corrective action plan module (corresponding to step 1) can be put in place to create the transition between step 3 and step 2 of the roadmap (cf. sections 3.2 and 3.3) (Solvay, 2015b, p. 32).

Step 4—Reporting: Solvay ensures transparency through the disclosure of its stakeholder engagement processes as well as the methods used to define material issues (Solvay, 2015a, 2015b). All HRM sustainability issues that are addressed in the GRI report are linked to measurable indicators (Solvay, 2015b).

5.3 Cross-case comparison and findings

This thesis's final research question focusses on identifying the current practises in sustainability reporting processes that ensure high-quality reporting on HR aspects. This was carried out through interviews with the only four Belgian MNCs that have been recently recognised as leaders in sustainability by international awards. It is interesting to note that all four clearly state that they continue to face challenges and are constantly evolving to improve their HRM reporting. This section first compares the contents of the HRM sustainability reporting of each case, and then outlines the actions taken by each company while attempting to fulfil the criteria of quality in HRM sustainability reporting (cf. sections 3.2 and 3.3).

It is clear that there are a number of subjects that companies need to report on in order to ensure the high quality of their reporting on HRM sustainability. Indeed, all four companies analysed reported on the aspects of occupational health and safety, training and education, and career development. Furthermore, three out of the four companies reported on employee wellbeing as well as the upstream assessment of labour practises and human rights assessment (cf. Figure 2). With the exception of UCB, the companies analysed do not yet report on downstream HR sustainability (UCB cf. Section 5.2.2.1; not relevant in the case of the Delhaize Group¹⁷). Even though three out of the four companies studied report on upstream labour practises and human rights, reporting on supplier practises remains a considerable challenge for all of the companies researched, mainly due to the complexity of global supply chains (personal communications with Ms B., 10 April 2015, and Mr D., 13

¹⁷ As mentioned, the place the group occupies in the supply chain makes the downstream HRM sustainability aspects irrelevant, since the last steps are consumption and waste.

April 2015) as well as the necessity of auditing suppliers before reporting on these topics (personal communications with Mr D., 13 April 2015, and Mr J., 1 June 2015). Nevertheless, the interviewees clearly recognised the importance of value chain reporting and expressed their companies' ambitions to improve reporting, at least on upstream sustainability (personal communications with Ms B., April 10, and Mr J., 1 June 2015). In the case of UCB and Umicore, the interviewees expressed the companies' ambitions to eventually report on sustainability throughout their whole supply chains (personal communications with Mr D., 13 April 2015, and Mr F., 21 April 2015).

The area in which I want to see improvement is that we generate transparency in the whole value chain, from the raw material to the end product delivered in the hands of patients. We are not yet there, but before I retire, that is where I want to be (...).

—Mr D. (personal communication, 13 April 2015)

Reporting on diversity presents yet another challenge. Indeed, different country regulations, expectations, and cultures make it a continuing challenge for MNCs to report global metrics on this issue (personal communications with Mr A., 10 April 2015, and Mr H., 14 April 2015). Despite these difficulties, two companies (the Delhaize Group and Solvay) report indicators on diversity, UCB currently limits itself to reporting on gender diversity (UCB, 2015b), and Umicore plans to give more importance to diversity by defining this issue as being 'material' in its new strategy (Mr H., PC, 14 April 2015).

Having analysed the actions taken by these four companies prior to and during the reporting of HR aspects, these findings point to ten key actions that will have a positive impact on quality in reporting.

First of all, three of the four companies demonstrated that they identified and engaged specifically with HRM stakeholders on HRM sustainability aspects, which is probably the first key action to contribute to high-quality reporting. The Delhaize Group and Solvay both identify specific HRM stakeholders in their respective sustainability reports (Delhaize Group, 2015, p. 8; Solvay, 2015, p. 109). The managers interviewed at Umicore considered local and global unions to be important HRM stakeholders. UCB, on the other hand, does not specifically identify HRM stakeholders (UCB, 2015b) and continues to put the company's main focus on the consulting of physicians and patients, as the company sees these people as its key external stakeholders (Mr C., PC, 27 April 2015).

The second key action identified in this research that appears to contribute further to high-quality reporting is the use of HRM stakeholder consultation to allow a company to define specific HRM material issues. Three out of the four companies (all but UCB) compare the stakeholder-essential HRM issues with their company's business priorities before the final selection of HRM material issues. Furthermore, thanks to this stakeholder consultation process, they clearly define specific HRM objectives upfront (Delhaize Group, 2015; Umicore, 2015; Solvay, 2015b).

Umicore is the only company, however, that completely aligns HRM material issues with specific HRM objectives (Umicore, 2015, p. 3). Overall, the interviewees identified consistency between HRM material issues, HRM targets, HRM indicators, and HRM data as being important challenges for the Delhaize Group, Solvay, and UCB. It is important to know that interviewees were aware of this challenge (personal communications with Mr I., 21 April 2015, and Mr D., 13 April 2015).

The third key action that appears to contribute further to high-quality reporting is the correct definition of meaningful indicators; this remains a challenge, as shown in two out of the four interviewed companies (the Delhaize Group and Solvay). At Solvay, the interviewees expressed that defining correct indicators was a significant challenge (personal communications with Mr I., 15 April 2015, and Mr J., 1 June 2015). Mr I. stressed the importance of understanding the meaning and the relevance of indicators (PC, 15 April 2015).

The fourth key action for quality reporting is the need to focus on impact-related data versus input-related data in HRM sustainability reporting. The interviewees at the Delhaize Group both agreed that the company's HR sustainability reporting could be improved by moving to impact-related data (Mr A. and Ms B., PC, 10 April 2015). Indeed, the group currently measures inputs instead of outputs, outcomes, and impacts. Mr A. believes that the engagement survey can help the company transition from measuring the number of training hours received per employee to measuring if the employees feel that they are better trained, for example (PC, 10 April 2015): 'That is the ultimate result measurement'. This tool, however, only covers internal HRM sustainability (Mr A., PC, 10 April 2015).

The fifth key action identified as having a positive effect on HRM reporting quality is the establishment of requirements for suppliers regarding labour practises and human rights. All four multinationals have formalised such requirements. In the case of the Delhaize Group, the requirement is limited to private brands.

The sixth key action identified is the audit and screening of suppliers against these requirements; the Delhaize Group, Umicore, and Solvay have started to do so.

A seventh key action contributing to quality in reporting on HRM sustainability is the definition of objectives regarding supply chain sustainability as part of the company's strategy. The Delhaize Group and Umicore have set such objectives, which include a labour practises and human rights dimension.

Putting an implementation structure in place (step 2 of the roadmap; cf. sections 3.2 and 3.3) is an eighth key action that contributes to quality in HRM sustainability reporting. HRM sustainability implementation takes place at different levels depending on the companies analysed. The Delhaize Group implements HRM sustainability at an operational company level through HR leaders in each of the operational companies, and has put two project teams in place to encourage collaboration across the group on matters of employee wellbeing and diversity. At Umicore, HRM sustainability actions take place at the business unit, regional, and site level, and are coordinated by the responsible person for overall HR sustainability. In the case of Solvay, the actions take place at the site level through the sustainability 'Champions', and are led by the HR sustainability Champion. Lastly, in the sense defined in this thesis, there is no clear HRM sustainability implementation at UCB.

This thesis has identified the importance of putting systems in place in order to gather information about the results of actions taken towards HRM sustainability (step 3 of the roadmap; cf. sections 3.2 and 3.3) as a ninth key action to enhance quality. Different systems have been observed in the four MNCs (i.e. employee surveys, internal HRM sustainability reporting, and yearly self-assessments). All four companies gather information about employee engagement through employee surveys. The Delhaize Group, Solvay and Umicore expressed that they used such surveys as tools for building insight into the results of actions taken and further improvements that are required. Furthermore, the Delhaize Group and Umicore conduct quarterly internal reporting on HR sustainability aspects. Finally, Solvay uses its yearly 'Solvay Way' site self-assessments as an instrument to gather information about progress on the Solvay Way criteria and further improvements that need to be achieved.

As the last of the ten key actions, this thesis has identified certain practises regarding the reporting step itself (step 4 of the roadmap; cf. sections 3.2 and 3.3) as being imperative in guaranteeing the quality of reporting on HRM content in sustainability reports. These include alignment with the GRI reporting guidelines, disclosure of HRM stakeholder engagement, and materiality assessment processes, as well as the disclosure of HRM material

issues. Indeed, all four MNCs adhere to the GRI reporting standards. Solvay is already aligned with the G4 guidelines, while the Delhaize Group, Umicore, and UCB are currently preparing to do so. The Delhaize Group and Solvay both disclose their HR stakeholder engagement and materiality assessment processes, while the Delhaize Group, Solvay, and Umicore disclose HRM material issues. Finally, although UCB does disclose its stakeholder engagement and materiality assessment processes, these processes do not describe specific HRM stakeholder consultation.

This section on the study's findings answers the last research question by identifying the subjects that companies should report on, as well as the actions to be taken prior to and during the reporting of HR aspects in order to ensure high-quality reporting on HRM sustainability.

5.4 Discussion

Considering (1) the gap identified between the progression of research on social reporting compared to environmental reporting, (2) the growing importance of the role of sustainable HRM, and (3) the neglect of *quality* in reporting in the literature, the focus of this study has been to reach an understanding of how to ensure high quality in reporting on HR-related sustainability matters.

Past research has demonstrated that the quality (i.e. relevance and credibility) of sustainability reporting of companies remains low in European Union member states (Hąbek & Wolniak, 2015). The publication of guidelines and standards has been proven to increase the scope of reporting (Fortanier et al., 2011, p. 691) and to help the reporters build a structure for reporting as well as promoting 'quantified and comparable data which could affect the report's quality' (Hąbek & Wolniak, 2015, p. 18). Researchers have also found that the content of sustainability reporting in large companies is more focussed on internal HR compared to external HR (Ehnert et al., 2015). Nevertheless, the literature as yet does not have an answer for which sequence of actions prior to and during the reporting of HR aspects of sustainability may have the most positive impact on reporting quality.

In the first stage, this thesis identifies the main criteria in the literature of quality in reporting (research question 1). It concentrates on a number of selected quality criteria, based on the importance they are given in the literature (namely stakeholder engagement, focus on materiality, quality of objectives and indicators, value chain reporting, and transparency and balance; cf. Appendix 2). In addition, this thesis considers the role of reporting guidelines,

standards, and third-party verification to be additional means of ensuring quality in sustainability reporting.

An important limitation of this research is the number of criteria covered, as well as their selection based on their occurrence in the literature rather than on a justified correlation between the fulfilment of these criteria and quality of reporting. Reporting guidelines and standards (GRI, 2013a; SROI Network, 2012; IIRC, 2013), surveys (KPMG, 2013; WBCSD, 2014), and researchers (Hąbek & Wolniak, 2015; Daub 2007) consider many more factors and criteria of quality, including reliability (GRI, 2013a; WBCSD, 2014), comparability (GRI, 2013; Daub, 2007), completeness (GRI, 2013a; WBCSD, 2014), and accessibility (WBCSD, 2014; Daub, 2007), among others. Nevertheless, these criteria do not address reporting on sustainable HRM specifically.

In the second stage, this thesis has depicted the specificities of reporting and measuring HRM sustainability based on the specificities of reporting on social and human aspects (research question 2). The literature has suggested a number of HRM sustainability indicators: for instance, Labuschagne et al. (2005) present internal HR indicators without considering external HR impacts. While both Hutchins and Sutherland (2008) and the GRI (2013a) suggest indicators for internal and external HR, they limit external impacts to upstream HR impacts rather than considering the whole product life cycle. Dreyer et al. (2006) address the assessment of social impacts throughout the product life cycle, but fail to advise on specific indicators to measure HRM sustainability. Finally, the literature makes no distinction between the measurement of the inputs, outputs, outcomes, and impacts (KPMG, 2014) of HRM sustainability. This research thus contributes by suggesting specific indicators to measure the HRM sustainability of the internal as well as external workforce, and insists on the importance of measuring outputs and impacts rather than merely inputs and outputs. Further research is needed, however, on which HR sustainability indicators truly measure the sustainability of HRM.

In the third stage, this thesis has addressed the link between HRM and sustainability (research question 3). Different streams of the literature on the interactions between HRM and sustainability (namely sustainable work systems, sustainable HRM, and green HRM) were presented in Section 2.3. This study focusses on sustainable HRM, however, and more specifically on its role in making, as Ehnert et al. write, 'HRM systems *per se* become more sustainable' (2015, p. 4).

HRM sustainability has been studied from different perspectives. Mariappanadar (2003), for instance, concentrates on the role of HRM sustainability in eliminating negative

impacts. Ehnert (2009a) focusses on sustainable HRM from a ‘paradox’ perspective, and on the regeneration of HR. These different perspectives have led to a multitude of definitions of sustainable HRM.

Dissimilarity can also be observed when comparing how HR/CSR managers describe the meaning of HRM sustainability for their organisations. The respondents at the Delhaize Group, for instance, described HRM sustainability as treating associates fairly and ensuring employee engagement. The interviewees at Umicore mentioned employee development, health, and safety, as well having best practises in order to attract and retain talent as measures of sustainable HRM. The meaning of HRM sustainability for Solvay is expressed in the form of commitments to its employees in relation to health and safety, human and social rights, social dialogue, employability, and motivation. Lastly, the CSR head at UCB described HRM sustainability as ‘developing and engaging people towards the focus of the patients’ (Mr D., PC, 13 April 2015). When contrasted with researchers’ definitions (e.g. Mariappanadar, 2003; Ehnert, 2009; Guerci et al., 2014), the meaning of ‘sustainability’ for these practitioners could be criticised as being too narrow.

Lastly, while a number of organisations advise companies on practises to enhance the quality of reporting (e.g. KPMG, 2013; WBCSD, 2014; OECD 2011; SROI Network, 2012), these actions are not specific to HRM sustainability disclosures. Therefore, this thesis has combined these recommendations with the roadmap to sustainable HRM developed by the Cohen et al. (2012) in order to present a detailed roadmap of possible actions that could enhance quality in reporting on sustainable HRM (cf. sections 3.2 and 3.3); it also analyses whether these actions have been taken by ‘best in class’ reporting of Belgian MNCs (cf. sections 5.2 and 5.3). The findings of this analysis allow us to answer the fourth research question by suggesting a minimum number of HRM sustainability aspects for disclosure among a wider range of aspects (suggested in Section 3.1), as well as by identifying a range of key actions that will have a positive impact on the quality of HRM sustainability reporting specifically (cf. Section 5.3).

This analysis has revealed some important limitations, however. The thesis only considers certain criteria of sustainability reporting quality, and thus does not address all actions that are needed in order to reach quality in reporting. Furthermore, the selection of companies to study was based on sustainability ratings that do not consider all of the criteria of sustainability reporting quality. Indeed, the Corporate Knights’ ranking, although based on companies’ external public information, does not consider any criteria of sustainability reporting. The RobecoSAM methodology (upon which the DJSIs are based) considers the

criteria of stakeholder engagement, objectives, and indicators, as well as transparency and balance. Its main source is not the sustainability report itself, however, but rather a separate questionnaire.

By studying HRM sustainability separately from social sustainability, this thesis further compartmentalises sustainability reporting in a sub-dimension of social sustainability, rather than addressing Lozano and Huisinigh's call (2011) to interlink the three dimensions of sustainability in reporting.

Another important limitation is the ability to generalise the findings to other multinationals. The reporting of HRM sustainability-related issues is embedded, and influenced by the organisations' internal and external contexts. For example, the analysis has shown that the different countries in which a multinational is present have an important impact on the company's reporting practises. Therefore, this thesis serves as an explorative study. The findings should thus be interpreted as suggested hypotheses for further research (Mayring, 2007).

6. Conclusions and Implications

The objective of this research was to explore how multinational companies can best ensure high-quality reporting in HR-related sustainability matters. With this objective in mind, I designed four key research questions.

I used deductive logic to tackle the first three questions of the research through a review of current relevant literature. The aim of the first question was to determine the meaning of ‘quality’ in sustainability reporting; through this research, I came up not only with five key criteria of quality, but also a finding that an intentional alignment with sustainability reporting guidelines and third-party verification could have a positive impact on the quality of sustainability reporting. The second research question focussed on endeavouring to uncover the particularities of reporting on the social and human aspects of sustainability in order to re-apply this practise to HRM sustainability reporting. The findings point to specific indicators for the measurement of HRM sustainability throughout a company’s product life cycle and to the benefit of clearly differentiating between what is an input, an output, an outcome, or an impact of either external or internal sustainable HRM initiatives. The third research question explored the link between HRM and sustainability, and the meaning of ‘sustainable HRM’. The answer to this question exposed a number of different fields of research related to the link between HRM and sustainability and various perspectives of sustainable HRM, as well as the role of HRM in sustainable development.

Based on the literature reviewed, this thesis has developed two distinct frameworks to help structure the analysis of the data. The first framework depicted the contents of sustainable HRM reporting (cf. Figure 2—HR product life cycle assessment and reporting), and the second took the form of a roadmap guiding change towards quality in reporting, based on action research (cf. Figure 3 and Section 3.3).

Finally, the fourth research question sought to identify the current practises of HRM sustainability reporting that lead to quality. It is for this reason that the analysis specifically focussed on those Belgian MNCs that have recently been recognised internationally for high performance in sustainability: four companies in total. The detailed analysis both of what—and importantly, *how*—these companies report revealed a number of HRM sustainability aspects that companies would need to report on in order to achieve high-quality reporting.

The thesis has also proposed ten key actions to take to contribute towards the high quality of reporting that one assumes all companies aspire to (or should aspire to) achieve.

6.1 Research implications

6.1.1 Theoretical implications

This case study research promotes (1) a novel view of the meaning of *quality* in sustainability reporting; (2) a description of the knowledge involved in the specificities of social and human sustainability reporting that can be used to report on the HRM sustainability of both an internal and an external workforce, both upstream and downstream; (3) a new way of interpreting and studying HRM sustainability reporting with the aid of a diagram that presents the content of sustainability reporting, as well as a roadmap for the quality of sustainability reporting (the latter based on the theory of action research); (4) knowledge about the meaning of HRM sustainability for HR/CSR managers; and (5) the identification of specific current practises, as well as remaining challenges and efforts to be made that should lead to enhanced quality of sustainability.

This research study endeavours to address several gaps in the literature by studying the quality of social and human aspects of reporting and applying these findings specifically to sustainable HRM reporting. By doing so, this study aims to advance the research, not only on HRM sustainability reporting but also, more generally, on social sustainability reporting, by studying it specifically from a quality perspective. The contribution of this study to theory is thus twofold: first, the research suggests a structure for the analysis of both the content and quality of HRM sustainability reporting. Researchers can use the first framework (HR product life cycle assessment and reporting) to analyse the content of sustainability reporting on HR matters. The roadmap developed for quality in reporting is intended to be adaptable for use by researchers in their assessment of the quality of the social and human aspects of sustainability reporting beyond simple HRM sustainability reporting. Second, the research aims to uncover practises that could lead to quality in HRM sustainability reporting. These propositions can support further investigation into the impact of such best practises on quality levels in HRM sustainability disclosures.

6.1.2 Managerial implications

The aim of this research study is to advise HR and sustainability managers on how to ensure high quality when reporting on HR aspects in yearly sustainability disclosures. From the analysis of reporting practises of Belgian MNCs that have been recognised for sustainability,

this study distinguishes the aspects that companies need to disclose, as well as ten key actions that, if adhered to prior to and during reporting, should lead to higher-quality reporting.

This research sheds light on the content of reporting on HRM sustainability, and provides managers with specific indicators that they may measure these aspects against throughout the value chain.

A roadmap for reporting quality was developed for this thesis in order to guide companies on how to fulfil the criteria of quality in reporting previously identified by (1) following a cycle of three steps (planning, action, and fact-finding), thus ensuring change towards the development of the sustainability of the HR function, and (2) reporting on this development in a transparent and balanced way. Furthermore, the criteria of quality in reporting on HRM sustainability were linked to concrete actions to be taken within companies that should lead to greater quality in reporting.

Lastly, the study has shown that the companies studied face challenges regarding reporting on certain aspects (external HR sustainability and diversity) and the alignment of specific HRM material issues with HRM targets, meaningful HRM indicators, and HR data. Companies also face difficulties in shifting from input-related data to impact-related data. The challenges identified show that further improvements remain to be achieved in this field. These findings prepare companies to face similar challenges, and demonstrate the work that lies ahead to reach further development of HRM sustainability as well as an even higher level of quality in HRM sustainability reporting.

6.2 Limitations and future research

This study has three major limitations that must be expressed before its findings can be adopted. First, this thesis is based on a restricted interpretation of quality in reporting, based on five criteria. In reality, the concept of *quality* in reporting cannot be limited to the fulfilment of only the identified criteria. Indeed, because quality in reporting is influenced by many other factors, further investigation is needed to clarify the concept of quality in reporting, and to study in a comprehensive manner the way to achieve quality in a broader sense.

Second, the inductive part of this research is based on the analysis of four multinationals selected for their active roles and external third-party recognition in sustainable development. The criteria for selecting these companies, however, are not in complete alignment with the criteria of quality that the research itself is based upon, and none of the companies selected (although they are all recipients of awards) perfectly exemplify

quality in reporting. Instead, because the findings on the practises that lead to sustainability in reporting are based on the selected companies' reporting processes, the findings of this analysis should be interpreted as propositions that could contribute further to increased quality in reporting. These propositions should be tested empirically before confirming their positive effect on quality and generalising the present findings to other settings.

Third, the research only considers the role of HRM sustainability in making the HRM function itself more sustainable, and neglects the inter-linkages of HRM and other sustainability dimensions, such as environmental, economic, and broader social sustainability. By doing so, the study further compartmentalises reporting. Further research would be necessary in order to address how to implement and report on HRM sustainability while ensuring interconnectedness between the various dimensions of sustainability.

6.3 Conclusions

A wide range of stakeholders continue to express concern about the social impact of large multinationals. Multinational companies are expected to tackle social crises—and to communicate on their progress—and will be held accountable by their stakeholders for any failure to do so. It is thus necessary for organisations to report on their social impacts in order to benefit from social legitimacy.

Previous research has demonstrated that quality in sustainability reporting is low in the European Union, but does not provide a solution to how this quality might be improved. The importance of the role that the HRM function has to play in sustainable development has been proven, but research still does not describe how to report on HRM sustainability aspects.

Building on these gaps, this study investigates how to ensure quality in reporting of HR aspects of sustainability. The case study research combines theoretical concepts and practical observations in order to assist companies in how to report on HRM sustainability aspects while ensuring that the reporting outcome will be of high quality. Furthermore, this work adds to the literature by offering a framework with which the content of HRM sustainability reporting may be analysed, as well as a novel perspective on how to implement and report on HRM sustainability through a cycle of change.

References

- Amran, A., & Haniffa, R. (2011). Evidence in development of sustainability reporting: Case of a developing country. *Business Strategy and the Environment*, 20, 141-156.
- Bebbington, J., & Thomson, I. (2005). Social and environmental reporting in the UK: A pedagogic evaluation. *Critical Perspectives on Accounting*, 16(5), 507-533.
- Boulter, J., & Goodchild, L. (2011). *A new phase: The growth of sustainability reporting. GRI's year in review 2010/11*. Retrieved from <https://www.globalreporting.org/resource/library/GRI-Year-In-Review-2010-2011.pdf>
- Bouten, L., Everaert, P., & Roberts, R. W. (2012). How a two-step approach discloses different determinants of voluntary social and environmental reporting. *Journal of Business Finance & Accounting*, 39(5, 6), 567-605.
- Brammer, S., & Pavelin, S. (2006). Voluntary environmental disclosures by large UK companies. *Journal of Business Finance & Accounting Research*, 22, 1-44.
- Burnes, B. (2004). Kurt Lewin and the planned approach to change: A re-appraisal. *Journal of Management Studies*, 41(6), 977-1002.
- Cohen, E., Taylor, S., & Muller-Camen, M. (2012). *HRM's role in corporate social and environmental sustainability. SHRM Report*. Retrieved from <http://www.wfpma.com/sites/wfpma.com/files/CSR%20Report%20FINAL%202012.pdf>
- Comyns, B., Figge, F., Hahn, T., & Barkemeyer, R. (2013). Sustainability reporting: The role of 'Search', 'Experience' and 'Credence' information. *Accounting Forum*, 37, 231-243.
- Corporate Knights (n.d.). *About us*. Retrieved from <http://www.corporateknights.com/us/about-us/>.
- Daub, C.-H. (2007). Assessing the quality of sustainability reporting: An alternative methodological approach. *Journal of Cleaner Production*, 15, 75-85.
- Delhaize Group (April 2015). *2014 annual report*. Retrieved from <http://annualreport.delhaizegroup.com/>
- Delhaize Group (2015). *Sustainability reports*. Retrieved from <http://www.delhaizegroup.com/en/PublicationsCenter/ReportsandPublications/SustainabilityReports.aspx>
- Dingwerth, K., & Eichinger, M. (2010). Tamed transparency: How information disclosure under the Global Reporting Initiative fails to empower. *Global Environmental Politics*, 10(3), 74-96.
- Docherty, P., Forslin, J., Shani, A. B. R., & Kira, M. (2002). *Creating sustainable work systems: Emerging perspectives and practice*. Abingdon, UK: Routledge.
- Docherty, P., Kira, M., & Shani, A.B. (2009). *Creating sustainable work systems: Developing social sustainability*, Abingdon, UK: Routledge.
- Dreyer L. C., Hauschild, M. Z., & Schierbeck, J. (2006). A framework for social life cycle impact assessment. *The International Journal of Life Cycle Assessment*, 11(2), 88-97.
- Dyllick, T., & Hockerts, K. (2002). Beyond the business case for corporate sustainability. *Business Strategy and the Environment*, 11, 130-141.
- EcoVadis (n.d.). *About EcoVadis*. Retrieved from <http://www.ecovadis.com/about-us/>
- Ehnert, I. (2009a). *Sustainable human resource management: A conceptual and exploratory analysis from a paradox perspective*. Heidelberg, Germany: Springer.
- Ehnert, I. (2009b). Sustainability and human resource management: Reasoning and applications on corporate websites. *European Journal of International Management*, 3(4), 419-438.

- Ehnert, I., & Harry, W. (2012). Recent developments and future prospects on sustainable human resource management: Introduction to the special issue. *Management Revue*, 23(3), 221-239.
- Ehnert, I., Parsa, S., Roper, I., Wagner, M., & Müller-Camen, M. (2015). Reporting on sustainability and HRM: A comparative study of sustainability reporting practices by the world's largest companies. *The International Journal of Human Resource Management*, 1-21. Retrieved from <http://www.tandfonline.com/doi/pdf/10.1080/09585192.2015.1024157>
- European Commission (2011). *A renewed EU strategy 2011–14 for corporate social responsibility*. Retrieved from http://ec.europa.eu/enterprise/policies/sustainable-business/files/csr/new-csr/act_en.pdf
- Fernandez-Feijoo, B., Romero, S., & Ruiz, S. (2014). Effect of stakeholders' pressure on transparency of sustainability reports within the GRI framework. *Journal of Cleaner Production*, 81, 244-254.
- Fifka, M. S. (2012). The development and state of research on social and environmental reporting in global comparison. *Journal für Betriebswirtschaft [Management Review Quarterly]*, 62, 45-84.
- Fogelberg, T., Bartels, W., Lemmet, S., & Malan, D. (2013). *Carrots and sticks. Sustainability reporting policies worldwide—Today's best practices, tomorrow's trends*. Retrieved from <https://www.globalreporting.org/resourcelibrary/carrots-and-sticks.pdf>
- Fombrun, C. J., & Rindova, V.P. (2000). The road to transparency: Reputation management at royal dutch/shell. In M. Schultz, M. J. Hatch, & M. H. Larsen (Eds.), *The expressive organization* (pp. 77-96). Oxford, UK: Oxford University Press.
- Fontana, A., & Frey J. H. (2005). The Interview. From Neutral Stance to Political Involvement. In Denzin, N. K. & Lincoln, Y. S. (Ed.) *The Sage handbook of qualitative research* (pp. 695-728). London, UK: Sage Publications Ltd.
- Fortanier, F., Kolk, A., & Pinkse, J. (2011). Harmonization in CSR reporting: MNEs and global CSR standards. *Management International Review*, 51, 665-696.
- Gallo, P. J., & Jones Christensen, L. (2011). Firm size matters: An empirical investigation of organizational size and ownership on sustainability-related behaviors. *Business and Society*, 50, 315-249.
- Gereffi, G. (2014). Global value chains in a post-Washington Consensus world. *Review of International Political Economy*, 21(1), 9-37.
- Global Reporting Initiative (GRI) (n.d.). *About GRI*. Retrieved from <https://www.globalreporting.org/Information/about-gri/Pages/default.aspx>
- Global Reporting Initiative (GRI) (2013a). *G4 sustainability reporting guidelines: Reporting principles and standard disclosures*. Retrieved from <https://www.globalreporting.org/resourcelibrary/GRIG4-Part1-Reporting-Principles-and-Standard-Disclosures.pdf>
- Global Reporting Initiative (GRI) (2013b). *G4 sustainability reporting guidelines: Implementation manual*. Retrieved from <https://www.globalreporting.org/resourcelibrary/GRIG4-Part2-Implementation-Manual.pdf>
- Golob, U., & Bartlett, J. L. (2007). Communicating about corporate social responsibility: A comparative study of CSR reporting in Australia and Slovenia. *Public Relations Review*, 33, 1-9.
- Gray, R., Owen, D., & Adams, C. (1996). *Accounting and accountability: Changes and challenges in corporate social and environmental reporting*. London, UK: Prentice Hall.
- Guerce, M., Shani, A., & Solari, L. (2014). A stakeholder perspective for 'Sustainable HRM'. In I. Ehnert, W. Harry, & K. J. Zink (Eds.), *Sustainability and human resource management: Developing sustainable business organisations* (pp. 205-224). Heidelberg, Germany: Springer.

- Hąbek, P., & Wolniak, R. (2015). Assessing the quality of corporate social responsibility reports: The case of reporting practices in selected European Union member states. *Quality & Quantity*. Retrieved from <http://link.springer.com/article/10.1007%2Fs11135-014-0155-z>
- Haddock, J. (2005). Consumer influence on internet-based corporate communication of environmental activities: The UK food sector. *British Food Journal*, 107, 792-805.
- Hahn, R. (2011). Integrating corporate responsibility and sustainable development: a normative-conceptual approach to holistic management thinking. *Journal of Global Responsibility*, 2, 8-22.
- Hahn, R., & Kühnen, M. (2013). Determinants of sustainability reporting: A review of results, trends, theory, and opportunities in an expanding field of research. *Journal of Cleaner Production*, 59, 5-21.
- Hedrick, T. E., Bickman, L., & Rog, D. J. (1993). *Applied research design*. Thousand Oaks, CA: SAGE Publications.
- Heemskerk, B., Pistorio, P., & Scieluna, M. (2002). *Sustainable development reporting: Striking the balance*. Retrieved from <http://www.wbcsd.org/pages/edocument/edocumentdetails.aspx?id=144&nosearchcontextkey=true>
- Herzig, C., & Schaltegger, S. (2006). Corporate sustainability reporting: An overview. In S. Schaltegger, M. Bennett, & R. L. Burritt (Eds.), *Sustainability accounting and reporting* (pp. 301-324). Dordrecht, The Netherlands: Springer.
- Hutchins, M. J., & Sutherland, J. W. (2008). An exploration of measures of social sustainability and their applications to supply chain decisions. *Journal of Cleaner Production*, 16, 1688-1698.
- International Integrated Reporting Council (IIRC) (2013). *The International Integrated Reporting Framework*. Retrieved from <http://integratedreporting.org/wp-content/uploads/2015/03/13-12-08-THE-INTERNATIONAL-IR-FRAMEWORK-2-1.pdf>
- International Organization for Standardization (ISO) (2010). *ISO 26000—Guidance on social responsibility*. Retrieved from <https://www.iso.org/obp/ui/#iso:std:iso:26000:ed-1:v1:en>
- Jackson, S. E., Renwick, D. W. S., Jabbour, C. J. C., & Muller-Camen, M. (2011). State-of-the-art and future directions for green human resource management: Introduction to the special issue. *Zeitschrift für Personalforschung [Journal of Personnel Research]*, 25(2), 99-116.
- Kolk, A. (2003). Trends in sustainability reporting by the Fortune Global 250. *Business Strategy and the Environment*, 12, 279-291.
- Kolk, A. (2010). Trajectories of sustainability reporting by MNCs. *Journal of World Business*, 45, 367-374.
- KPMG (2011). *International survey of corporate responsibility reporting 2011*. Retrieved from <https://www.kpmg.com/PT/pt/IssuesAndInsights/Documents/corporate-responsibility2011.pdf>
- KPMG (2013). *International survey of corporate responsibility reporting 2013*. Retrieved from <http://www.kpmg.com/Global/en/IssuesAndInsights/ArticlesPublications/corporate-responsibility/Documents/corporate-responsibility-reporting-survey-2013-v2.pdf>
- KPMG (2014). *Sustainable insight: Unlocking the value of social investment*. Retrieved from <http://www.kpmg.com/Global/en/IssuesAndInsights/ArticlesPublications/sustainable-insight/Documents/unlocking-value-social-investment.pdf>
- KPMG/WIMM (2002). *International survey of corporate responsibility reporting 2002*. Amsterdam, The Netherlands: Graduate Business School.
- Kramar, R. (2014). Beyond strategic human resource management: Is sustainable human resource management the next approach? *The International Journal of Human Resource Management*, 25, 1069-1089.
- Labuschagne, C., Brent, A. C., & van Erck, R. P. G. (2005). Assessing the sustainability performances of industries. *Journal of Cleaner Production*, 13, 373-385.

- Laufer, W. S. (2003). Social accountability and corporate greenwashing. *Journal of Business Ethics*, 43(3), 253-261.
- Lewin, K. (1946). Action research and minority problems. In G. W. Lewin (Ed.), *Resolving social conflict* (pp. 34-46). London, UK: Harper & Row.
- Lozano, R., & Huisingh, D. (2011). Inter-linking issues and dimensions in sustainability reporting. *Journal of Cleaner Production*, 19, 99-107.
- Macey, W. H., & Schneider, B. (2008). The meaning of employee engagement. *Industrial and Organizational Psychology*, 1, 3-30.
- Manetti, G. (2011). The quality of stakeholder engagement in sustainability reporting: Empirical evidence and critical points. *Corporate Social Responsibility and Environmental Management*, 12(2), 110-122.
- Mariappanadar, S. (2003). Sustainable human resource strategy: The sustainable and unsustainable dilemmas of retrenchment. *International Journal of Social Economics*, 30, 906-923.
- Mariappanadar, S. (2012). Harm of efficiency oriented HRM practices on stakeholders: An ethical issue for sustainability. *Society and Business Review*, 7, 168-184.
- Mayring, P. (2007, September). On generalization in qualitatively oriented research. *Forum: Qualitative Social Research*, 8(3), Art. 26.
- Organisation for Economic Co-operation and Development (OECD) (2011). *OECD guidelines for multinational enterprises*. Retrieved from <http://www.oecd.org/corporate/mne/48004323.pdf>
- Peräkylä, A. (2005). Analyzing Talk and Text. In Denzin, N. K. & Lincoln, Y. S. (Ed.) *The Sage handbook of qualitative research* (pp. 869-886). London, UK: Sage Publications Ltd.
- Reynolds, M., & Yuthas, K. (2008). Moral discourse and corporate social responsibility. *Journal of Business Ethics*, 78 (1-2), 47-64.
- RobecoSAM AG (2015). *CSA guide—RobecoSAM's corporate sustainability assessment methodology*. Retrieved from <http://www.sustainability-indices.com/images/corporate-sustainability-assessment-methodology-guidebook.pdf>
- Sadowski, M., Whitaker, K., & Ayars, A. (2011). *Rate the raters phase three. Uncovering best practices*. Retrieved from http://www.aristastandard.org/content_files/rtrphase3report3.pdf
- Schaltegger, S., Bennett, M., & Burritt, R. L. (2006). Sustainability accounting and reporting: Development, linkages and reflection. An introduction. In S. Schaltegger, M. Bennett, & R. L. Burritt (Eds.), *Sustainability accounting and reporting* (pp. 1-33). Dordrecht, The Netherlands: Springer.
- Schaufeli, W. B., Bakker, A. B., & Salanova, M. (2006). The measurement of work engagement with a short questionnaire. A cross-national study. *Educational and Psychological Measurement*, 66(1), 701-714.
- Silverman, D. (2004). *Qualitative research: Theory, method and practice*. London, UK: Sage Publications.
- Solvay (2015a). *2014 annual report*. Retrieved from <http://www.solvay.com/en/binaries/2014-solvayannualreport-EN-204513.pdf>
- Solvay (2015b). *GRI report 2014*. Retrieved from <http://www.solvay.com/en/binaries/2014-SOLVAY-GRI-Annual-Report-218210.pdf>
- Solvay (2015c). *Recognition*. Retrieved from www.solvay.com/en/sustainability/reporting/recognition/index.html
- Spangenberg, J. H., & Bonniot, O. (1998). *Sustainability indicators—A compass on the road towards sustainability*. Retrieved from <http://www.ulb.ac.be/ceese/STAFF/Tom/spangenberg.pdf>

- SROI Network (2012). *The guide to social return on investment*. Retrieved from https://webgate.ec.europa.eu/socialinnovationeurope/sites/default/files/sites/default/files/SROI-Guide_Reprint_v2_screen_master.pdf
- Staff, C. K. (2015a, January). 2015 global 100 methodology. *Corporate Knights*. Retrieved from <http://www.corporateknights.com/reports/2015-global-100/methodology-14218046/>
- Staff, C. K. (2015b, January). Key performance indicators. *Corporate Knights*. Retrieved from <http://www.corporateknights.com/reports/2015-global-100/key-performance-indicators/>
- Stake, R. E. (2005). Qualitative Case Studies. In Denzin, N. K. & Lincoln, Y. S. (Ed.) *The Sage handbook of qualitative research* (pp. 443-466). London, UK: Sage Publications Ltd.
- Tagesson, T., Blank, V., Broberg, P., & Collin, S.-O. (2009). What explains the extent and content of social and environmental disclosures on corporate websites: A study of social and environmental reporting in Swedish listed corporations. *Corporate Social Responsibility and Environmental Management*, 16, 352-364.
- Thom, N., & Zaugg, R. J. (2004). Nachhaltiges und innovatives Personalmanagement: Spitzengruppenbefragung in europäischen Unternehmen und Institutionen. [Sustainable and innovative human resource management: A top-level survey of European companies and institutions.] In R. J. Schwarz (Ed.) *Nachhaltiges Innovationsmanagement* [Sustainable innovation management] (pp. 215-245). Wiesbaden, Germany: Gabler.
- UCB (2013). *2012 annual report*. Retrieved from http://www.ucb.com/_up/ucb_com_ir/documents/2012_Annual_Report_ENG.pdf
- UCB (2014). *2013 annual report*. Retrieved from http://www.ucb.com/_up/ucb_com_ir/documents/2013_Annual_report_ENG.pdf
- UCB (2015a). *UCB in brief*. Retrieved from <http://www.ucb.com/investors/UCB-in-brief>
- UCB (2015b). *2014 annual report*. Retrieved from http://www.ucb.com/_up/ucb_com_ir/documents/2014_annual_report_-_ENG.pdf
- Umicore (2015). *Annual report 2014*. Retrieved from http://annualreport.umicore.com/home/archive/show_AR2014EN.pdf
- United Nations (2000). *United Nations Millennium Declaration*. Retrieved from <http://www.un.org/millennium/declaration/ares552e.pdf>
- United Nations (2007). *Indicators of sustainable development: Guidelines and methodologies*. Retrieved from <http://www.un.org/esa/sustdev/natlinfo/indicators/guidelines.pdf>
- United Nations (2013). *About the UN Global Compact*. Retrieved from <https://www.unglobalcompact.org/AboutTheGC/index.html>
- United Nations (2015). *What is a COP?* Retrieved from <https://www.unglobalcompact.org/cop/>
- United Nations Global Compact (UNGC) (2013). *Global corporate sustainability report 2013*. Retrieved from https://www.unglobalcompact.org/docs/about_the_gc/Global_Corporate_Sustainability_Report2013.pdf
- Wilkinson, A., Hill, M., & Gollan, P. (2001). The Sustainability Debate. *International Journal of Operations and Production Management*, 21, 1492-1502.
- Wirtenberg, J., Harmon, J., Russell, W. G., & Fairfield, K. D. (2010). HR's role in building a sustainable enterprise: Insights from some of the world's best companies. *Human Resources Planning*, 30(1), 10-20.
- World Business Council for Sustainable Development (WBCSD) (2014). *Reporting matters. Improving the effectiveness of reporting one year on*. Retrieved from <http://www.wbcsd.org/reportingmatters.aspx>

World Business Council for Sustainable Development (WBCSD) (2015). *Overview*. Retrieved from <http://www.wbcsd.org/about/organization.aspx>

World Commission on Environment and Development (WCED) (1987). *Our common future*. Oxford, UK: Oxford University Press.

Yin, R. (2014). *Case study research: Design and methods* (5th ed.). Los Angeles: SAGE Publications.

Appendices

Appendix 1: Overview and relations of basic concepts and terminology related to sustainability reporting	88
Appendix 2: Occurrence of selected criteria of reporting quality in the literature	89
Appendix 3: Labuschagne et al. proposed operational sustainability framework.....	90
Appendix 4: GRI guideline overview for the social category of sustainability	91
Appendix 5: Social impact assessment—description of inputs, outputs, outcomes and impact.....	92
Appendix 6: Dreyer et al. Social Product Life Cycle diagram.....	93
Appendix 7: GRI indicators regarding human rights of internal HR	94
Appendix 8: Work and Wellbeing Survey (UWES)	95
Appendix 9: GRI indicators regarding assessment of human rights of upstream and downstream HR	96
Appendix 10: GRI indicators regarding assessment of labour practises of upstream and downstream HR	97
Appendix 11: Semi-structured interview guide	98
Appendix 12: Interview with Mr A. and Ms B. (Delhaize Group)	102
Appendix 13: Interview with Mr D. and Ms E. (UCB).....	118
Appendix 14: Interview with Mr C. (UCB)	128
Appendix 15: Interview with Mr G. (Umicore)	135
Appendix 16: Interview with Mr H. (Umicore)	143
Appendix 17: Interview with Mr F. (Umicore).....	154
Appendix 18: Interview with Mr I. (Solvay).....	163
Appendix 19: Interview with Mr J. (Solvay)	173