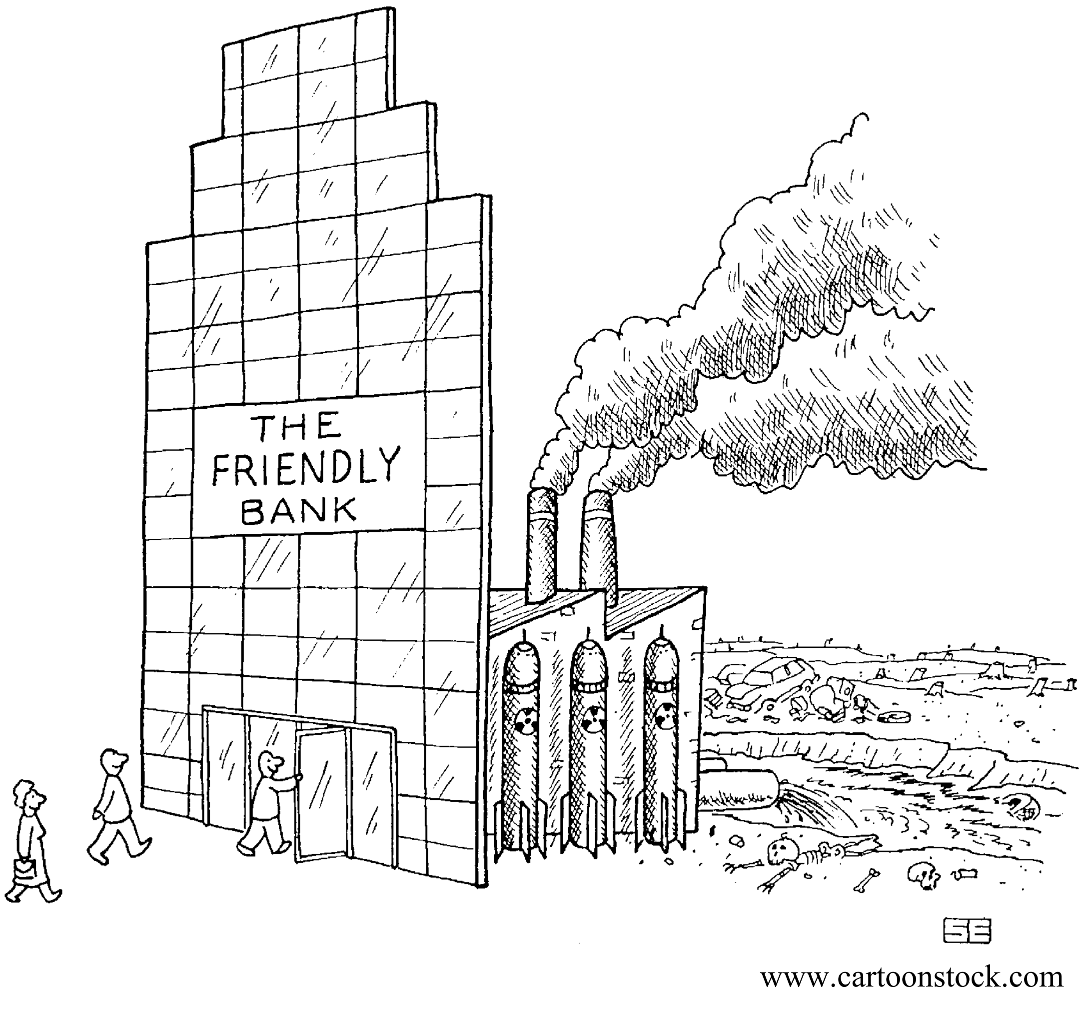
The Relevance of Private Sustainability Governance from a Business Actor Perspective

A Case Study of Netherlands-based Multinational Firms



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Content

Abstract

In the much debated shift from state-centered to private governance, there is much focus on existing private governance mechanisms. This focus has tended towards a selection bias in the dependent variable, that is, a research focus on existing private governance mechanisms that might overemphasize the spread of private governance. In addition, the motivations of business actors involved are not yet fully understood. In this thesis the relevance of private governance is therefore assessed on the basis of corporate participation in private governance initiatives in the field of sustainability, and corporations' motives to participate in these initiatives. Data on corporate participation in the Global Compact and the Global Reporting Initiative show that the spread of private sustainability governance is indeed limited. In addition it is concluded that companies participate in private sustainability governance as part of their corporate strategy. This is exposed by the existence of two relations. Firstly, corporate participation is positively related to corporations' sustainability performance. Secondly, reputation plays an important role in the decision of companies to participate in private sustainability governance. As this corporate strategy diminishes the likelihood of a further spread of private sustainability governance it is concluded that from a business actor perspective a clear-cut contribution of private governance to solving problems in the field of sustainability is unlikely.

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Chapter 1 Introduction

"Do corporations rule the world?" This was the main question in Cutler, Haufler and Porter's seminal work *Private Authority and International Affairs* (Cutler, Haufler, and Porter 1999a). In this book, and also in other literature on private authority, this question is often complemented by the closely related question: "If corporations rule the world, do they rule it effectively?" These two questions represent the main issues in the shift from state centered to private governance. Firstly, is there actually a shift towards private governance, and secondly, is private governance effective?

Many scholars have answered the first question with a – moderate – yes. Cutler, Haufler and Porter, for example, state in their conclusion that "…corporations increasingly do establish institutions that 'govern' in the absence of or in coordination with governance arrangements involving states at the international level." (Cutler, Haufler, and Porter 1999b: 370) With regard to the issue of effectiveness there is a large amount of literature that discusses the pros and cons of private authority, which also sheds light on its effectiveness. The phenomenon is described as providing reliable solutions for global problems (Conzelmann and Wolf forthcoming: 1) and often seen as an example of successful business management in the light of new social expectations (Dortland and Klep 1998: 58; Giddens 2000: 49-50; Ruggie 2001: 276). On the other hand private governance has also been criticized as a means for multinational corporations to increase their power over states and the developing world (Clapp 2005; Cutler, Haufler, and Porter 1999b: 337).

In this thesis I will argue in the first place that these two issues – the spread of private governance on the one hand and its effectiveness on the other – should not be regarded separately. Secondly I will argue that in the debate on private governance too much attention has been paid to the private governance mechanisms themselves. In my opinion, private governance should be looked at from a business actor perspective. This adds insight to the debate in two ways. Firstly, a business actor perspective provides a better account of the spread of private governance. Secondly, business actors' motives for participation in private governance play a key role in valuating its effectiveness. Therefore the following research question is formulated:

> *"To what extent and why do business actors participate in private governance mechanisms?"*

The assessment of the relevance of private governance is made on the basis of a quantitative study of Netherlands-based multinational corporations. By using data from companies listed on the main index of the Amsterdam stock exchange (AEX) I obtained a random sample of – mainly multinational – corporations operating in various business sectors. The Netherlands is a medium sized OECD-member country without pronounced state centrist or Anglo-Saxon corporate governance characteristics. This further increases the external validity of this research. My main focus will be on the issue of sustainability as this is a policy area that has an effect on all business sectors in society. Where necessary I compared my results with more extensive international corporate datasets.

This thesis consists of six chapters. Following this introduction, the first chapter provides the theoretical basis for the analysis in chapters 3 through 5. This chapter explains the rationales for the research question and reviews relevant literature. More specifically, it defines the concept of private governance and summarizes the possible answers to the research question that have already been formulated in the current debate. Building on this review I formulate one hypothesis regarding the extent of business participation in private governance and four hypotheses regarding business actors' motives for participation in private governance.

The chapters 3 to 5 are the empirical body of this thesis. The hypothesis on the extent of business participation in private governance is treated in chapter 3. Briefly, my hypothesis is that the literature on private governance suffers from a selection bias as a result of which the spread of private governance has been overestimated. I will test this hypothesis by examining the spread of corporate Global Compact and Global Reporting Initiative membership in a national as well as an international context.

Chapters 4 and 5 address the business motives for participation in private sustainability governance. My review of the relevant literature led me to formulate four possible motives for corporations to participate in private sustainability governance. Participation in private governance is: 1) A result and expression of corporate hegemony and a dominant neo-liberal ideology in the political sphere (neo-liberal scheme hypothesis); 2) A way for corporations to free themselves of the stigma of a-moral business practices by creating a façade of responsiveness to collective problems (whitewashing of business hypothesis); 3) A means of achieving product differentiation and cost leadership with respect to the competition (competitive strategy hypothesis); and 4) A sincere corporate commitment to solving collective problems (corporate responsibility hypothesis).

Each of these hypotheses corresponds to a specific set of answers to two questions concerning corporate participation in private sustainability governance. Firstly, the question whether participation in private sustainability governance results in improved corporate sustainability performance. Secondly, whether reputation plays an important role in the decision of a company to participate in private sustainability governance. Conclusions on business motives for participation in private sustainability governance can be drawn by combining the answers to these questions.

The first question, concerning the effect of participation in private sustainability governance on corporate sustainability performance, is treated in chapter 4. Corporations' sustainability performance is tested on the basis of their participation in the Global Reporting Initiative and the Global Compact. The results of this test rule out two of the four hypotheses. Finally, chapter 5 studies the effect of media attention and a company's reputation on participation in private sustainability governance. Media attention and the ethical reputation of a company are also tested on the basis of participation in the Global Compact and the Global Reporting Initiative. The answer to this second question is decisive in determining which of the two remaining hypotheses provides the best explanation for the participation of corporations in private sustainability governance.

The 6th and final chapter adds together all the pieces of the puzzle, provides a platform for policy advice and serves as an outlook for further research. The relevance of private governance is assessed on the basis of the extent of and business motives for participation in the Global Compact and Global Reporting Initiative. The implications of this assessment then are used to make policy recommendations.

Chapter 2 The State of the Art

In the introduction I highlighted that factualness and effectiveness in practice are the main topics addressed in existing literature regarding the shift from state-centered to private governance. It is no coincidence that these issues are often combined because they are inherently interrelated. For example, without an actual shift towards private governance, the question of effectiveness looses its contemporary relevance. On the other hand, criticism of the effectiveness also has a definite impact on the interpretation of the spread of private governance. In addition, it can be argued that business motives have added value in the interpretation of the extent of corporate participation in private governance and in valuating the effectiveness of private governance. Why do corporations participate in private governance? Do they want to solve collective problems, or do they want to avoid state regulation in a field that has not been regulated yet? If the motive is problem solving, this probably has a positive effect on the effectiveness as well as the extent of business participation in private governance. Therefore the following research question was formulated: *"To what extent and why do business actors participate in private governance?"*

Finding the answers to this research question firstly requires a review of existing literature. The concept of private governance needs to be defined and the state of the debate on corporate participation in private governance and the possible motives therefore need to be summarized. The available explanations, lacunae and inconsistencies found in this review then serve as a means to develop the hypotheses that are tested in the empirical part of this thesis. As the empirical part concerns private governance in the field of sustainability and also to avoid restricting the discussion too much from the beginning, the following sections include both literature on private governance as well as on private sustainability governance.

The Concept of Private Governance

The term private governance is part of the shift in governance debate and is itself a manifestation of this shift. The term governance is about the processes of decision-making and implementation (Kersbergen and Waarden 2004: 144). The shift towards private governance basically relates to the horizontal shift from the public to the semi-public or private sector (Kersbergen and Waarden 2004: 152). Private governance is thus concerned with the involvement of private or non-state actors in the process of public policy-making and implementation. However, a plethora of terms is used to describe similar phenomena. Private authority (Cutler, Haufler, and Porter 1999c), private governance (Falkner 2003), (public)-private rulemaking (Dingwerth 2005; Pattberg 2007), business self-regulation (Pattberg 2006) and private regimes (Newell 2005: 30) are just a few of these. Not all these terms are synonymous, however.

When Cutler, Haufler and Porter use the term private authority they state that private authority starts with cooperation between firms, but where cooperation is limited to the adjustment of behavior to attain mutual goals, authority is cooperation with a sense of obligation that extends it to the future (1999b: 334). Private governance, as it is conceptualized by Falkner, are the interactions of private, or public and private actors that result in "…institutional arrangements that structure and direct actors' behavior in an issue specific area". These structuring effects resemble the functions of the state, and therefore governance capability and authority can be attributed to private actors (Falkner 2003: 72-73).

These definitions however remain preoccupied with private actors involved in policy shaping instead of policy making (Pattberg 2006: 245). Private rule-making and business co-regulation incorporate this characteristic of policy making. Private rule-making is defined as a process of transnational rule-making in which non-state or individual actors are involved (Dingwerth 2005: 70). Pattberg defines business co-regulation as "arrangements where individual firms or business associations set their own rules of behavior in the form of codes of conduct" (Pattberg 2006: 243-244). Rules are defined as "…relatively specific commands for behavior whose normative authority is such that a certain level of compliance can reasonably be expected" (Dingwerth 2005: 70).

Private regime is another term used to describe a certain form of private governance. The term originates in international relations theory but is now also used to describe private involvement in the decision-making and implementation process (Cutler, Haufler, and Porter 1999c: 13). A regime consists of "principles, norms, rules and decision-making procedures around which actors' expectations converge in a given (issue) area" (Cutler, Haufler, and Porter 1999c: 13; Levy and Prakash 2003: 133). A private regime is defined more specifically as an "international institutional mechanism, aimed at bringing order to an area of business activity, in which state authority is either not present at all, or not the predominant form of political authority (Newell 2005: 29). A private regime "constrains, facilitates and shapes multinational corporations' market behavior (Levy and Prakash 2003: 132).

Despite the several nuances between the various concepts, there are certainly common features. Taking these features into account I define private governance as: "Rules and norms that are created by as well as imposed on corporations which affect corporations' market behavior in a long term or institutionalized way which is regarded as legitimate."

Private Governance – The Spread of a Phenomenon

As mentioned before, Cutler, Haufler and Porter answer their question whether corporations rule the world with a moderate affirmative (Cutler, Haufler, and Porter 1999b: 370). This answer is based on a number of case studies about business involvement in, for example, the regulation of the Internet (Spar 1999) or the establishment of the ISO 14000 environmental standards (Clapp 2005). It is also an established fact that the number of multinational corporations is growing due to privatization of formerly state controlled sectors such as telecom, postal services and public transport (Cutler, Haufler, and Porter 1999c: 5-6). In addition, the mobility of capital has increased to such an extent that it has been said that corporations can exert power over states (Simmons 1999). If one then takes into account the growing number of codes of conduct (Pattberg 2006: 241), and the limited territorial and functional reach of the regulatory powers of the nation state (Conzelmann and Wolf forthcoming: 1), the overall picture is that there is a very real shift from public to private governance and that there is an increasing involvement of business actors in global governance.

It can on the other hand be argued that the literature on private governance in two ways suffers from a selection bias due to a strong focus on arrangements of private governance. Firstly, the literature doesn't include arrangements of non-private governance. Put in a similar way as the critique on global governance is formulated, the literature on private governance "does not go beyond the sum of relevant steering mechanisms that exist" (Pattberg and Dingwerth 2006: 4). Secondly, business involvement should not only be studied at the level of the private governance arrangement, but also at the level of the business sector as a whole. The relevance of private governance not only depends on the involvement of businesses, but also on the non-involvement of businesses. In other words, which companies are involved in private governance and which are *not*? Both these issues may have contributed to an overestimation of the relevance of private governance in political science literature.

To overcome this selection bias non-private governance and non-involvement of business should therefore be included in any study of the spread of private governance. Non-private governance stays outside the scope of this thesis because it requires a sizeable debate on which global problems are not governed or not privately governed. Inclusion of non-private governance would furthermore distract us too much from the central research question. Instead I will focus on the involvement of business actors as a part of the whole corporate sector in arrangements of private governance. Outside the political science literature some of this has already been done. A study conducted by KPMG for example gives a first indication of the involvement of business actors in private governance. Out of the top 100 corporations in the Netherlands, 29 have some form of sustainability reporting (KPMG 2005: 11). This figure includes all forms of sustainability reporting, however, and is therefore not directly linked to business involvement in private sustainability governance initiatives. The report goes on to state that out of the 1600+ corporations examined, 40 % base their sustainability reporting on guidelines provided by the Global Reporting Initiative (KPMG 2005: 20). In addition, sustainability reporting as a whole has increased by 300 % since 1993 (KPMG 2005: 3). However, these claims do not differentiate between official participants of the Global Reporting Initiative and self-declared reporters. In addition, these figures are based on statements by the corporations themselves and therefore do not provide an accurate indication of the extent of business participation in the Global Reporting Initiative.

Although the role of business in global governance is increasing, the actual spread of private governance can only be deduced to a certain extent from political science literature or business management studies. Because a selection bias seems to exist and business management studies provide data that is too aggregated I believe that the extent of corporate participation in private governance is overestimated.

Private Governance – Emergence and Business Motives

The question why business actors participate in private governance mechanisms is to a certain extent biased because it assumes that the emergence of private governance must be studied from within companies. This is not necessarily true. Instead of actor-centered explanations for the emergence of private governance one can also explain the phenomenon from a macro perspective. Political science literature, for instance, is more focused on macro than micro level explanations. Private governance is often described in the light of socio-economic developments. Globalization, defined as the decline of the nation-state due to the increasing mobility of capital and economic interdependence of states[1], is only one explanation. Others also point at trends such as a growing transnationalism and a changing role of civil society (Falkner 2003: 74). Furthermore, the relationship between corporations and NGOs has shifted from confrontation towards cooperation (Pattberg 2006: 245). Power is yet another way of looking at private governance. Rooted in neo-Gramscian theory[2] the power explanations state that the *ex ante* power of multinational corporations establishes private authority and *ex post* enlarges this power (Cutler, Haufler, and Porter 1999b: 345).

Although I do not question the validity of these macro level explanations, I believe that actor-centered explanations are underacknowledged and can contribute greatly to the interpretation of the relevance of private governance. In this thesis I have therefore concentrated on the actor-centered explanations.

Business drivers for private sustainability governance.

Private governance has been studied both from a political science as well as from a business and management studies perspective. Both fields therefore provide insights into the emergence of private governance. Although some business researches present clear accounts of business drivers for private governance, these accounts have a somewhat limited validity. McKinsey & Company for example conducted an assessment of the Global Compact's impact and concluded that most companies sign up to the Global Compact to address humanitarian concerns (McKinsey & Company 2004: 5). These results are based on interviews with the companies themselves, however, and the research was conducted for the Global Compact secretariat. It is possible that the answers reflected socially desirability rather than truthfulness. This is a general concern when using interviews. To minimize this danger I have chosen to review multiple sources from both fields as a basis for my hypotheses. The McKinsey & Company conclusion is included in one of the hypotheses.

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[1] See for example Cutler, Haufler, and Porter 1999b: 337-338; Falkner 2003: 74; Newell 2005: 132; Levy and Prakash 2003: 34

[2] For a discussion on neo-Gramscian theory and corporate political strategy see Levy and Egan (2003: 806-813), and Levy and Newell (2005a: 49-63)

The literature review resulted in the formation of the following four hypotheses, each of which reflect a certain level of skepticism regarding the effectiveness of private governance. On a scale from almost no trust to almost complete trust these hypotheses are: Private governance as 1) a neo-liberal scheme, 2) the whitewashing of business practices, 3) a competitive strategy, or 4) as sincere corporate responsibility.

Hypothesis 1 – the neo-liberal scheme.

The first hypothesis is rooted in ideas of neo-Gramscian cultural hegemony and the dominance of neo-liberalism (Overbeek, van Apeldoorn, and Ryner 2003: 38; Levy and Newell 2005a: 49-51). Private governance can be seen as a direct result of the hegemony of business and the prevalent neo-liberal ideology (Falkner 2003: 75). Corporations perceive state regulation in the field of sustainability as a threat of the conduct of business (Ruggie 2001: 377). Corporations anticipate to this threat and neutralize it by exerting power. It is the existing power of corporations that establishes their authority (Cutler, Haufler, and Porter 1999b: 345). Corporate actors engage in alliance building processes with the state, thereby realigning the ideological and material bases of their hegemony in order to shift sustainability from an ideological to a deregulated form of governance (Falkner 2003: 75).

This hypothesis implies that any effectiveness in solving global problems cannot be expected. It is a picture of amoral corporations, untouchable by the state or society. So-called private governance is nothing more than a neo-liberal scheme.

Hypothesis 2 – the whitewashing of business practices

The second hypothesis is rooted in a strict economic rationality. Business actors are motivated only by profits and their survival in the marketplace (Conzelmann and Wolf forthcoming: 10). As with the neo-liberal hypothesis, corporations perceive state regulation as a direct threat. The difference, however, is that the relationship between corporations, the state and civil society isn't deadlocked cultural hegemony. Civil society has changed and corporations are seen in the light of these new social expectations. Since corporations use the lion's share of global resources and account for a third of worldwide energy consumption, they are more often associated with resource depletion than with sustainability (Levy and Newell 2005b: 1). A smooth conduct of business is only possible if state regulation can be avoided by changing the perception of society. Corporations will therefore try to change this perception in order to be seen as part of the solution instead of as part of the problem (Levy 2006: ppt slide 8).

As a result companies set up or join private governance arrangements in order to create a façade of responsiveness to global problems. According to the whitewashing hypothesis, improving their own reputation is the only business driver for private governance and arrangements such as the Global Compact and Global Reporting Initiative are nothing more than the whitewashing of business practices.

Hypothesis 3 – the competitive strategy

The third hypothesis, although also based on economic rationality, is more susceptible to ideas of effectiveness of private governance. In this view corporations derive direct or indirect financial benefits from sustainable behavior. In order to remain profitable, companies are constantly in search of a favorable competitive positions in an industry (Porter 1985: 1). According to Porter, there are two types of competitive advantage: cost leadership and differentiation (Porter 1985: 3). Sustainable behavior can aid in cutting costs as well as differentiating one's products. It has been postulated that participation in private sustainability governance arrangements can increase stakeholder value because it assures good brand reputation and a strong market position (KPMG 2005: 2). In addition, improved sustainability can lower energy costs and improve market access (McKinsey & Company 2004: 5). Fair trade labels furthermore can create barriers to market entry or increase product visibility and distinctiveness in highly competitive markets (Waddell 1999: 11).

This hypothesis implies that business actors actually change their conduct of business to differentiate themselves from competitors. Participation in private governance mechanisms is a viable corporate strategy to increase competitiveness.

Hypothesis 4 – corporate responsibility

The final hypothesis is the most positive one in terms of ascribing effectiveness to private governance. The burdensome process of producing global agreements combined with a limited territorial reach of state regulation diminishes the competitive advantage of states over corporations (Conzelmann and Wolf forthcoming: 1). At the international level corporations now have an advantage over states in terms of financial resources, knowledge and technology. Private governance is therefore a good way of closing the regulatory gap and an efficient solution to global problems (Conzelmann and Wolf forthcoming: 1; Cutler, Haufler, and Porter 1999: 337). Besides the fact that corporations are better equipped than the state they also feel responsible for solving global problems. For instance, it has been said that participation in GC is a way of addressing humanitarian concerns (McKinsey & Company 2004: 5). Corporations feel the urge to use their capabilities for the benefit of future generations.

Private sustainability governance is basically about doing the right thing (KPMG 2005: 2). Companies have great capabilities and with great capability comes great (corporate) responsibility.

Research Design

The review of the relevant literature resulted in the formulation of five hypotheses concerning either the extent of business participation in private governance or the business motives for participation in private governance. These hypotheses will be tested in the following chapters according to the research design, which I will describe here. As private governance is mostly related to global issues and because the three pillars of sustainability – economic development, social development and environmental protection – are truly global issues that require corporate accountability (UN 2002), I chose private sustainability governance as the object of investigation.

To what extent do business actors participate in private sustainability governance?

Although there actually seems to be an increased involvement of business actors in global governance, as the literature review showed, the relevant literature seems to me to be biased due to an unfortunate case selection. In my opinion, too much attention is focused on existing private governance mechanisms and the involvement of businesses without also studying the companies which are not involved. This leads me to formulate my first hypothesis:

H1) The extent of business participation in private governance is overestimated.

This hypothesis can be tested by examining the spread of private sustainability governance initiatives within a sample of companies. Important questions in this respect are: ‘What percentage of companies within a random sample of companies participate in private sustainability governance? Is the spread of private sustainability governance growing? Do corporate participation figures vary in different countries or business sectors? In chapter 3 these questions will serve as the framework for investigating the extent of business participation in two initiatives: the United Nations Global Compact and the Global Reporting Initiative.

Why do business actors participate in private sustainability governance?

Earlier I formulated a total of four hypotheses with regard to business motives for participation in private governance:

H2) Private governance is a result and expression of corporate hegemony and a dominant neo-liberal ideology in the political sphere (neo-liberal hypothesis)

H3) Private governance is a way for corporations to free themselves of the stigma of a-moral business practices by creating a façade of responsiveness to collective problems (whitewashing of business hypothesis)

H4) Private governance is a means of achieving product differentiation and cost leadership with respect to the competition (competitive strategy hypothesis)

H5) Private governance is a sincere corporate commitment to solving collective problems (corporate responsibility hypothesis)

Each of these hypotheses is associated with certain explanatory characteristics and real-world effects found must be explained using these characteristics. It can be argued that out of the four hypotheses, only two can convincingly explain a positive correlation between participation in private sustainability governance and corporations' sustainability performance. For example, the competitive strategy hypothesis is based on the assumption that sustainable behavior brings advantages such as cost cuts or product visibility that can improve a company's competitiveness. Achieving cost-leadership and, to a lesser extent, product differentiation is only possible if a company actually changes its business practices. So, if a company joins a private sustainability governance initiative to increase competitiveness, changes in business practice are likely. Improved sustainability performance also is a result of changes in business practices, therefore a change in a corporation's sustainability performance can serve as a proxy indicator for its pursuit of cost-leadership or product differentiation. In the corporate responsibility hypothesis a positive effect of participation on performance is expected on the basis of an inherent drive to change the conduct of business for the benefit of future generations.

On the basis of the explanatory characteristics of the neo-liberal and whitewashing hypotheses, it is unlikely that a positive correlation would exist between participation and performance. In the whitewashing hypothesis the goal of corporations is not to solve issues of sustainability, but merely to be perceived to be trying to do so (Levy 2006: ppt slide 8). The only purpose of participation in private sustainability governance is to change public perception. In the case of the Global Compact this is reflected in the criticism that corporations which join the Global Compact 'get a chance to 'bluewash' their image by wrapping themselves in the flag of the United Nations' (Ruggie 2001: 371). The explanatory characteristics of the neo-liberal hypothesis provide a similar rationale. Corporations act in response to the threat of state driven sustainability regulation. From a corporate point of view, the regulation of sustainability is a risk which needs to be neutralized by removing it from the policy agenda. To achieve this, corporations must exert their power. If the hegemony of business is a sufficient condition for the emergence of private governance, it is unlikely that private governance will generate any effects in terms of sustainability performance. Why would a company use its power to prevent state regulation in order to really regulate the conduct of business itself? A positive correlation between participation in private sustainability governance and sustainability performance can therefore only be explained by the competitive strategy or corporate responsibility hypotheses.

Testing the correlation between participation and performance can thus serve as a watershed between the four hypotheses, but is not sufficient to determine which of the four hypothesis is the best description of reality. A second test is therefore required. This can be found in reputational assumptions related to the different hypotheses. Two of the four hypotheses are closely connected to reputational assets. Brand protection, product visibility and a sustainable image, are good examples of such assets. These assets are essential explanatory characteristics of the whitewashing and competitive strategy hypotheses whereas they are virtually irrelevant for the neo-liberal and corporate responsibility hypotheses. It can therefore be argued that corporations will not try to improve their reputation if they act in accordance with the neo-liberal or corporate responsibility hypotheses. If a company is not overly concerned with its reputation with regard to sustainability, there should be no correlation between, for example, media attention for a company and the likelihood of participation of these companies in private sustainability governance mechanisms.

Since each hypothesis thus corresponds with a unique combination of the results of these two tests, the question why business actors participate in private sustainability governance can be answered. Figure 2.1 shows how each of the four hypotheses corresponds to the results of the tests. The correlation between participation in private sustainability governance and corporations' sustainability performance is the 'sustainability performance effect' and is treated in chapter 4. The correlation between media attention and participation in private sustainability is labeled 'media and performance effect' and is treated in chapter 5.

Table 2.1 Business drivers for participation in private sustainability governance

	Chapter 4 *Sustainability Performance Effect*	*Chapter 5* *Media and Reputation Effect*
	Causal relation can be explained by hypothesis	
Hypotheses	*Participation → Performance*	*Reputation → Participation*
Neo-liberal scheme	No	No
Whitewashing of business	No	Yes
Corporate responsibility	Yes	No
Competitive strategy	Yes	Yes

Chapter 3 The Spread of Private Sustainability Governance

In the previous chapter I formulated the hypothesis that the spread of private sustainability governance is probably overestimated. Also, I formulated the following questions relating to this hypothesis. What percentage of companies within a random sample of companies participate in private sustainability governance? Is the spread of private sustainability governance growing? Do corporate participation figures vary in different countries or business sectors?

In order to obtain a comprehensive picture of the extent of corporate participation in private sustainability governance these questions need to be answered. I will do this by examining corporate participation in two different private sustainability governance mechanisms: the United Nations Global Compact (GC) and the Global Reporting Initiative (GRI). Firstly in this chapter I will describe why corporate participation in these two initiatives provides an accurate reflection of the extent of business participation in private sustainability governance in general. Secondly, I will examine corporate participation in these two initiatives. The participation of Dutch corporations in GRI and GC is looked at in light of the size of the Dutch corporate sector. Furthermore I will compare worldwide GRI and GC participatory figures on the basis of the gross domestic product of the countries involved. Finally I will compare differences in the extent of participation in several business sectors. All these comparisons serve as an interpretative measure to answer the research question under investigation in this chapter.

GRI and GC: Two Levels of Sustainability Governance.

In chapter two I defined private sustainability governance as 'rules and norms that are created by as well as imposed on corporations which affect corporations' market behavior in a long term or institutionalized way which is regarded as legitimate.' Do GRI and GC fit this definition? In other words, can a study of GRI and GC be used to make valid claims about private sustainability governance?

Both GRI and GC were initiated at the end of the 20th century and have a connection to the United Nations. The GC was initiated by Kofi Annan at the 1999 World Economic Forum. It intended to bring together companies, UN agencies, labor organizations and civil society to support universal environmental and social principles (GC website: a). The operational phase of GC was launched on July 26th 2000. At that time 35 corporate partners were involved. Corporations applying for GC membership must send a letter, signed by the chief executive officer, in which he expresses, on behalf of the board, his support for the GC and its universal principles (GC website: b). These principles comprise ten commitments in the areas of human rights, labor standards, the environment and anti-corruption. These commitments are not clear-cut rules and the GC is not a real regulatory framework. Instead it is best described as a voluntary learning network to stimulate the spread of good business practices in the field of sustainability (Ruggie 2001: 372). In the words of the GC itself, there aim is to 'mainstream the ten principles in business activities around the world' (GC website: a).

The GRI was initiated by the non-profit organization CERES with the involvement of the United Nations Environment Programme (GRI website: e). As with the GC, GRI also includes partners from many different constituencies. Business, labor and civil society contributed to the establishment of the reporting guidelines issued by the now private foundation GRI. These guidelines provide organizations with a reporting framework in the field of sustainability. By having organizations report regularly on standardized economic, environmental and social performance indicators such as greenhouse gas emissions and the percentage of recycled materials they use, GRI increases transparency and accountability around the world. Organizations can gain insights into their sustainability performance and in addition, the guideline-based reporting provides stakeholders with a framework to compare and understand information provided by organizations (GRI website: a).

GRI and GC as examples of private sustainability governance.

Both initiatives more or less fit the definition of private governance. Although both initiatives have or had a link to the United Nations, corporations were involved from the beginning in the establishment of both GRI and GC. Nowadays corporate partners still play an important role in the governance of both initiatives. The GC for example organizes 'Leaders Summits' in which all participants have the opportunity to discuss the future of the GC (GC website: b). The strategic direction of the GRI is in the hands its stakeholder council, a form of parliament, which includes several corporate partners (GRI website: b).

Both initiatives also have a fairly high level of institutionalization. This is for example attained by official membership, the authorization of the use of GRI and GC logo's for members, regular participant meetings, interaction with other participating organizations and, in case of the GRI, clearly prescribed protocols for the implementation of reporting guidelines (GC website: b,e; GRI website: f).

A slightly weaker point of both initiatives is their regulatory impact. The GC even explicitly states that it is not a regulatory framework (GC website: a). It describes itself as a learning network for knowledge dissemination. Nevertheless, it has norm building characteristics that make it fit the definition. The GC may be a learning network, but the principles the GC obliges its participants to endorse, are meant to set in motion changes in business practices (GC website: b).

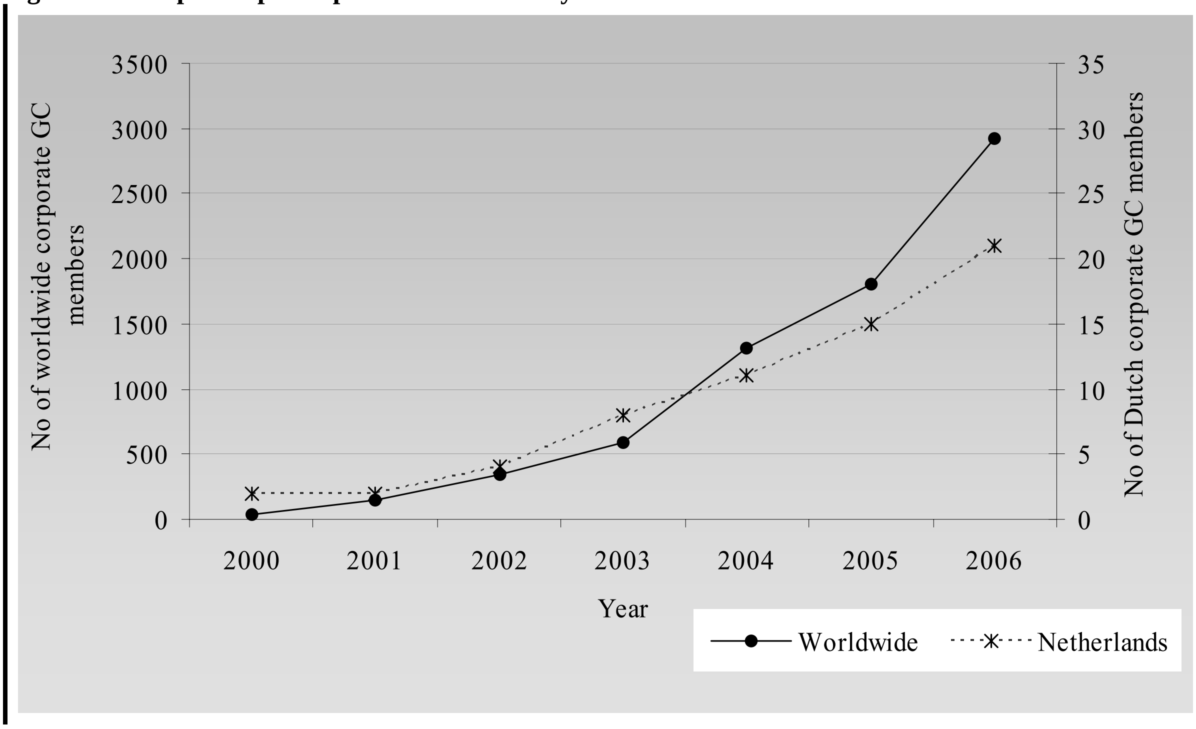
The GRI, on the other hand, is a regulatory framework because it defines the core content of reporting that is relevant to all organizations. In order to operate in accordance with GRI guidelines organizations have to satisfy five criteria. One of these criteria is that all core performance indicators are measured and reported on. However, corporations are not obliged to provide external auditing of their compliance with the GRI criteria, but may do so voluntarily (GRI website: c).

To some up, it can be said that GRI and GC illustrate two different levels of private sustainability governance. The GC provides only soft commitments. These commitments relate to those activities that contribute directly to an organization's output, however. The principles are moral guidelines of how a business is supposed to be run. The GRI, on the other hand, provides a 'harder' regulatory framework, but has only an indirect impact – by means of changing supporting activities as controlling and auditing – on output-related activities. Both initiatives were established in cooperation with the corporate sector and have comparable levels of institutionalization. The voluntary character provides both GRI and GC with a certain legitimacy. Each initiative thus has its own direct or indirect regulatory impact on corporation's business practices. Examined together they provide an accurate account of the spread of private sustainability governance.

Corporate Participation in GRI and GC

A brief first glance at the membership figures of GRI and GC could lead one to conclude that participation is in fact quite limited, just as I also state in my first hypothesis. In January 2007 a total of 3888 organizations are listed as official GC participant in the online GC database. Of these, 2978 are corporate partners (GC website: c). GRI has a total of 389 official stakeholders of which 178 are corporate members (GRI website: d). However, both initiatives have only recently been established. The operational phase of both GC and GRI started in the year 2000, so annual growth figures of both initiatives can add perspective to current membership figures.

Figure 3.1 Corporate participants of GC for the years 2000 to 2006



Source: GC website: c

GC corporate membership has grown from an initial 35 companies in July 2000 to a total of 2997 by the end of 2006[1]. In the Netherlands the membership figure grew from 2 in 2000 to 21 in 2006. Both worldwide and Dutch membership figures for the years 2000 through 2006 are included in figure 3.1. This figure clearly illustrates that worldwide participation is increasing steadily and also that this growth is accelerating. In the Netherlands the increase

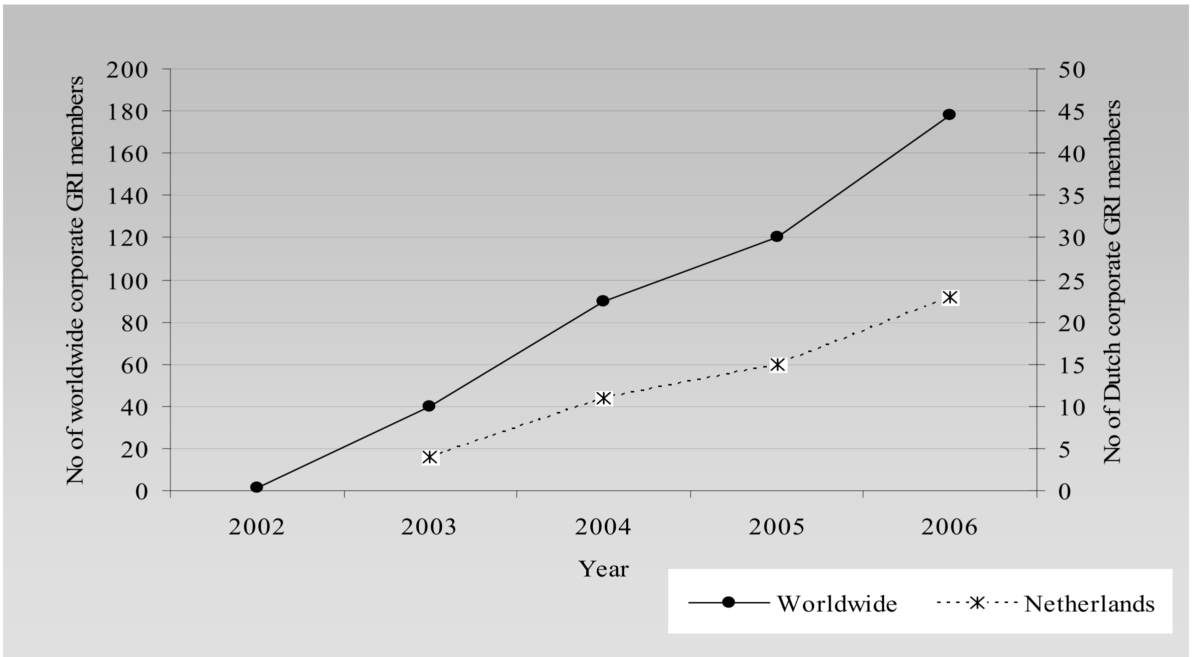
[1] The GC in January 2007 has less members than in December 2006 because 203 inactive companies were removed from the database at January 1st 2007. Some inconsistencies in the data presented throughout this thesis may exist because of this.

seems to be more constant. Though the worldwide increase is promising, at this moment the number of corporate GC participants is still disappointing.

GRI is much less widespread then GC. In December 2006 there were 178 official corporate members of the GRI (GRI website: d). These 178 corporations are the foundation's corporate organizational stakeholders which actively participate in the establishment of GRI guidelines. In addition to these organizational stakeholders, there are also self-declared GRI reporters. According to the GRI website at the end of 2006 there were 850 self-declared reporters (GRI website: e). This figure includes both corporate and non-corporate partners, however. In addition a survey of more than 1600 corporations conducted by KPMG showed that 40 % of these companies either directly apply GRI guidelines or else base their sustainability reporting on these guidelines (KPMG 2005: 20). Taking both findings into account, the number of companies reporting in accordance with GRI guidelines is only a couple of hundred and therefore significantly less than is the case with the GC. Figure 3.2 gives official worldwide and Dutch participation figures of GRI. Just as is the case with the GC, figures of GRI show an annual increase in membership. However, both in the Netherlands and worldwide, the rate of increase seems to be constant.

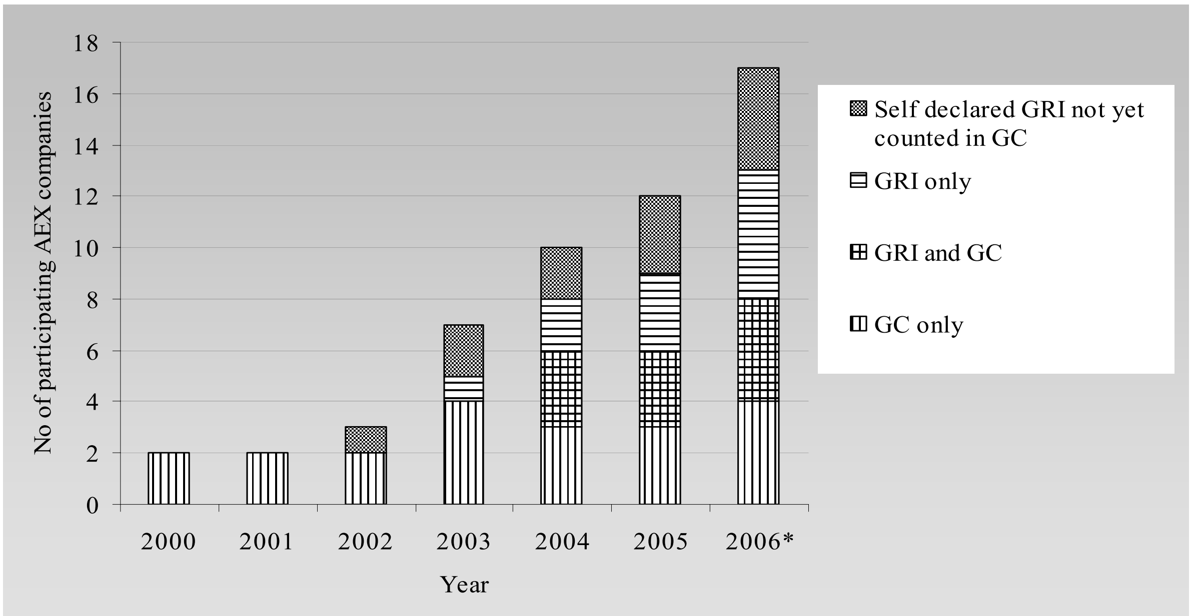
As Figures 3.1 and 3.2 indicate, both GRI and GC have just over 20 Dutch corporate participants. After removing overlap, the number of Dutch corporations participating in either GRI or GC is 38 (GC website: c; GRI website: d). Out of these 38 companies several are included in the AEX index. Figure 3.3 shows participatory figures for AEX listed companies. Official membership of AEX listed companies grew from 2 in 2000 to 13 in 2006. If self-declared non-GC participants are also added, the number of participating companies grew from 2 in 2000 to 17 in 2006. Out of the 24 AEX companies in 2006 33 % is a GC participant and 38 % is an official GRI participant. 71 % of AEX companies are in some way involved in private sustainability governance.

Figure 3.2 Corporate participants of GRI for the years 2002 to 2006



Source: GRI website: d

Figure 3.3 GRI and GC participation of AEX companies in the period 2000 to 2006



*** Self declared GRI is based on number of 2005**
Sources: GC website: c; GRI website: d, f

Benchmarking GRI and GC participation

Simply enumerating the number of worldwide GRI or GC participants does not satisfactorily answer the first part of the research question. To assess the *extent* of business participation in private sustainability governance some form of benchmark is also required. To achieve that, I will first analyze participation in the Netherlands. Secondly, I will extend the results of this analysis to an international level, using a countries' gross domestic product as a yardstick. Finally, I will study the differences in the extent of participation in various business sectors.

National Benchmark

Of the 21 Dutch companies participating in the GC, 17 can be characterized as large and/or multinational companies (defined as a company which has at least 500 full-time employees (CBS website)). According to figures published by the Dutch Statistics Agency, in 2006 there were 1340 companies with more than 500 employees in the Netherlands (CBS website). This means that – looking at official membership figures – only 1.6 % of the large Dutch companies participate in GC and 1.7 % is a member of GRI. If self-declared reporters are also taken into account the number of Dutch large companies that report in accordance with GRI guidelines is still less than 4 %[2]. The 38 official Dutch GC and GRI participants constitute a total of 2.8 % of all large Dutch companies. Even if self-declared reporters are included, the percentage of large Dutch companies involved in private sustainability governance does not exceed 5 %.[3]

International Benchmark

Two separate studies place the Dutch corporate sector among the highest performers in the field of (environmental) sustainability worldwide. Dutch Sustainability Research concludes on the basis of an assessment of 1000 European, North-American and Asian corporations that AEX companies on average outperform all other national business sectors on sustainability (DSR 2006: 28). CIESIN and Yale rank the Dutch corporate sector 5th in environmental responsiveness in their worldwide Environmental Sustainability Index (CIESIN/Yale 2005).

On the basis of these studies one would expect corporate participation to be less widespread outside the Netherlands. I have verified this by dividing the number of companies participating in GRI and/or GC in a certain country by that country's gross domestic product

[2] This figure is based upon the following assumptions. At the end of 2006 there were 389 official GRI members. And a total of 850 self-declared GRI-reporters. This would mean that the ratio between official members and self-declared reporters is 1:2.19. The percentage of companies reporting in accordance with GRI guidelines is than 2.19 * 1.7 % = 3.7 %.

[3] This figure is comprised of 2.8 percentage point official Dutch GRI and GC members supplemented with 2 percentage points self declared GRI reporters (Total GRI reporters (3.7%) – official GRI members (1.7%) = 2%) which totals 4.8%.

(GDP). The figure thus obtained is a good indicator for the spread of private governance internationally. Table 3.1 shows these figures for countries that had corporations participating in GRI or GC. Full lists of country rankings are included in appendices A and B.

Table 3.1 No. of corporate GRI and GC participants per million dollar GDP

		GC	*GRI*	*GDP*	*GC/GDP*	*GRI/GDP*
	World	2978	180	60630		
	Netherlands	21	23	498	0.042	0.046
*Total and top 5 GC**						
	GC total all countries (100 countries)	2978		56807	0.052	
	1 Panama	62		23	2.658	0.000
	2 Dominican Republic	68		67	1.008	0.000
	3 Lithuania	39		49	0.789	0.000
	4 Bosnia & Herzegovina	18		23	0.780	0.000
	5 Bolivia	20	1	26	0.775	0.039
*Total and top 5 GRI**						
	GRI total all countries (31 countries)		180	45793		0.0039
	1 Netherlands	20	23	498	0.040	0.046
	2 Portugal	23	9	201	0.115	0.045
	3 Bolivia	20	1	26	0.775	0.039
	4 Tanzania	2	1	27	0.074	0.037
	5 Australia	18	15	636	0.028	0.024

* Only highest 80 % GDP countries are compared

Sources: CIA website; GC website: c; GRI website: d

The figures for the Netherlands indicate that the Dutch corporate sector is less inclined to participate in the GC than the corporate sector in other countries, but that the Dutch corporate sector is the frontrunner in GRI participation. If we assume, for argument's sake, that the worldwide corporate sector is structured similarly to the Dutch corporate sector, this would imply that, in countries that have corporations participating in GC, the average participation of large companies is approximately 2 %.[4] In countries with GRI members, average corporate participation is only 0.14 %[5].

Remarkable is the fact that there is no correlation whatsoever between the scores on GRI/GDP and GC/GDP. In fact, out of the top 25 countries in GC participation only 2 countries also appear in the GRI top 25. Apparently there is a large difference in the geographic spread of both initiatives. This is further illustrated by figures 3.4 and 3.5. GRI

[4] Dutch GC participation is 1.6%. In the Netherlands there are 0.042 GC participants per million Dollar GDP. All GC countries together account for 2978 participants and a total of 56807 billion dollar GDP, which is 0.052 GC participants/ billion Dollar GDP. Average number of corporate GC participants as percentage of the number of large companies then is (0.052 / 0.042) * 1.6% = 2.0%

[5] Dutch GRI participation is 1.7%. In the Netherlands there are 0.046 GRI participants per million Dollar GDP. All GRI countries together account for 180 participants and a total of 45793 billion dollar GDP, which is 0.0039 GRI participants/ billion Dollar GDP. Average number of corporate GRI participants as percentage of the number of large companies then is (0.0039 / 0.046) * 1.7% = 0.14%

participation is clearly limited to developed countries. Of the 31 countries that have companies participating in GRI, 20 are OECD member countries. The 100 countries that have corporate GC participants also include developing countries. Apart from some African countries and the Middle-East GC is to a large extent spread throughout the whole continent.

Figure 3.4 and figure 3.5 Countries with corporate participation in GC (left) and GRI (right)*

***Countries marked red have corporations participating in GC or GRI.**

Comparing Business Sectors

These results added insight into the spread of private sustainability governance of the business sector as a whole. However, differences could still exist between companies from different business sectors. I have assessed the largest companies from ten different business sectors, totaling 205 corporations, on their participation in GRI and GC. As some regions in the world have higher participatory figures than other regions and the geographical distribution of corporations between business sectors is not uniform, I have divided these 205 corporations into two groups: corporations based in Europe on the one hand and corporations based outside Europe on the other. These figures are included in table 3.2. (All data in Appendix C)

Table 3.2 Corporate GRI and GC participation for European and non-European based corporations in various business sectors.

Non-European companies				*European companies*			
GRI/GC	*Non GRI/GC*	*No.*			*GRI/GC*	*Non GRI/GC*	*No.*
8 %	92 %	13	Entertainment /Leisure	Retailers	25 %	75 %	8
8 %	92 %	13	Chemicals	Chemicals	40 %	60 %	5
10 %	90 %	21	Retailers	Pharmaceuticals	50 %	50 %	6
11 %	89 %	9	Food & Beverage	Mining & Metals	67 %	33 %	3
15 %	85 %	13	Banks	---Average---			
---Average---				Banks	77 %	23 %	13
21 %	79 %	14	Automobiles	Food & Beverage	78 %	22 %	9
24 %	76 %	21	Technology Hardware	Technology Hardware	80 %	20 %	5
25 %	75 %	8	Pharmaceuticals	Entertainment/Leisure	100 %	0 %	1
25 %	75 %	12	Oil & Gas	Oil & Gas	100 %	0 %	6
33 %	67 %	19	Mining & Metals	Automobiles	100 %	0 %	6
18 %	82 %	143	Total	Total	69 %	31 %	62

Sources: Covalence 2005; GC website: c; GRI website: d

Table 3.2 clearly shows that there is a significant difference in corporate participation between European and non-European based corporations. There are also significant variations between the various business sectors. Within the two groups chemical companies and retailers have relatively low participatory figures, while oil and gas companies have above average participatory figures. Banks and technology-hardware corporations rank somewhere in the middle.

Conclusions

This chapter addressed the question '*To what extent do business actors participate in private sustainability governance?*'. The literature review in the previous chapter resulted in the hypothesis that the extent of business participation in private sustainability governance probably has been overestimated. A study of the membership data of the Global Reporting Initiative and the Global Compact – from a Dutch, a worldwide and a business sector perspective – have led me to draw the following four conclusions.

Firstly, membership figures of GRI and GC are increasing worldwide as well as in the Netherlands. In early 2007 approximately 3000 corporations are participant of GC and 178 are official members of GRI. In the Netherlands these figures are respectively 21 for GC and 23 for GRI. But while worldwide GC membership boasts an accelerated growth rate, worldwide GRI and Dutch GRI and GC growth rates seem constant.

Secondly, in order to interpret these membership figures, the number of Dutch GRI and GC participants were studied in relation to the size of the Dutch corporate sector. Because most corporate members of these initiatives are large or multinational companies, I did not include smaller companies in the study. The percentage of large Dutch companies participating in GRI and/or GC is less than 5 %. This figure includes official GC and GRI members together with self-declared GRI reporters. Official membership of GRI and GC in the Netherlands does not exceed 2 %.

Thirdly, a comparison of worldwide membership figures per country showed that the spread of private sustainability governance is not homogeneous nor is it likely to be more widespread as in the Netherlands. GRI, for example, is mainly OECD-driven, with the Dutch corporate sector as frontrunner in participation. I estimated the spread of GRI and GC by dividing the number of corporate GRI and GC participants by the GDP of the country in question. This results in an average estimated GRI participation by large companies of only 0.14 %. For GC this figure is approximately 2.0 %.

Finally, a study of membership percentages of companies from ten different business sectors showed significant variation in the level of participation between the various sectors. Participation is generally low among retailers and chemical companies but is higher among banks, technology-hardware and oil and gas producing companies. A comparison of European and non-European companies also showed significant transatlantic variations in corporate responsiveness in the field of sustainability. The least responsive European business sectors still outperform the most responsive business sectors outside Europe in terms of GRI and GC participation.

My conclusion is that the extent of business participation in private sustainability governance does indeed seem to be overestimated. The spread of private sustainability governance is mainly limited to European and/or OECD member countries and even in those countries participation is limited to approximately 2 % in the case of GC and less then 1 % in the case of GRI. Among the largest corporations in the world participation is high, however, especially in Europe, which might explain the disproportional attention for the phenomenon.

Chapter 4 Sustainability Performance Effect

The literature review in chapter 2 resulted in four mutually exclusive answers to the second part of the research question, i.e. '*Why do business actors participate in private sustainability governance?*' I concluded that the answer that best reflects reality can be found by performing two tests. This chapter is devoted to the first test, which is whether there is a positive correlation between the participation by a company in private sustainability governance mechanisms and the sustainability performance of that company. In other words, do corporations that join a private governance initiative in the field of sustainability actually change their business practices to become more sustainable? If this is the case, only two of the four hypotheses remain plausible. The analysis performed in this chapter will allow me to rule out either the neo-liberal and the whitewashing of business hypotheses or the competitive strategy and corporate responsibility hypotheses.

Just as in the previous chapter, I will examine the research question on the basis of GRI and GC participation, mainly among companies included in the AEX. In order to be able to assess the correlation between participation and sustainability performance two questions must be answered. Firstly, do corporations that have joined either GRI or GC outperform companies that are not members of these same initiatives in the field of sustainability? Secondly, can this over-performance be attributed to their membership of GRI or GC? The two following sections each deal with one of these questions.

Private Sustainability Governance and Corporate Sustainability Performance

Assessing the performance of corporations and the linking of this performance to participation in the GC and GRI requires a variable which measures those issues GC and GRI try to affect. This variable can be found in the data of Dutch Sustainability Research (DSR). DSR is an independent sustainability research organization for the financial sector in the Netherlands which was founded in 2002 and which provides services to a wide range of institutional investors (DSR 2006: 35). DSR conducts research on the sustainability of major Dutch and Belgian stock listed companies. Each individual company is assessed on seven key stakeholder issues: business ethics, community, corporate governance, customers, employees, environment, and contractors (DSR 2006: 3). These seven issues are similar to the ten commitments of GC or the core performance indicators of GRI. For instance, companies are assessed on bribery and corruption, community involvement, accountability, health and safety issues for employees, resource use, pollution and child labor practices of contractors. After examining a minimum of 110 indicators per company, DSR generates an aggregate sustainability score (DSR 2006: 9). Since DSR is part of an international consortium of sustainability research centers, a dataset from over 1800 corporations is available. In DSR publications on the sustainability performance of all AEX companies this dataset is used to compare the performance of these companies to their international peers in the same business sector.

In this section I will compare the sustainability performance of the AEX listed companies using data from DSR reports from 2004, 2005 and 2006. These reports are all based on figures from a year earlier, but I have taken this fact into account in the comparisons between participating and non-participating companies. Comparisons of businesses sustainability performance in one year is based on participatory data from the year before. For example, only companies that had joined the GC or GRI before December 31st 2005 were included in the 2006 comparison. Since companies' size can affect both the likelihood of participation as well as sustainability performance, this effect is controlled for. I will use companies' annual turnover as an indicator for their size.

To improve external validity, I conducted the same tests on a group of European companies listed on the Dow Jones Stoxx index.

AEX listed companies and their sustainability performance

In this section I will use a total of 24 comparisons to test the hypothesis that corporations that participate in GRI and/or GC outperform their business sector peers as well as corporations from different business sectors on sustainability performance.

Firstly I will compare the *absolute* sustainability performance of corporations. This is achieved by comparing the results of the assessments by DSR without taking business sector differences into account. For each year – 2004, 2005 and 2006 – I make four comparisons. The first comparison is between companies that participate in the GC and those that do not. The second comparison is between GRI members and non-GRI members. Then a comparison is made between those companies that either participate in GRI or GC and companies that participate in neither. Finally I compare companies that participate in both initiatives to companies that participate in just one of the initiatives or in neither.

Subsequently I compare *relative* sustainability performance of the same corporations in the same way. Relative sustainability performance is defined as the percentage by which a company under- or outperforms other companies in the same business sector in the field of sustainability. For instance, the absolute sustainability performance of ING was 70.6 points in 2006. In the same year, the banking and insurance sector averaged 51.1 points This means that ING outperforms the business sector by (70.6 – 51.1)/51.1 = 38.2 %. Comparing the relative performance of companies, corrects for differences in sustainability performance between business sectors.

Table 4.1 Average sustainability performance of AEX listed participants and non-participants of GRI and GC

Absolute Sustainability performance	*2005*				*2006*			
Comparison group	*Part.*	*Non-part.*	*Difference*		*Part.*	*Non-part.*	*Difference*	
GRI					70.8	59.9	+10.9	*
GC					69.1	60.4	+8.7	**
GRI or GC	73.3	61.4	+11.9	**	69.3	58.8	+10.7	*
GRI and GC					72.0	61.3	+10.7	**

Relative Sustainability performance	*2005*				*2006*			
Comparison group	*Part.*	*Non-part.*	*Difference*		*Part.*	*Non-part.*	*Difference*	
GRI					34.1 %	11.3 %	+22.8	*
GC					32.1 %	12.0 %	+20.1	**
GRI or GC	22.3 %	4.5 %	+24.9	**	30.5 %	8.9 %	+21.6	*
GRI and GC					41.0 %	13.6 %	+27.4	**

* significant at 1 % level
** significant at 5 % level
Sources: DSR 2004, 2005, 2006`

The significance of the differences found in these 24 comparisons is tested in two ways. Firstly I used partial correlation to check if participation effects sustainability performance, independent of the size of a company. Secondly, differences in the average sustainability performance were tested on their statistical significance. Table 4.1 shows the comparisons that made the 95 % significance cutoff line. The significant comparisons all show that companies participating in GRI or GC out-perform non-participating companies in the field of sustainability, both in absolute as well as relative performance. In 2006 the absolute over-performance of participating companies was approximately 10 points. The relative over-performance was close to 23 percentage points. The comparisons that were not significant also indicated that GRI or GC participants tend to out-perform non-participants. These results, together with the sustainability performance of each individual company, are included in Appendices D and E.

The above leads me to the conclusion that for companies included in the AEX listing sustainability performance shows a definite positive correlation to the participation in private sustainability governance mechanisms by these companies. To investigate whether this conclusion is also valid outside the Netherlands, I conducted a similar test for some of the biggest European companies that are listed at the Dow Jones Stoxx 50.

Dow Jones Stoxx 50 listed companies and their sustainability performance

The Dow Jones Stoxx 50 is a European blue chip market[1] index comprising the top 50 European sector leaders. Because 75 % of these companies were part of the GC, almost all GRI participants were also GC participants. Therefore I made only two comparisons: firstly between GC participants and non-participants and secondly between GRI participants and non-participants. The results of these comparisons are presented in table 4.2.

Table 4.2 Average sustainability performance of Dow Jones Stoxx 50 listed participants and non-participants of GRI and GC

Relative Sustainability performance 2005				
Comparison group	*Part*	*Non-part.*	*Difference*	
GRI	27.3 %	20.3 %	+7	*
GC	19.5 %	29.8 %	-10.3	**

* Significant only at 20 % level
** Significant only at 10 % level
Source: DSR 2006

In the case of GC the results contrast markedly to the Dutch results. In this case the companies that do not participate in the GC out-perform participating companies. This result however is not fully statistically significant. The difference between GRI participants and non-participants is in accordance with the hypothesis, but again this result is not fully statistically significant. One possible explanation for this counter-intuitive result is that 75 % of corporations listed on the Dow Jones Stoxx 50 is a GC member. Consequently, among very large companies GC membership is no longer an outstanding characteristic, while GRI is still

[1] A blue chip stock is the description of the stock of well-established companies having stable earnings and no extensive liabilities. Most blue chip stocks pay regular dividends, even when business is faring worse than usual. They are valued by investors seeking relative safety and stability, though prices per share are usually high. Typically, such stocks are perceived to offer reliable returns, low-yield, and low-risk (Wikipedia 2007).

associated with frontrunners in sustainability. The results in the next section support this idea to a certain extent and in my final chapter I will discuss this issue more thoroughly in relation to business motives in general.

Participation and Performance: Correlation or Causal Relation

Although the analysis of the sustainability performance of AEX companies demonstrates a convincing correlation between participation in GRI and GC and sustainability performance, no causal relation has yet been established. A causal relation only exists if Y necessarily follows X, i.e. if sustainability performance actually improves after a company joins a private sustainability governance mechanism such as GRI or GC. There are two possible causal relationships: Firstly it is possible that companies experience an above-average improvement in their sustainability performance just after joining of GC or GRI. Secondly, it is possible that participation in GC or GRI generates a lasting improvement in a company's sustainability performance. Companies that have been participating in GRI or GC for the longest of time should then have the best sustainability performance in comparison with companies that have just recently joined one of these initiatives. In the following section I have investigated these two possibilities.

AEX listed companies: The average rate of change in sustainability performance

The sustainability performance of most AEX companies for the years 2004, 2005 and 2006 is publicly available and can be used to calculate the rate of change in their sustainability performance during the periods 2004-2005 and 2005-2006. The GRI and GC websites also list the date on which member-companies joined the initiative. I used these facts to compare the change of sustainability performance between two groups. I compared the average rate of change in sustainability performance for the period that followed the joining of either GRI or GC with the average sustainability performance in the periods that did *not* follow such an event. Table 4.3 shows the rate of change in sustainability performance for the periods 2004-2005 and 2005-2006 as well as whether companies joined either one of the private governance initiatives in this respective period. Just as in the previous section, I have taken into account that a company's sustainability performance in a given year is based on data from the year before.

Table 4.3 Change in companies' absolute sustainability performance from 2004 to 2006 and their subscription to GRI and GC

	2004 - 2005			*2005 - 2006*		
		Subscribed to			*Subscribed to*	
Company	*Δ performance*	*GC*	*GRI*	*Δ performance*	*GC*	*GRI*
ABN AMRO	18	yes	yes	7		
AEGON	15			-10		
Royal Ahold	-3			-6		
Akzo Nobel	16	yes		-5		
ASML	11			-1		
Buhrman	13			-9		
DSM	-4			0		
Fortis	4			-2		
Getronics	17			-9		
Hagemeyer	15			23		
Heineken	7		yes	-4		
ING Group	2			-4		
KPN	-2			-2		
Numico	0			5		
Philips	4			2		yes
Reed Elsevier	9			-10		
Shell	-7		yes	-11		
TNT	2		yes	1		
Unilever	11			-11		
VNU	3			0		
Wolters Kluwer	0			25		

Sources: DSR 2004, 2005, 2006; GC website: c; GRI website: d

Using the data from table 4.3, I calculated the average rate of change in sustainability performance. I compared the average rate of change in periods that followed the joining of one of the initiatives to periods that did not follow such an event. The results of this calculation are shown in table 4.4. At first sight the results are in accordance with the hypothesis that companies that join either GRI or GC experience a boost in the rate of change in their sustainability performance. It should be noted, however, that the results are largely not statistically significant due to the fact that only a limited number of cases is available and the fact that there are a large number of outlier cases. The improvement of AEGON's, Getronics' and Hagemeyer's sustainability performance in 2004-2005 and Hagemeyer's and Wolters Kluwer's improvement in 2005-2006, for example, is not attributable to joining either GRI or GC. Still, these results do indicate that a causal relation does exist between participation in private sustainability governance and sustainability performance.

Table 4.4 Average change of companies' sustainability performance in relation with subscribing to GRI and GC

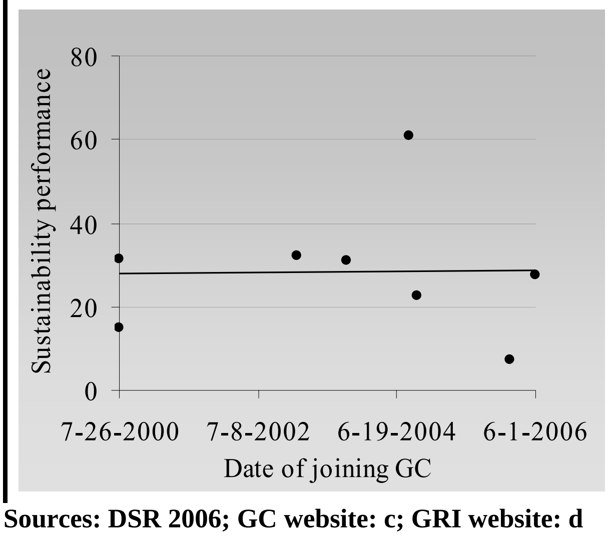
Comparison	*Sum of changes in sustainability performance*	*No of periods*	*average change per period*
GC	34	2	17.00
non GC	75	40	1.88
GRI	21	5	4.20
non GRI	87	31	2.81
GRI or GC	37	6	6.17
non GRI and GC	72	25	2.88

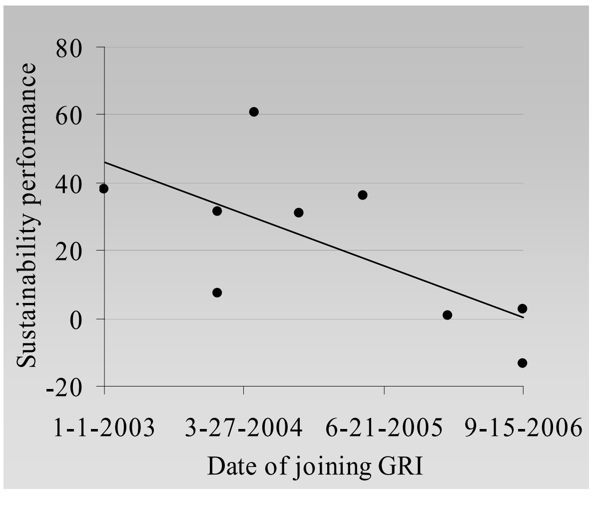
Sources: DSR 2004, 2005, 2006; GC website: c; GRI website: d)

AEX listed companies: Lasting improvements in sustainability performance

A second indication of the existence of a possible causal relationship is that participation in private sustainability governance generates a lasting increase in sustainability performance. Therefore companies that joined GRI or GC sooner should have a better sustainability performance than companies that joined these initiatives later. To test this hypothesis, I correlated the date a company joined GRI or GC with its most recent absolute sustainability performance. Figures 4.1 and 4.2 and table 4.5 show these results. They seem to indicate that only long-term participation in GRI has a significant positive effect on a company's sustainability performance. Approximately 37 % of the differences in the sustainability performance of GRI members can be explained by the duration of their GRI membership. For GC members, I found no correlation between membership duration and sustainability performance.

Figure 4.1 and figure 4.2 GC (left) and GRI (right) membership duration and sustainability performance of AEX listed companies





Sources: DSR 2006; GC website: c; GRI website: d

Table 4.5 Correlation of GC and GRI membership duration and sustainability performance of AEX listed companies

Date GC - sustainability performance 2006		*Date GRI - sustainability performance 2006*	
R_{square}	0	R_{square}	0.463
Adjusted R_{square}	-	Adjusted R_{square}	0.373
Significance	-	Significance	93.7 %

On the basis of the above, it can be stated that for AEX companies there seems to be some evidence for a causal relation between participation in private sustainability governance and sustainability performance. There are indications that joining either GRI or GC boosts a company's sustainability performance directly after joining. Long-term membership of GRI also seems to have a positive effect on sustainability performance. In order to increase the validity of these results I once again conducted similar tests on the companies listed on the Dow Jones Stoxx 50.

Dow Jones Stoxx listed companies: Lasting improvements in sustainability performance

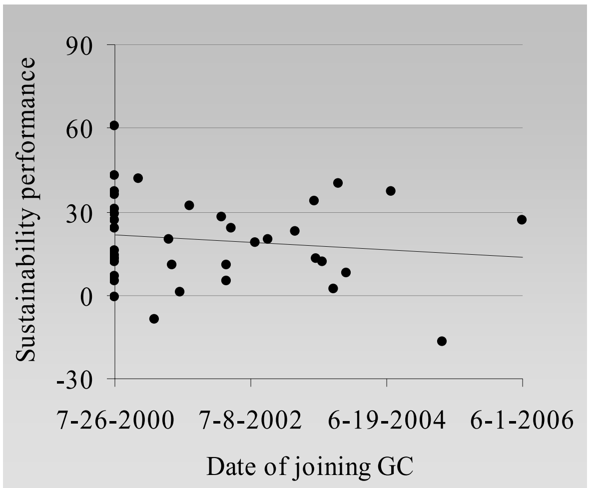
For the Stoxx 50 companies only the sustainability performance figures for 2006 are available. As a result only the second indicator for the existence of causal relationship between GRI or GC membership and companies' sustainability performance can be tested in this case. Figures 4.3 and 4.4 show sustainability performance set off against GRI and GC membership duration. Table 4.6 shows the results of a linear regression analysis conducted on the data from figures 4.3 and 4.4.

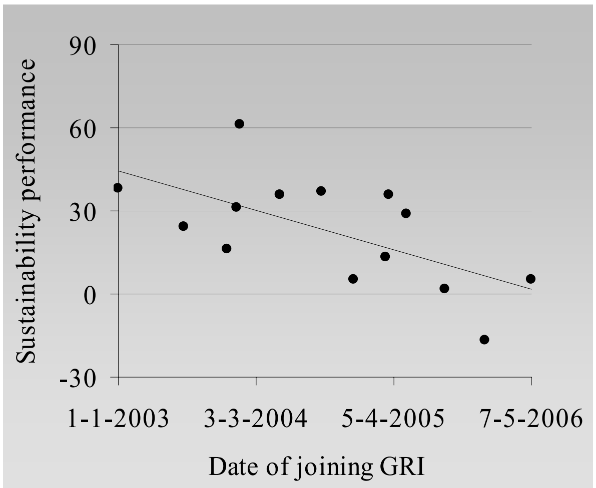
The relation between GC membership duration and sustainability performance does exist, but membership duration can account for only 5 % of the variance in sustainability performance. The linear regression analysis of GRI membership duration shows similar results to the analysis of the AEX companies. 35 % of the variance in sustainability performance can be attributed to GRI membership duration.

Table 4.6 Correlation of GC and GRI membership duration and sustainability performance of Dow Jones Stoxx listed companies

Date GC - sustainability performance 2006		*Date GRI - sustainability performance 2006*	
R_{square}	0.077	R_{square}	0.398
Adjusted R_{square}	0.053	Adjusted R_{square}	0.347
Significance	94.0 %	Significance	98.4 %

Figure 4.3 and figure 4.4 GC (left) and GRI (right) membership duration and sustainability performance of Dow Jones Stoxx listed companies





Sources: DSR 2006; GC website: c; GRI website: d

Conclusions

This chapter provides the first part of the answer to the question '*Why do business actors participate in private sustainability governance?*' The literature review provided four mutually exclusive hypotheses with regard to business motives for participation in private sustainability governance. Each of these four hypotheses corresponds to a unique combination of results of two separate tests. The first test is whether a causal relationship exists between participation in private sustainability governance by corporations and their sustainability performance. The conduct of this first test has led me to draw the following conclusions.

Firstly, an analysis of companies listed on the AEX showed that companies participating in either GRI or GC, out-perform companies that do not participate in these initiatives in the field of sustainability. These results are also significant when company size and inherent performance differences between business sectors are controlled for. The same test conducted on a second group of companies – the Dow Jones Stoxx 50 listed companies – shows less pronounced results. Comparisons on the basis of GRI membership still indicate that participating companies out-perform non-participants, but this result is not statistically significant. Comparisons on the basis of GC membership actually seem to indicate that non-participating companies out-perform participants. Once again these results do not have the required significance levels, however.

Secondly, I studied the rate of change over time in sustainability performance. AEX companies that join GC or GRI seem to experience a boost in the rate of change in their sustainability performance. There also seems to be a correlation between GRI and GC membership duration and sustainability performance. This relation is much more pronounced for GRI membership than for GC membership. Duration of GRI membership can account for approximately 35 % of the difference in sustainability performance of both AEX and Dow Jones Stoxx GRI members. For the GC, membership duration can account for very little of the variance in sustainability performance, but only for Dow Jones Stoxx listed companies.

On the basis of this analysis, the possible reasons for business actors to participate in private sustainability governance can now be reduced to two. Table 4.7 shows how the combination of results of the tests corresponds to the four different hypotheses about business participation in private sustainability governance. In my opinion there is strong evidence – especially for GRI membership – of a causal relation between participation in private sustainability governance and sustainability performance. As a result the neo-liberal and whitewashing of business hypotheses become highly unlikely. The second test – whether there is a correlation between media attention and corporate reputation on the one hand and participation in private sustainability governance on the other – will be conducted in the next chapter. This test will be instrumental in deciding which of the remaining two hypotheses – corporate responsibility or competitive strategy – is the most realistic.

Table 4.7 Business drivers for participation in private sustainability governance

	Chapter 4 *Sustainability Performance Effect*	*Chapter 5* *Media and Reputation Effect*
	Causal relation can be explained by hypothesis	
Hypotheses	*Participation → Performance*	*Reputation → Participation*
~~Neo-liberal scheme~~	~~No~~	~~No~~
~~Whitewashing of business~~	~~No~~	~~Yes~~
Corporate responsibility	Yes	No
Competitive strategy	Yes	Yes

Chapter 5 Media and Reputation Effect

In the previous chapter I was able to discard the neo-liberal and whitewashing of business hypotheses. Therefore, based on the results from Chapter 4, only the competitive strategy and corporate responsibility hypotheses remain. Is corporate participation in private sustainability governance a result of competitive strategy or of social responsibility? The decisive factor in choosing between these two business drivers is corporate reputation. The question is thus whether companies that join a private sustainability governance initiative do so to safeguard or improve their reputations.

If reputation – alongside performance – is part of the explanation for participation, two correlations should exist. Firstly, participation in private sustainability governance should be related to the amount and also the sort of attention a company gets from the media. Secondly, a causal relation is only likely if companies actually benefit reputation-wise from their participation in private sustainability governance. If no reputational benefits ensue from participation, it is unlikely that companies will act upon media attention. Consequently there should be a correlation between participation and reputation. The following two sections of this chapter each deal with one of these correlations. Once again GRI and GC membership is used as an indicator for participation in private sustainability governance. Because of a shortage in the available data two different corporate lists where used. The first section is based on a comparison between AEX companies and for the second section I used the list of 205 large corporations from ten different business sectors, which was also used in chapter 3.

Media Attention and Participation in Private Sustainability Governance

The first hypothesis with regard to media attention and reputation is that the amount and sort of media attention a company generates is correlated with participation in private sustainability governance. Because both media attention and participation in private sustainability are related to the size of a company, this variable has to be controlled for. As in chapter 4, I used turnover as a measure for company size. As a proxy for media attention I used the number of hits a company's name generates in the Dutch version of Google News. Google News is a search engine that can be used to find news articles from a selection of sources. These sources can be newspapers or newsmagazines (Google News a). For instance, a search for all articles with the word ABN AMRO on January 6th 2007 resulted in 1369 hits. It should be noted that this method does not take content and length of the articles into account. Nevertheless this measure is an easy and comparable indicator for the amount of media attention a company generates. As the number of articles of course varies over time, I conducted my research on data from January 6th and February 9th 2007.

Table 5.1 Hits at Google news in relation with GRI and GC participation of AEX companies.

Company	*Google January 2007*	*Google February 2007*	*Google average*	*GRI*	*GC*	*GRI/GC*
Reed Elsevier	189	351	270	0	1	1
DSM	195	350	273	0	0	0
Wolters Kluwer	359	220	290	0	0	0
Numico	277	357	317	1	0	1
Vedior	433	501	467	0	0	0
Hagemeyer	485	507	496	0	0	0
Buhrmann	111	888	500	1	0	1
Rodamco	428	689	559	0	0	0
Akzo Nobel	606	618	612	0	1	1
SBM Offshore	643	610	627	0	0	0
AEGON	829	555	692	0	0	0
Getronics	891	655	773	1	0	1
Unilever	424	1190	807	0	1	1
Royal Ahold	728	943	836	0	0	0
Heineken	715	976	846	1	1	1
TNT	840	853	847	1	1	1
Fortis	792	951	872	0	1	1
ASML	833	1096	965	0	0	0
ING Group	1458	1827	1643	1	0	1
KPN	1344	1982	1663	0	0	0
Philips	1359	2101	1730	1	0	1
Shell	1914	1743	1829	1	1	1
ABN AMRO	1369	2562	1966	1	1	1

Sources: GC website: c; Google News; GRI website: d

The average number of articles available for each company in Google News varied from 270 hits for Reed Elsevier to 1966 hits for ABN AMRO. Table 5.1 shows all the results for AEX companies. The results are sorted on the basis of the average number of hits in Google. Companies that appear at the bottom of table 5.1 thus receive most media attention. Based on this table I conclude that the more media attention a company generates, the more likely it is to participate in GC and or GRI. This conclusion is endorsed by table 5.2, which shows the average number of hits for GRI and/or GC participants as compared to non-participants. Participants on average receive more media attention than the non-participants. These findings are only statistically significant for GRI participation, however.

Table 5.2 Comparison of average hits on Google by GRI and GC participating and non-participating companies

Comparison	*Google hits January*	*Google hits February*	*Google average hits*
GRI Participants	993 *	1.329 *	1.161 *
Non GRI Participants	592	755	673
GC Participants	856 **	1.156 **	1.006 **
Non GC Participants	692	885	788
GRI or GC	842 **	1.159 **	1.001 **
Non Participants	628	745	687

*Significant at 5 % level
** Significance below 10 % level

Although it can also be argued that large companies are more likely to participate in private sustainability governance because large companies receive more media attention, controlling for company size may reinforce these results found. If correlation between media attention and participation exists independent of company size, problems with regard to the direction of the correlation between company size, media attention and participation are partly overcome. The results of the partial correlation between media attention and participation, controlled for company size, are shown in Table 5.3. Correlation between media attention and participation does exist, but is only significant and in accordance with the hypothesis for participation in GRI. Variation in participation between AEX companies can be explained for almost 40 % by media attention.

Table 5.3 Correlation between Google hits and GRI and GC participation of AEX companies

	Google January 2007		*Google February 2007*		*Google average*	
	GRI	*GC*	*GRI*	*GC*	*GRI*	*GC*
Correlation	0.358*	**	0.395*	**	0.399*	**

* Significant at 5 % level
** No significant correlation found

Participation in Private Sustainability Governance and Reputation

The second hypothesis with regard to the media and reputation effect is that there is a positive correlation between participation and reputation. If the reputation of companies that participate in a private sustainability governance initiative do not improve, it is unlikely that those companies would actually act upon media attention. In this section the question is therefore, whether companies that participate in GRI and/or GC have a better reputation than companies that do not participate in these initiatives. The answer to this question requires a measure of companies' reputation on issues of sustainability. This can be found in the data of

Covalence. Covalence is an organization, which measures companies' ethical reputation on the basis of both online news sources and expert assessments.

Articles about companies that appear in Google News or in news archives of Thomson News Research are given a positive or negative code and this is combined with assessments by experts. The result is included in the EthicalQuote index (Covalence 2007: a). The companies are assessed on issues such as human rights and the environment which makes the EthicalQuote index a good measure since these are also important issues for the GRI and GC. Analysis of different business sectors has shown that reputation varies between business sectors and also because not all AEX companies have been assessed, a comparison using only AEX companies does not provide sufficient valid cases. Therefore I used the full Covalence database.

For each of the 205 companies a reputational score as well as their participation in GRI or GG is publicly available. On the basis of this, differences in average reputational score between companies that participate in private sustainability governance and those that do not participate in such initiatives are calculated. Because there are significant differences between the average reputation of business sectors and also because the spread of companies is not geographically homogeneous, I have calculated averages for several different groups. Table 5.4 shows these reputational business sector averages for European based and non-European based companies. I compared companies' reputational scores on the basis of GRI and GC participation and non-participation. The figures presented in this table are to a large extent in accordance with the hypothesis that companies participating in private sustainability governance initiatives have better ethical reputations than non-participating companies. This is especially the case for European companies. Of all comparisons between European based companies 91 % fit the hypothesis. For non-European companies, this figure is 76 %.

Table 5.5 shows the results of partial correlation between participation in private sustainability governance and companies' reputation. Once again I corrected for business sector and geographical spread. With a significance of over well over 90 %, I can safely conclude that, on average, companies participating in private sustainability governance have a better reputation than non-participants. Differences in reputation can be explained for 18 % by participation in either GRI or GC. Significant reputational gains can thus be made by joining a private sustainability governance initiative.

Table 5.4 Comparison of the average reputational score of companies participating or non-participating in GRI and/ or GC

European based companies

	GC comparison			*GRI comparison*			*GRI or GC comparison*		
	Average reputational score			*Average reputational score*			*Average reputational score*		
Business sector	*participants*	*non participants*	*diff.*	*participants*	*non participants*	*diff.*	*participants*	*non participants*	*diff.*
Automobiles	46	89	43	69	107	38		82	
Banks	60	69	9	64	83	19	60	69	9
Chemicals	-35	133	168	-19	24	43	-19	24	43
Entertainment & leisure	187				187	187		187	
Food & Beverage	1	103	101	70	58	-12	-27	96	123
Mining & Metals	22	59	36	21	97	76	22	59	36
Oil & Gas		-30		-108	49	157		-30	
Pharmaceuticals	178	233	56	227	96	-131	178	234	56
Retailers	30	87	57	44			30	87	57
Technology Hardware	46	106	60	94			46	106	60

Non European based companies

	GC comparison			*GRI comparison*			*GRI or GC comparison*		
	Average reputational score			*Average reputational score*			*Average reputational score*		
Business sector	*participants*	*non participants*	*diff.*	*participants*	*non participants*	*diff.*	*participants*	*non participants*	*diff.*
Automobiles	76	46	-29	53	196	142	54	146	92
Banks	33	5	-28	31	32	1	33	18	-15
Chemicals	-25	51	76	-19			-25	51	77
Entertainment & leisure	41			39	63	25	39	63	25
Food & Beverage	54	-41	-95	43			54	-41	-95
Mining & Metals	41	9	-32	33	16	-18	41	9	-32
Oil & Gas	-68	11	79	-73	39	113	-84	33	117
Pharmaceuticals	156	386	230	214			156	386	230
Retailers	-5	47	52	0			-5	47	52
Technology Hardware	69	166	97	75	205	130	68	152	85

Sources: Covalence 2005; GC website: c; GRI website: d

Table 5.5 partial correlation of companies' reputation and participation and non-participation in GRI and GC

	Groups for which correlation is tested		
	GRI/ non-GRI	*GC/ non-GC*	*GRI or GC/ non-participants*
Correlation	0.146*	0.103**	0.182*

* Significant at 5 % level
** Significant at 10 % level

Conclusions

This chapter provides the second part of the answer to the question '*Why do business actors participate in private sustainability governance?'* Where the previous chapter allowed me to discard the neo-liberal and whitewashing hypotheses, this chapter is designed around deciding between the remaining competitive strategy and corporate responsibility hypotheses. The decisive factor in this respect is whether reputation plays an important role in a company's decision to participate in private sustainability governance. I conducted two tests to enquire the existence of this relation between reputation and participation. The results have led me to draw the following conclusions.

Firstly, a comparison of the amount of media attention between participants of GRI and/or GC and non-participants showed that participating companies on average receive more media attention. This result seems to indicate that the more media attention a company receives, this increases the likelihood that this company participates in private sustainability governance. Statistical tests show that effects found are significant in the case of GRI participation.

Secondly, I studied the relation between participation in private sustainability governance and companies' reputation. The results showed that participants of GRI or GC have a better reputation than non-participants. These results are statistically significant for companies in and outside Europe and for both GRI and GC. As companies are able to benefit reputation-wise from joining a private sustainability governance initiative, this increases the likelihood that companies act upon media attention.

Combining both analyses led me to conclude that a causal relation between media attention and participation is plausible. Reputation indeed seems to play an important role in companies' decision to participate in private sustainability governance. In table 5.6 I once again show how the combination of results of the tests conducted in the chapters 4 and 5 corresponds to the four different hypotheses about business participation in private sustainability governance. Since both chapters resulted in a positive answer on the question under investigation I conclude that the competitive strategy hypothesis is the best description of reality. In the next and final chapter I will elaborate on this finding.

Table 5.6 Business drivers for participation in private sustainability governance

	Chapter 4 *Sustainability Performance Effect*	*Chapter 5* *Media and Reputation Effect*
	Causal relation can be explained by hypothesis	
Hypotheses	*Participation → Performance*	*Reputation → Participation*
Neo-liberal scheme	No	No
Whitewashing of business	No	Yes
Corporate responsibility	Yes	No
Competitive strategy	Yes	Yes

Chapter 6 Conclusions

This final chapter returns to the research question of this thesis: '*To what extent and why do business actors participate in private governance mechanisms?'* I will reexamine the two sub questions and add some comments on the validity of the conclusions. Also, the relevance of private sustainability governance is assessed by elaborating on the implications of these conclusions. Both the comments on the validity of this research as well as the assessment of the relevance of private governance serve as a starting point for further research.

Assessing the Research Question

I examined the research question on the basis of corporate participation in two private sustainability governance initiatives: the Global Reporting Initiative and the Global Compact. In this thesis I correlated data of corporate participation in these initiatives with corporate sustainability performance, media attention and reputation to answer the two sub questions. The methods I used and the contradictions I found are used to assess the validity of this research.

To what extent do business actors participate in private governance?

On the basis of a review of relevant literature I concluded that the literature about private governance is too much preoccupied with the private governance mechanisms themselves. Instead, attention should also be directed at areas of non-governance or corporate non-involvement in private governance. Therefore I formulated the first hypothesis as follows:

> *H1) The extent of business participation in private governance is overestimated.*

In my opinion corporate participatory figures of the Global Reporting Initiative and the Global Compact clearly show that corporate participation in private governance is low. Although participation in GC among Europe's financially best performing companies is high, outside this sample of companies participation is much less widespread.

In the Netherlands just under 40 % of AEX listed companies participate in either GRI or GC. However, when all large companies in the Netherlands are assessed, participation is the exception and non-participation is the rule. An international comparison of corporate participation related to the size of counties' economies furthermore showed that a sizeable spread of private sustainability governance outside the Netherlands is unlikely. In addition, significant differences in the spread of private governance in various business sectors were found.

I therefore conclude that the first hypothesis should be accepted. The extent of business participation in private sustainability governance indeed seems overestimated. Participation in private sustainability governance is mainly restricted to multinationals based in European or OECD countries. Also, private sustainability governance is confined to companies operating in business sectors as banking, oil and gas, technology-hardware, food and beverage and automobiles.

Why do business actors participate in private governance?

A study of political science and business management literature led me to formulate four mutually exclusive hypotheses that explain corporate participation in private governance. These hypotheses are that:

H2) Private governance is a result and expression of corporate hegemony and a dominant neo-liberal ideology in the political sphere (neo-liberal hypothesis)

H3) Private governance is a way for corporations to free themselves of the stigma of a-moral business practices by creating a façade of responsiveness to collective problems (whitewashing of business hypothesis)

H4) Private governance is a means of achieving product differentiation and cost leadership with respect to the competition (competitive strategy hypothesis)

H5) Private governance is a sincere corporate commitment to solving collective problems (corporate responsibility hypothesis)

I furthermore argued that a specific set of answers to two questions concerning corporate participation in private sustainability governance corresponds to each of these hypotheses. Firstly, the question whether participation in private sustainability governance results in improved corporate sustainability performance. Secondly, whether reputation plays an important role in the decision of a company to participate in private sustainability governance. In both questions positive answers were found.

AEX listed companies participating in GRI or in GC on average have a better sustainability performance than companies not participating in these initiatives. Also, time series analysis indicates that joining a private sustainability governance initiative boosts companies' change in sustainability performance and that this effect is a lasting effect. Especially in the case of GRI results are significant and a causal relation between participation and performance likely. In the case of GC participation some inconsistencies were found. Running the same tests on a sample of large European companies showed that companies *not* participating in GC actually outperform the participating companies on sustainability. These results were not fully statistically significant, however.

Because only the competitive strategy or corporate responsibility hypotheses can explain a causal relation between participation in private sustainability governance and sustainability performance, I ruled out the neo-liberal and whitewashing hypotheses. I used the second question, whether correlation between reputation and participation exists, to decide which of the two remaining hypotheses fits reality best.

Studying media attention in relation with participation showed that companies receiving most media attention are more often participating in private sustainability governance. This effect is most pronounced in the case of participation in GRI. When the size of a company is controlled for, only the relation between media attention and GRI participation remains statistically significant. I finally tested the likelihood of a causal relation between media attention and participation by correlating participation in GRI and GC with companies' sustainability reputation. Within most business sectors and for companies based in and outside Europe participation in GRI and GC is related to a better sustainability reputation. Because correlation between media attention and participation and between participation and reputation exists, it can be argued that companies participate in private sustainability governance to improve their reputation.

Since only the competitive strategy hypothesis can explain a causal relation between media attention and participation, I conclude that this hypothesis should be accepted. Most companies participate in private sustainability governance as part of their competitive strategy. Participation is a means of achieving product differentiation and cost leadership with respect to the competition.

Validity of results

The external validity of this research is limited because of some choices I made. The data that I used is mainly on Netherlands-based multinational corporations. Although I also examined some of the effects in a more international context, these tests were less extensive and showed less pronounced results. Furthermore, studying business motives of the corporate sector as a whole is a simplification of reality, as differences in participation between various sectors show. Because private sustainability is a fairly new phenomenon, time series analyses on sustainability performance included only 3 years of data. This affected the statistical significance in a negative way. Lastly, I operationalized media attention as just a numeric variable, were content could also matter.

Despite these limitations one should take into account, the results with respect to GRI participation for companies listed at the AEX index are rather unambiguous. This thesis is therefore a good exploration of corporate commitment to issues of sustainability and sheds light at the before underemphasized business motives for participation in private governance. Further research could enhance understanding by, for instance, conducting company interviews and by investigating the sort of media attention over time in relation to participation in private sustainability governance.

Assessing the Relevance of Private Sustainability Governance

In the second chapter I argued that the relevance of private governance is dependent on the spread as well as the effectiveness of private governance. I furthermore argued that business motives are important for valuating this effectiveness. In this section I will take a final look at the conclusions and the implications this has for the relevance of private governance.

I concluded that participation in private sustainability governance is limited, but steadily increasing. Secondly, I showed that companies that participate in private sustainability governance have a better sustainability performance. These findings at first glance seem promising, but this could be short sighted because we do not know the likelihood of a sizeable spread of private sustainability governance. The competitive strategy hypothesis, which I accepted as the most plausible, now can be used to assess the likelihood of a widespread of private sustainability governance.

Companies participate in private sustainability governance because of the advantages associated with acting sustainable: cost cuts, access to financial markets and a good reputation are just a few of these advantages. However, if companies try to achieve distinctiveness in a competitive market based on sustainability, as the competitive strategy hypothesis supposes, the logic of differentiation requires…

> *"…that a firm chooses attributes in which to differentiate itself that are different from its rivals'. A firm must be truly unique at something or be perceived unique if it is to expect a premium price. (...) however, there can be more than one successful differentiation strategy in an industry if there are a number of attributes that are widely valued by buyers (Porter 1985: 14)."*

This means that if, as Ruggie claims for example, companies participate in private sustainability governance mechanisms to attract and to retain the best personnel (2001: 377), it is impossible that this strategy is effective for all other companies as well. Only a few companies can have a competitive advantage in the field of sustainability, if everyone is special, no one is special. It furthermore implies that a widespread of private sustainability governance in unlikely, or only likely if sustainability is the only attribute that is highly valued by all buyers. Only then participation in private sustainability governance becomes a necessity and has relevance for solving sustainability problems.

This argument sheds light at some findings of this thesis. For instance, results showed that chemical corporations have lower GRI and GC participatory figures than banks and oil and gas producing companies. As chemical corporations are business-to-business companies, while banks and oil and gas companies have individuals as consumers, and because banking products and gasoline are very homogeneous, these differences can be explained by the competitive strategy hypothesis. It can be argued that in end user markets with homogeneous products there is a necessity to differentiate on issues such as sustainability. Since a car just runs equally well on gasoline from Shell as from Exxon Mobil, these companies cannot compete on the basis of their products and need other strategies to increase customer loyalty. Acting sustainable and having a ditto reputation is such a strategy.

Also, a study of the best performing European companies showed that 75 % of these companies participated in the GC. It was concluded that for these companies non-participating companies outperformed the participating companies in the field of sustainability. It seems that among very large companies GC participation is no longer an outstanding characteristic. Participation of unsustainable companies with little intentions to improve sustainability might have been provoked by the fact that the GC has much less regulatory impact on business practices than GRI has. The fact that in 2006 over 500 corporations were removed from the GC's list of participants supports this argument (GC website: f).

The above led me to conclude the following with regard to the relevance of private sustainability governance. Firstly, I conclude that the extent of business participation in private sustainability governance is low. Secondly, I conclude that most corporations participate in private sustainability governance as part of their competitive strategy. However, as the long-term implication of this strategy is that a sizeable spread of private sustainability governance cannot be expected, there is little relevance of private governance from a business actor perspective. Because a clear-cut contribution of private governance to solving global problems is unlikely, this in my point of view can serve as a strong recommendation for good old-fashioned government driven policymaking in the field of sustainability.

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b) http://www.globalreporting.org/AboutGRI/WhoWeAre/StakeholderCouncil
c) http://www.globalreporting.org/Services/ReportServices/InAccordanceChecks/InAccordanceCriterion/
d) http://www.globalreporting.org/griportal/GRI/OSManagement/frmOSMemberSearch.aspx
e) http://www.globalreporting.org/AboutGRI/WhatWeDo/OurHistory
f) http://www.globalreporting.org/AboutGRI/JoinGRI

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Appendices

Appendix A Countries' Corporate GC Participation per Billion Dollar GDP

Country	GC	GDP	GC/GDP	rank	80 % GDP rank
World	*2978*	*60630*	*0,0491*	*xxx*	*xxx*
Malaysia	1	287	0,0035	100	80
China	59	8883	0,0066	99	79
United States	91	12310	0,0074	98	78
Russian Federation	14	1584	0,0088	97	77
New Zealand	1	102	0,0098	96	76
Sudan	1	85,89	0,0116	95	75
Japan	49	4025	0,0122	94	74
Israel	2	156,9	0,0127	93	73
South Korea	15	1101	0,0136	92	72
Syrian Arab Republic	1	71,42	0,0140	91	71
Thailand	11	550,2	0,0200	90	70
India	75	3666	0,0205	89	69
Poland	12	505,2	0,0238	88	68
Canada	27	1111	0,0243	87	67
Congo	1	40,67	0,0246	86	66
Greece	6	238,2	0,0252	85	65
United Arab Emirates	3	115,8	0,0259	84	64
Australia	18	635,5	0,0283	83	63
Cambodia	1	34,08	0,0293	82	62
Morocco	4	135,1	0,0296	81	61
Ireland	5	165,1	0,0303	80	60
Hungary	5	163,1	0,0307	79	59
South Africa	17	540,8	0,0314	78	58
Germany	82	2480	0,0331	77	57
Indonesia	29	869,7	0,0333	76	56
Austria	9	265,8	0,0339	75	55
Ecuador	2	57,23	0,0349	74	54
Cote d'ivoire	1	27,58	0,0363	73	53
Zimbabwe	1	25,69	0,0389	72	52
Kazakhstan	5	125,3	0,0399	71	51
United Kingdom	73	1818	0,0402	70	50
Belgium	13	322,3	0,0403	69	49
Uganda	2	47,76	0,0419	68	48
Netherlands	21	497,9	0,0422	67	47
Philippines	18	412,5	0,0436	66	46
Italy	95	1667	0,0570	65	45
Bangladesh	18	305,9	0,0588	64	44
Finland	10	161,9	0,0618	63	43
Nicaragua	1	16,1	0,0621	62	
Madagascar	1	16,05	0,0623	61	
Mauritius	1	15,73	0,0636	60	
Luxembourg	2	30,9	0,0647	59	42
Romania	12	181,8	0,0660	58	41

Country	GC	GDP	GC/GDP	rank	80 % GDP rank
Tanzania	2	27,11	0,0738	57	40
Venezuela	12	162,1	0,0740	56	39
Jordan	2	26,85	0,0745	55	38
Brazil	116	1536	0,0755	54	37
Norway	15	196,4	0,0764	53	36
Turkey	46	584,5	0,0787	52	35
Ukraine	26	329,1	0,0790	51	34
Gabon	1	9,739	0,1027	50	
Singapore	13	126,5	0,1028	49	33
Egypt	32	304,3	0,1052	48	32
Albania	2	18,87	0,1060	47	
Switzerland	26	240,9	0,1079	46	31
Ethiopia	7	64,73	0,1081	45	30
Portugal	23	200,6	0,1147	44	29
Cameroon	5	39,75	0,1258	43	28
Sweden	35	268,3	0,1305	42	27
Chile	26	189,9	0,1369	41	26
Mexico	151	1064	0,1419	40	25
Nigeria	25	175,5	0,1425	39	24
Pakistan	57	395,2	0,1442	38	23
Senegal	3	20,57	0,1458	37	
Denmark	31	189,3	0,1638	36	22
Iceland	2	10,59	0,1889	35	
Lesotho	1	5,008	0,1997	34	
Barbados	1	4,815	0,2077	33	
France	381	1794	0,2124	32	21
Colombia	74	341,1	0,2169	31	20
Tunisia	18	82,85	0,2173	30	19
Bermuda	1	4,5	0,2222	29	
Spain	260	1033	0,2517	28	18
Nepal	10	39,14	0,2555	27	17
Sri Lanka	22	86,07	0,2556	26	16
Latvia	9	31,46	0,2861	25	15
Guyana	1	3,439	0,2908	24	
Belarus	22	73,09	0,3010	23	14
Paraguay	9	29,11	0,3092	22	13
Ghana	17	54,86	0,3099	21	12
Slovenia	14	43,27	0,3235	20	11
Kenya	13	37,89	0,3431	19	10
Peru	58	167,3	0,3467	18	9
Argentina	193	543,4	0,3552	17	8
Liechtenstein	1	1,786	0,5599	16	
Mozambique	16	26,18	0,6112	15	7
Georgia	10	16,03	0,6238	14	
Bulgaria	54	71,67	0,7535	13	6
Bolivia	20	25,82	0,7746	12	5
Bosnia & Herzegovina	18	23,09	0,7796	11	4
Lithuania	39	49,41	0,7893	10	3
Armenia	13	14,45	0,8997	9	
Cyprus	16	16,81	0,9518	8	

Country	GC	GDP	GC/GDP	rank	80 % GDP rank
Dominican Republic	68	67,44	1,0083	7	2
Malawi	12	7,364	1,6295	6	
Mongolia	10	5,272	1,8968	5	
Macedonia	35	15,94	2,1957	4	
Zambia	24	10,63	2,2578	3	
Panama	62	23,33	2,6575	2	1
Antigua And Barbuda	3	0,75	4,0000	1	

Lowest 20 % GDP

Appendix B Countries' Corporate GRI Participation per Billion Dollar GDP

Country	GRI	GDP	GRI/GDP	rank	80 % GDP rank
World	*180*	*60630*	*0,00297*	*xxx*	*xxx*
China	2	8883	0,0002	31	30
Italy	1	1667	0,0006	30	29
India	5	3666	0,0014	29	28
Turkey	1	584,5	0,0017	28	27
Japan	7	4025	0,0017	27	26
United States	22	12310	0,0018	26	25
France	5	1794	0,0028	25	24
Brazil	5	1536	0,0033	24	23
Argentina	2	543,4	0,0037	23	22
South Africa	2	540,8	0,0037	22	21
Austria	1	265,8	0,0038	21	20
Chile	1	189,9	0,0053	20	19
Germany	15	2480	0,0060	19	18
Hungary	1	163,1	0,0061	18	17
Israel	1	156,9	0,0064	17	16
Sweden	2	268,3	0,0075	16	15
United Kingdom	14	1818	0,0077	15	14
Switserland	2	240,9	0,0083	14	13
Greece	2	238,2	0,0084	13	12
Canada	10	1111	0,0090	12	11
Belgium	3	322,3	0,0093	11	10
Denmark	2	189,3	0,0106	10	9
Finland	2	161,9	0,0124	9	8
Norway	3	196,4	0,0153	8	7
Spain	19	1033	0,0184	7	6
Australia	15	635,5	0,0236	6	5
Tanzania	1	27,11	0,0369	5	4
Bolivia	1	25,82	0,0387	4	3
Portugal	9	200,6	0,0449	3	2
Netherlands	23	497,9	0,0462	2	1
Afganistan	1	21,5	0,0465	1	

Lowest 20 % GDP
OECD member

Appendix C Business Sectors, GRI and GC Participation and Reputation

The table below is sorted first on business sector, then on region and finally on reputational score. Corporations that are participating in either GRI or GC are shaded.

Sector	Enterprise	Reputation Score	GRI	GC	eu/non eu
Automobiles	DaimlerChrysler	169	yes	yes	EU
Automobiles	BMW	90	no	yes	EU
Automobiles	Renault	69	no	yes	EU
Automobiles	Volkswagen	61	no	yes	EU
Automobiles	Peugeot	55	no	yes	EU
Automobiles	Denso	46	yes	no	EU
Automobiles	Toyota	341	no	no	non-EU
Automobiles	Ford	269	yes	no	non-EU
Automobiles	Honda	142	no	no	non-EU
Automobiles	General Motors	122	yes	no	non-EU
Automobiles	Nissan	46	no	yes	non-EU
Automobiles	Hyundai Motor	32	no	no	non-EU
Automobiles	Fuji Heavy Industries	20	no	no	non-EU
Automobiles	Mazda Motor	17	no	no	non-EU
Automobiles	Aisin Seiki	12	no	no	non-EU
Automobiles	Bridgestone	11	no	no	non-EU
Automobiles	Mitsubishi Motors	8	no	no	non-EU
Automobiles	Magna International	5	no	no	non-EU
Automobiles	Suzuki Motor	2	no	no	non-EU
Automobiles	Yulon Motor	1	no	no	non-EU
Banks	HSBC	293	no	yes	EU
Banks	ABN AMRO	147	yes	yes	EU
Banks	Barclays	124	no	no	EU
Banks	Royal Bank of Scotland	62	no	yes	EU
Banks	BNP Paribas	56	no	yes	EU
Banks	Societe Generale	46	no	yes	EU
Banks	Lloyds	37	no	no	EU
Banks	Credit Suisse	33	no	yes	EU
Banks	UBS	28	no	yes	EU
Banks	Deutsche Bank	19	yes	yes	EU
Banks	HBOS PLC	19	no	no	EU
Banks	Banco Santander	17	no	yes	EU
Banks	Banco Bilbao	-9	no	yes	EU
Banks	Bank of America	97	no	no	non-EU
Banks	Citigroup	87	no	no	non-EU
Banks	JPMorgan Chase	66	no	no	non-EU
Banks	Wells Fargo	39	no	no	non-EU
Banks	Wachovia Corp.	36	no	no	non-EU
Banks	National Australia	32	no	no	non-EU
Banks	Royal Bank of Canada	32	yes	no	non-EU
Banks	Merrill Lynch	19	no	no	non-EU
Banks	Fifth Third Bancorp	12	no	no	non-EU
Banks	U.S. Bancorp	5	no	no	non-EU
Banks	Mitsubishi Tokyo	5	no	yes	non-EU
Banks	Bank One Corp.	4	no	no	non-EU
Banks	Morgan Stanley	-35	no	no	non-EU
Chemicals	BASF	133	yes	yes	EU
Chemicals	Akzo Nobel	32	no	no	EU
Chemicals	L'Air Liquide	20	no	no	EU
Chemicals	Bayer	-84	yes	no	EU
Chemicals	Syngenta	-108	no	no	EU
Chemicals	Air Products	65	no	no	non-EU
Chemicals	DuPont	51	no	yes	non-EU

Sector	Enterprise	Reputation Score	GRI	GC	eu/non eu
Chemicals	Sumitomo Chemical	20	no	no	non-EU
Chemicals	Potash Corp.	9	no	no	non-EU
Chemicals	PPG Industries	7	no	no	non-EU
Chemicals	Shin-Etsu Chemical	6	no	no	non-EU
Chemicals	Asahi Kasei	6	no	no	non-EU
Chemicals	Mitsui Chemicals	3	no	no	non-EU
Chemicals	Nan Ya Plastics	-1	no	no	non-EU
Chemicals	Mitsubishi Chemical	-1	no	no	non-EU
Chemicals	Formosa Chemicals	-15	no	no	non-EU
Chemicals	Dow Chemicals	-122	no	no	non-EU
Chemicals	Monsanto	-279	no	no	non-EU
Entertainment & leisure	Philips Electronics	187	yes	no	EU
Entertainment & leisure	Sony Corp.	127	no	no	non-EU
Entertainment & leisure	Eastman Kodak Co.	97	no	no	non-EU
Entertainment & leisure	Sharp Corp.	83	no	no	non-EU
Entertainment & leisure	Matsushita Electric	63	yes	no	non-EU
Entertainment & leisure	LG Electronics Inc.	44	no	no	non-EU
Entertainment & leisure	Harley-Davidson Inc.	38	no	no	non-EU
Entertainment & leisure	eBay Inc.	34	no	no	non-EU
Entertainment & leisure	Fuji Photo Film Co. Ltd.	33	no	no	non-EU
Entertainment & leisure	Sanyo Electric Co. Ltd.	16	no	no	non-EU
Entertainment & leisure	Pioneer Corp.	5	no	no	non-EU
Entertainment & leisure	Nintendo Co. Ltd.	-2	no	no	non-EU
Entertainment & leisure	Carnival Corp.	-6	no	no	non-EU
Entertainment & leisure	Cendant Corp.	-8	no	no	non-EU
Food & Beverage	Unilever	475	no	yes	EU
Food & Beverage	Diageo	123	no	yes	EU
Food & Beverage	Danone	76	no	yes	EU
Food & Beverage	SABMiller	71	no	yes	EU
Food & Beverage	Heineken	58	yes	no	EU
Food & Beverage	Cadbury	40	no	yes	EU
Food & Beverage	Numico	-14	no	no	EU
Food & Beverage	Kraft Foods	-40	no	no	EU
Food & Beverage	Nestlé	-169	no	yes	EU
Food & Beverage	Starbucks	356	no	no	non-EU
Food & Beverage	Procter & Gamble	168	no	no	non-EU
Food & Beverage	Kellogg	73	no	no	non-EU
Food & Beverage	Hershey Foods	5	no	no	non-EU
Food & Beverage	Heinz	-6	no	no	non-EU
Food & Beverage	Archer Daniels Midland	-13	no	no	non-EU
Food & Beverage	Coca-Cola	-41	no	yes	non-EU
Food & Beverage	Sara Lee	-68	no	no	non-EU
Food & Beverage	PepsiCo	-84	no	no	non-EU
Mining & Metals	Placer Dome	11	no	no	nn
Mining & Metals	Anglo American	97	yes	yes	EU
Mining & Metals	Falconbridge	22	no	no	EU
Mining & Metals	Rio Tinto	20	no	yes	EU
Mining & Metals	Alcoa	312	no	no	non-EU
Mining & Metals	Alcan	121	yes	yes	non-EU
Mining & Metals	POSCO	67	no	no	non-EU
Mining & Metals	Companhia Vale do Rio	41	no	no	non-EU
Mining & Metals	Gold Fields	40	no	yes	non-EU
Mining & Metals	WMC Resources Ltd.	34	no	no	non-EU
Mining & Metals	Impala Platinum	31	no	no	non-EU
Mining & Metals	JFE Holdings Inc.	20	no	no	non-EU
Mining & Metals	Kinross	14	no	no	non-EU
Mining & Metals	Nippon Steel	13	no	no	non-EU

Sector	Enterprise	Reputation Score	GRI	GC	eu/non eu
Mining & Metals	Alumina Ltd.	10	no	yes	non-EU
Mining & Metals	Harmony Gold	9	no	no	non-EU
Mining & Metals	China Steel Corp.	8	no	no	non-EU
Mining & Metals	BHP Billiton	5	yes	yes	non-EU
Mining & Metals	Inco	-17	no	no	non-EU
Mining & Metals	Barrick	-41	no	yes	non-EU
Mining & Metals	Gencor Ltd.	-42	no	no	non-EU
Mining & Metals	Newmont	-79	yes	yes	non-EU
Oil & Gas	BP	259	yes	yes	EU
Oil & Gas	Statoil	100	yes	yes	EU
Oil & Gas	Repsol	-20	no	yes	EU
Oil & Gas	ENI	-45	no	yes	EU
Oil & Gas	Shell	-214	yes	yes	EU
Oil & Gas	Total	-260	no	yes	EU
Oil & Gas	Suncor Energy	76	yes	no	non-EU
Oil & Gas	Schlumberger	23	no	no	non-EU
Oil & Gas	Petro-Canada	20	no	yes	non-EU
Oil & Gas	Imperial Oil	14	no	no	non-EU
Oil & Gas	CNOOC	13	no	no	non-EU
Oil & Gas	Anadarko Petroleum	11	no	no	non-EU
Oil & Gas	Baker Hughes	5	no	no	non-EU
Oil & Gas	Petrobras	2	yes	yes	non-EU
Oil & Gas	China Petroleum	-2	no	no	non-EU
Oil & Gas	Chevron	-187	no	no	non-EU
Oil & Gas	Halliburton	-236	no	no	non-EU
Oil & Gas	ExxonMobil	-395	no	no	non-EU
Pharmaceuticals	GlaxoSmithkline	582	no	yes	EU
Pharmaceuticals	Boehringer Ingelheim	296	no	no	EU
Pharmaceuticals	Roche	206	no	no	EU
Pharmaceuticals	Novartis	96	yes	yes	EU
Pharmaceuticals	Astra Zeneca	30	no	no	EU
Pharmaceuticals	Sanofi aventis	22	no	yes	EU
Pharmaceuticals	Merck	530	no	yes	non-EU
Pharmaceuticals	Bristol Myers Squibb	487	no	no	non-EU
Pharmaceuticals	Pfizer	242	no	yes	non-EU
Pharmaceuticals	Johnson & Johnson	200	no	no	non-EU
Pharmaceuticals	Abbott	175	no	no	non-EU
Pharmaceuticals	Eli Lilly	55	no	no	non-EU
Pharmaceuticals	Takeda	24	no	no	non-EU
Pharmaceuticals	Schering Plough	-2	no	no	non-EU
Retailers	Carrefour	156	no	yes	EU
Retailers	H&M	85	no	no	EU
Retailers	Marks & Spencer	79	no	no	EU
Retailers	Boots Group	37	no	no	EU
Retailers	Inditex S.A.	17	no	yes	EU
Retailers	GUS PLC	2	no	no	EU
Retailers	Gucci Group N.V.	-8	no	no	EU
Retailers	PPR	-14	no	no	EU
Retailers	Home Depot	89	no	no	non-EU
Retailers	Gap Inc	57	no	yes	non-EU
Retailers	Kingfisher	49	no	no	non-EU
Retailers	Aeon	38	no	yes	non-EU
Retailers	Lowe's	37	no	no	non-EU
Retailers	CVS Corp.	23	no	no	non-EU
Retailers	Best Buy Co. Inc.	19	no	no	non-EU
Retailers	Walgreen	18	no	no	non-EU
Retailers	Coles Myer Ltd.	10	no	no	non-EU

Sector	Enterprise	Reputation Score	GRI	GC	eu/non eu
Retailers	TJX Cos.	9	no	no	non-EU
Retailers	Sears	9	no	no	non-EU
Retailers	Wesfarmers	7	no	no	non-EU
Retailers	Cardinal Health Inc.	6	no	no	non-EU
Retailers	Ito-Yokado	5	no	no	non-EU
Retailers	McKesson Corp.	4	no	no	non-EU
Retailers	Bed Bath & Beyond Inc.	-4	no	no	non-EU
Retailers	Limited Brands	-8	no	no	non-EU
Retailers	Kohl's	-10	no	no	non-EU
Retailers	Costco Wholesale	-15	no	no	non-EU
Retailers	Target Corp.	-19	no	no	non-EU
Retailers	Wal-Mart	-328	no	no	non-EU
Technology Hardware	Nokia	152	no	yes	EU
Technology Hardware	Ericsson	102	no	yes	EU
Technology Hardware	Alcatel	85	no	yes	EU
Technology Hardware	Siemens	85	no	yes	EU
Technology Hardware	STMicroelectronics	46	no	no	EU
Technology Hardware	Hewlett-Packard	313	yes	yes	non-EU
Technology Hardware	Intel	265	no	no	non-EU
Technology Hardware	Cisco Systems	231	no	yes	non-EU
Technology Hardware	IBM	188	no	no	non-EU
Technology Hardware	Dell	123	no	no	non-EU
Technology Hardware	Motorola	116	no	no	non-EU
Technology Hardware	Sun Microsystems	105	no	no	non-EU
Technology Hardware	Canon	98	yes	no	non-EU
Technology Hardware	Samsung	77	no	no	non-EU
Technology Hardware	Ricoh	63	no	yes	non-EU
Technology Hardware	Toshiba	57	no	yes	non-EU
Technology Hardware	Texas Instruments	51	no	no	non-EU
Technology Hardware	Applied Materials Inc.	36	no	no	non-EU
Technology Hardware	Rohm	29	no	no	non-EU
Technology Hardware	Nortel	23	no	no	non-EU
Technology Hardware	EMC	14	no	no	non-EU
Technology Hardware	Qualcomm Inc.	13	no	no	non-EU
Technology Hardware	Taiwan Semiconductor	13	no	no	non-EU
Technology Hardware	Xilinx Inc.	13	no	no	non-EU
Technology Hardware	Analog Devices Inc.	12	no	no	non-EU
Technology Hardware	Linear Technology Corp.	2	no	no	non-EU

Appendix D Participatory and Sustainability Data of AEX listed Companies

No.	Company	Turnover	Hits google news			Participation in				Abs Sustainability Perf.			Rel. Sustainability Perf.		
		Milion €	Jan '07	Feb '07	average	GRI	GRI date	GC	GC date	2004	2005	2006	2004	2005	2006
1	ABN AMRO	19603	1369	2562	1966	yes	5-1-2004	yes	24-8-2004	57	75	82	8	32	61
2	AEGON	28500	829	555	692	no		no		52	67	57	-2	17	11
3	Royal Ahold	44496	728	943	836	no		no		72	69	63	9	0	19
4	Akzo Nobel	13000	606	618	612	no		yes	1-10-2004	55	71	66	-11	9	23
5	ASML	2528	833	1096	965	no		no		55	67	66	-6	6	20
6	Buhrmann	5890	111	888	500	yes	1-13-2006	no		54	68	59	11	25	1
7	DSM	8012	195	350	273	no		no		76	72	71	22	10	33
8	Fortis	90419	792	951	872	no		yes	1-6-2006	64	67	65	20	18	27
9	Getronics	2593	891	655	773	yes	9-15-2006	no		38	55	46	5	22	-13
10	Hagemeyer	5595	485	507	496	no		no		30	44	67	-48	-27	20
11	Heineken	10796	715	976	846	yes	1-1-2004	yes	19-1-2006	59	66	62	4	6	7
12	ING Group	71272	1458	1827	1643	yes	1-1-2003	no		73	75	71	38	31	38
13	KPN	11936	1344	1982	1663	no		no		69	67	65	17	3	10
14	Numico	1988	277	357	317	yes	9-15-2006	no		54	54	59	-5	-14	3
15	Philips	30395	1359	2101	1730	yes	4-17-2005	no		70	74	76	52	45	36
16	Reed Elsevier	7542	189	351	270	no		yes	23-1-2003	68	77	67	41	36	32
17	Rodamco	503	428	689	559	no		no				52	.	.	1
18	Shell	306700	1914	1743	1829	yes	1-1-2004	yes	26-7-2000	83	76	65	22	10	31
19	SBM Offshore	1168	643	610	627	no		no				45	.	.	-9
20	TNT	10105	840	853	847	yes	9-24-2004	yes	2-10-2003	66	67	69	25	18	31
21	Unilever	39672	424	1190	807	no		yes	26-7-2000	66	77	66	15	23	15
22	Vedior	6851	433	501	467	no		no				54	.	.	-7
23	VNU	3457	.			no		no		49	52	52	3	-8	4
24	Wolters Kluwer	3400	359	220	290	no		no		32	32	58	-33	-43	14

Appendix E Comparisons of Average Sustainability Performance

	Absolute Sustainability Performance							
	GRI	non-GRI	Gap	significance	GC	non GC	Gap	Significance
2004	-	-	-	-	72.3	56.9	15.4	92.4%
2005	73.0	63.5	9.5	85.0%	74.3	63.2	11.1	91.0%
2006	70.8	59.9	10.9	99.4%	69.1	60.4	8.7	96.7%
	GRI or GC	non-GRI or GC	Gap	Significance	GRI and GC	other	Gap	Significance
2004	72.5	56.0	16.5	97.1%	No cases		-	-
2005	73.3	61.4	11.9	97.7%	-	-	-	-
2006	69.3	58.6	10.7	99.8%	72.0	61.3	10.7	95.3%

	Sector Relative Sustainability Performance							
	GRI	non-GRI	Gap	significance	GC	non GC	Gap	Significance
2004	38.0%	7.5%	30.5%	80.0%	26.0%	6.1%	19.9%	83.0%
2005	-	-	-	-	21.8%	7.8%	14.0%	76.0%
2006	34.1%	11.3%	22.8%	99.7%	32.1%	12.0%	20.1%	98.9%
	GRI or GC	non-GRI or GC	Gap	Significance	GRI and GC	other	Gap	Significance
2004	29.0%	4.1%	24.9%	95.0%	No cases			-
2005	22.3%	4.5%	17.8%	93.5%	-	-	-	-
2006	30.5%	8.9%	21.6%	99.8%	41.0%	13.6%	27.4%	99.2%

Appendix F Participation and Sustainability of Dow Jones Stoxx Companies

Company	Sustainability performance	GC	Date GC	GRI	Date GRI
HBOS	67	no		no	
ABN Amro	61	yes	26-7-2000	yes	15-1-2004
Credit Suisse	43	yes	26-7-2000	no	
HSBC	42	yes	27-11-2000	no	
RBS	40	yes	10-10-2003	no	
Lloyds	38	no		no	
BBVA	37	yes	17-7-2004	no	
ING	38	no		yes	1-1-2003
BP	37	yes	26-7-2000	yes	21-9-2004
Philips	36	no		yes	17-4-2005
BT	36	yes	26-7-2000	yes	14-5-2004
SG	34	yes	9-6-2003	no	
Aviva	32	yes	23-8-2001	no	
Barclays	32	no		no	
Shell	31	yes	26-7-2000	yes	1-1-2004
Novartis	29	yes	26-7-2000	yes	15-6-2005
Allianz	28	yes	7-2-2002	no	
Fortis	27	yes	1-6-2006	no	
UBS	27	yes	26-7-2000	no	
Astra Zeneca	27	no		no	
GSK	27	no		no	
Vodafone	24	no		no	

Company	*Sustainability performance*	*GC*	*Date GC*	*GRI*	*Date GRI*
Deutsche Telecom	24	yes	26-7-2000	no	
Tel-It	24	yes	27-3-2002	yes	23-7-2003
Axa	23	yes	27-2-2003	no	
Diageo	20	yes	9-10-2002	no	
Carrefour	20	yes	4-5-2001	no	
Roche	19	no		no	
BSCH	19	yes	3-8-2002	no	
DB	16	yes	26-7-2000	yes	3-12-2003
Tesco	15	no		no	
Unilever	14	yes	26-7-2000	no	
BASF	13	yes	26-7-2000	yes	9-4-2005
France telecom	13	yes	26-7-2000	no	
Rio_tinto	12	yes	26-7-2000	no	
l'oreal	12	yes	23-7-2003	no	
BNP	13	yes	18-6-2003	no	
Nokia	11	yes	25-5-2001	no	
Total	11	yes	7-3-2002	no	
Siemens	8	yes	26-11-2003	no	
AG	8	no		no	
Ericsson	7	yes	26-7-2000	no	
Telefoni	5	yes	1-3-2002	yes	29-12-2004
Daimler	5	yes	26-7-2000	yes	3-7-2006
SAP	2	yes	17-9-2003	yes	12-10-2005
ENI	1	yes	1-7-2001	no	
Suez	-1	yes	26-7-2000	no	
Nestle	-9	yes	20-2-2001	no	
E_on	-17	yes	4-4-2005	yes	13-2-2006