Sustainability Reporting for Value Creation and Risk Management

A dissertation submitted to Auckland University of Technology (AUT) in partial fulfilment of the requirements for the degree of Master of Business (MBus.) – Accounting

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ABSTRACT

Scope: With the growing demand for businesses today to head towards a more 'greener way' of doing business, corporations are facing organisational challenges more than ever before. This is somewhat impeding them from achieving their diverse sustainability accounting goals and reporting necessities. Corporations are now practicing safe 'gate-keeping' roles between value creation and risk management in the pursuit of better sustainability performance and knowledge. Businesses today are determined to achieving value creation motives without compromising the needs of various stakeholders.

Purpose: The purpose of this research is to examine the role of risk management and organisational value creation with its linkage to sustainability reporting.

Design and method: The paper undertakes a systematic literature review (SLR) approach and draws contribution from past literature. With the help of SLR, it studies, summarises, compares, and critiques the current state of knowledge by referring to the most relevant scholarly sources on the research topic. The study also carries out archival documentary review of NZ-based Fonterra Group's sustainability reports and correlates it to literature reviews to give supportive statements and standpoint on sustainability reporting. To allow organisation, preparation, categorisation, and disclosure of public information presented in Fonterra's sustainability reports and on its webpage, the research employs 'content analysis' approach.

Key findings: A whole new industry has grown around sustainability reporting due to growing expectations from the public. Fonterra NZ, however, portrays that its sustainability reporting on the environment is objective and is not using a 'green wash' mechanism to influence the decisions of its stakeholders. There are no legal obligations requiring organisations to engage in such reporting. They may do so out of interest, minimise risk and to create value in their undertakings.

Contributions: Companies in the line of business which employ a 'green approach' of doing things may use this research to reflect upon the precedence set by Fonterra NZ and incorporate the same when it comes to assurance work and financial reporting. The academic world may utilise the research in the foreseeable future to study the impact of sustainable reporting and the pivotal roles organisational value creation and risk management play in observing a sound business motive.

Limitations and future research: This research relies on sustainability reports of one case company (Fonterra) and therefore readers are cautioned when applying the findings from this study

to other contexts (including but not limited to other countries and organisations). Future researchers can adopt alternative research methodologies such as interviews, surveys, focus groups, questionnaire distribution, and site visitations. Primary data collection is recommended. Future researchers can also do an extensive study on this topic and apply other theoretical lenses to examine the issues explored in this dissertation. The engagement of a sustainable reporting assurance provider is recommended to vet the credibility of sustainability reports.

Keywords: sustainable reporting, risk management, value creation, Fonterra NZ

Paper type: qualitative research, systematic literature reviews and archival documentary reviews

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ATTESTATION OF AUTHORSHIP

I hereby declare that this submission is my own work and that, to the best of my knowledge and belief, it contains no material previously published or written by another person (except where explicitly defined in the acknowledgements), nor material which to a substantial extent has been submitted for the award of any other degree or diploma of a university or other institution of higher learning.

[Sanjay Singh]

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CHAPTER ONE INTRODUCTION

1.1 General overview

Over the last ten years, the number of entities' choosing to comply with sustainability reporting has increased (Gray, 2000). This is further backed up with the range of issues addressed in these reports and the overall improvement in the quality of reporting (Gray, 2000). However, reporting deficiencies still exist, and researchers classify these insufficiencies as 'reporting performance gaps' (Schaltegger & Zvezdov, 2015). These shortfalls may be in the form of poor reliability, lack of completeness and dialogue restrictions (Moroney et al., 2012).

As a regular part of their voluntary disclosure procedures, some of the world's largest companies forming more than ninety percent of the G250 listing implement sustainability reporting and publish a sustainability report (KPMG, 2017). Researchers proclaim that these reports often lack their 'true meaning' and the reporting language employed may be from time to time somewhat misleading (Schaltegger & Zvezdov, 2015). The underlying causes of this can be probed from environmental voluntarism aspects and organisational motivations (Moroney et al., 2012). Given the very nature of organisations, organisational motives may vary, and complexities remain (Gray, 2000).

Undiplomatically, the mandatory rules of compliance for sustainability reporting appears unrealisable in the current period and foreseeable time. An increasing trend however, for genuine sustainability reporting presents a challenge for organisations adhering to shareholder demands requesting such reports for decision making. Inconsistencies in reporting, corporate standing, and public's available knowledge on the subject of sustainability reporting act as contributors to failure of growing need for such reporting and restrictive measures to further develop and enhance this accounting technique (Moroney et al., 2012). This study provides an understanding of sustainability reporting and its linkages to organisational value creation and risk management. The paper analyses sustainability reports of Fonterra for past four years to help provide an understanding of sustainability and value creation disclosures. Hence, it is good to evaluate the current stance on this reporting and see how far it has come.

1.2 Current Stance

More firms today are shifting their narrow focus of conducting business to an integrated combination of products and services (Windahl et al., 2004). For some firms, value creation is something which they are already doing and not what they can choose to do. They may be doing it to some degree and/or at some level better than others. Value creation may be central to everything a firm does and may not be a peripheral activity (Chandler, 2020). The ultimate goal for most firms, however, is to create value for most of its stakeholders where possible. If the firm sees value for associating with a particular cause or charity and that the value underpinning aligns well with the firm's stakeholder demands, then that investment should be undertaken by keeping the associated risk factors in mind (Chandler, 2020). If the responsibility of decision-making lies within the functional areas of the organisation., the relevant expertise can be applied for optimal, value added effect.

It is the way business is conducted and how the scale and scope of sustainable value creation embedded into its core operations. Business decisions have moral, social, economic, and ethical dimensions. For those informed and vigilant stakeholders who engage with firms to promote their values, this measure of performance will increasingly become a predictor of market success. More broadly, it is the way business is conducted and that creating value is not an option. For the society to benefit, firms attempt to solve market-based problems by applying its technical expertise to build a competitive advantage over others.

In normal circumstances, manager's inadequate knowledge about sustainability and the complex motives surrounding performance of environmental reporting are perceived as the socio-environmental conflict and commercial contributor to flaws in reporting (Owen et al., 2000). Comparatively, sustainability reporting voluntarism provides opportunities for organisations to disclose managerially and selectively their environmental and social performances (Moroney et al., 2012). In light of this, accounting academics criticise that to overcome the credibility and completeness issues of sustainability reporting, mandatory regulations may need to be advocated (Rae et al., 2015).

As such, a growing phase across the globe is the publication and use of sustainability reports for sustainability reporting purposes. Critics in this area of research proclaim that corporations use sustainability reports as a ‘green-washing’ influence on stakeholders (Dando & Swift, 2003). To increase the credibility of their sustainability reports, corporations are rather resorting to acquiring and publishing third party assurance statements (Kolk & Perego, 2010). The trustworthiness and quality of the sustainability reports, however, is a growing concern. This leads to recognising the research justification of this paper.

1.3 Research justification

In majority of the studies, implementing measures for sustainability value creation, inter-dependence relations, and the social hierarchical sustainability structures among the critical aspects of risks incurred and management of the same are inadequately addressed.

When it focuses primarily on business, businesses serve society best as the pursuit of value creation and profit motive are synonymous. By continually improving day-to-day decisions supporting core operations and strategy, sustainable value creation is created. The social responsibility of business is business as per the famous economist Milton Friedman (Chandler, 2020). Managers should be best placed to help their firms succeed. What is of primary importance is how the firm actually does it to achieve sustainable value creation.

Stakeholders must act and practise a sense of engagement. Firms must anticipate these demands, and where possible, respond to them. Sustainable value creation in a nutshell is about placing focus on strategic planning, mitigating risks, day-to-day decision-making, and smoothening core business operations (Chandler, 2020). It is not about attending to issues peripheral to the firm but having a philosophical management designed to generate business success.

Previous studies in NZ have not disclosed much on sustainability reporting. Based on the above, this research seeks to study how sustainability reporting influences value creation (profit for some) motive of firms and how organisations seek to minimise their risks to achieve these goals. The study intends to unfold the primary goal of firms, such as Fonterra NZ, who engage in sustainability reporting and how this action of theirs affect its various stakeholders. Keeping this in mind, the study aim, objectives, and research questions follow.

1.4 Study aim & research questions

The aim of this study is to provide an understanding of sustainability reporting and its linkages to organisational value creation and risk management. The research analyses sustainability reports of the company for the past four years to help provide an understanding of sustainability and value creation disclosures.

To help achieve the aim, this study will employ the following research questions:

- how does Fonterra NZ report value creation to its stakeholders? and
- what risk management disclosures Fonterra NZ makes in their sustainability reporting?

This paper dwells upon how Fonterra employs sustainability reports to influence stakeholder perception; uncovering the motivation behind Fonterra’s use of sustainability reporting. To achieve the research aim and objectives of this study, it is fit to identify the research approach at this stage.

1.5 Research approach

The study is primarily based on a SLR. SLR is an explicit, systematic, and reproducible methodology when compared to a narrative literature review. It rather identifies, evaluates, and synthesizes existing literature and develops an agenda for future research. With the help of SLR, the study summarises, compares, and critiques the most relevant scholarly sources on the research topic. The research carries out detailed enquiry into databases which host key academic materials on the subject matter namely Google Scholar, Emerald Insight, ScienceDirect, ProQuest, Scopus, and Sustainability.

The layout, content, substance, language, infographics, and photographs of Fonterra’s sustainability reports are analysed to explicitly delineate the message. Foremost, the parameters for search criteria were set and the search terms were finalised. Then, the above-mentioned databases were searched and relevant publications having very close relations to the study were selected. Later, additional publications were identified from other databases. Finally, the basis for SLR were finalised.

Archival documentary reviews of Fonterra's sustainability reports were carried out (more thoroughly discussed in the findings chapter) to identify the present trends in sustainability reporting. The paper also studies web-based information of the company to address the value creation and risk management aspects of the company. This is where 'content analysis' came handy as it is considered a feasible approach for topics concerning sustainability reporting.

Legitimacy theory has been used in this research to disseminate why management preferably disclose environmental and social information prior to emphasizing on financial information and what motivating factors lead them to do so. Similarly, stakeholder theory has been utilised in this study to emphasize how managers respond to the demands put on them by the stakeholders and what effect does it have on their reporting for sustainability reasons. With the research approach identified, understanding the scope of this study is important.

1.6 Scope of study

The main sources of influence for Fonterra in implementing and improving their corporate social responsibility strategy are institutional competition and stakeholder views. In doing so, the writing intends to find out the key goals of sustainability reporting such as stakeholder concerns, transparent reporting, and importance of engaging in sustainability in the first place. In light of this, it would be an ideal move to see whether Fonterra has changed its business goals from pre-2017 to now and to scrutinise its key documents such as business Code of Conduct and other internal policies.

A limitation, however, is that it is difficult to identify with study of sustainability reports whether these reports are 'rhetorical devices' used sceptically by companies as part of its public share strategy or if the annual sustainability reports that it produces are actually genuine. This would rather require primary data collection such as interviews, questionnaires and focus group discussions which is beyond the scope of this study as it is merely a dissertation write-up. The structure of this paper follows.

1.7 The structure of the dissertation

This chapter commenced by delineating the relevance and rationale of the dissertation topic. A broad discussion of value creation and risk management concepts are theoretically derived. An overview of the structure of this paper is now provided.

Past literature available in the area of sustainable reporting is examined in Chapter 2 of this paper. It is fit to acknowledge at this point why SLR was preferred over just literature review in this study. Undeniably, both provide a synopsis of the existent literature and conduct research on a specific topic. However, literature reviews provide an overview or summary of a topic and can touch on a specific question or general topic, while SLR responds to a clearly defined, focused and answerable clinical questions using a pre-specified eligibility criterion to eliminate room for biasness.

As such, SLR was vital for this study as a substantial amount of literature is scattered across many disciplines. The general process of SLR forming part of this study was carried out as follows:

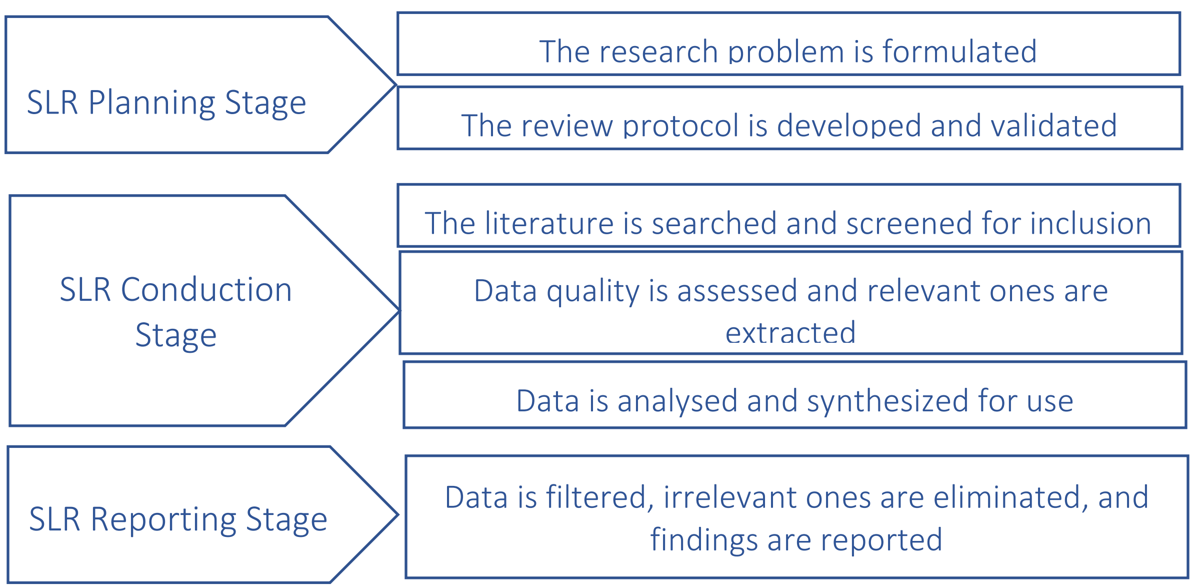


Figure 1: General steps undertaken for systematic literature review

By initially systematically identifying and then analysing 108 publications in the area of study, this part of the paper provides a thorough report on value creation and risk management motives for sustainability reporting. Research gaps, where possible, are identified and the same is elaborated further in discussion of findings chapter.

Chapter 3 outlines the data collection and research methods employed for this study. Based on SLR and sustainability report analysis, chapter 4 presents the findings of the current research. With respect to the research methods employed, Chapter 5 provides a discussion and reflects on the findings. Chapter 6 ends with conclusive remarks, study limitations, potential research gaps, and scope for future research.

CHAPTER 2 LITERATURE REVIEW

2.1 Overview

This chapter provides a review of past research and background literature relevant to current study. It comprises sustainability reporting and its development, criticisms of sustainability reporting, underlying need for sustainability reporting, as well as its link to value creation and risk management. Sustainability reporting is conceived as an external disclosure of information which encompasses all methods and instruments, gathered with the help of an organisation's sustainability accounting system, to measure or evaluate corporate sustainability (Gray, 2000).

The literature review has five specific motives (in no particular order) as part of this research:

1. provide a comprehensive understanding of how sustainability reporting has evolved overtime;
2. deliver a meaningful report on value creation and risk management by providing a precise set of current definitions of key concepts;
3. dwell on the underlying key concepts with the help of theoretical frameworks namely legitimacy and stakeholder theories;
4. identify research gaps pertaining to sustainability reporting in connection to 2; and
5. provide a route for potential future studies.

Foremost, the literature provides an understanding of the value creation motive of firms.

2.2 Value creation

Ever since social and environmental issues became important concerns for corporation and economic activities, there has been a challenge for the accounting profession (Dando & Swift, 2003) as it needs to keep abreast with the evolving organisation demands and the need for measures to come in place to regulate these corporations for sustainability reporting purposes. Sustainability reporting strives to incorporate an environmental, social and economic consciousness into a concise reporting structure and contemporary accounting concepts. This is for the sole purpose of achieving sustainable development and management and assisting organisations to become more socially and environmentally sensitive. The area of sustainable reporting is rather growing at an unprecedented level at the current time, both in theory and in practice (Elijido & Yulianda, 2014).

As mentioned previously, this dissertation draws focus on understanding the dynamics of value creation in relation to sustainability reporting. Before delving deeper into its connotation to sustainability reporting, it is important to define the phenomenon. Value creation is having a proposition in place whereby an entire organisation delivers, experiences, and acquires a benefit by capturing costs appropriately and keeping risks to a fair minimum to achieve superior results (Chandler, 2020). An integrated combination of products and services assists in enhancing customer loyalty and building unique relationships, allowing better address of customer needs (Tukker, 2004). However, in order to meet this product-service offering, customers must be accepting of such offering and businesses need a change in their corporate culture. These organisations rather demand a sense of culture shift and need to design, develop, deliver, and maintain such offerings. If they lack proficiencies necessary to offer such solutions, some firms may decide to opt out of product-service systems (Oliva & Kallenberg 2003).

Oliva & Kallenberg (2003) ascertain that value creation motives can be broadly clustered into: economic – whereby substantial revenue can be generated; environmental – a reduction in the quantity of materials required serving economic function; and strategic innovation – firms gaining a competitive advantage over others that is difficult to imitate (Velamuri, 2013). Offering integrated product-service combinations and overhauling their sales force does not necessarily mean that firms will enter a success zone (Bennett, Sharma & Tipping, 2001). In shifting the focus from a single transaction to a binding relationship with customers, these firms may require a shift from being product or service centric to being customer centric and need to develop and/or acquire new capabilities. Sustainability is considered as a goal of product-service combinations in addition to changing the competitive dynamics (Davies, 2004). The reduction in quantity of materials, either relatively or absolutely, to serve the economic function on the society is often related to the confines of sustainability (Velamuri, 2013).

Irrespective of the growing global awareness of sustainability reporting for value creation, previous research conducted on the type of disclosure in sustainability reporting and the relationship between corporate governance are merely limited (Michelon & Parbonetti, 2012). Stakeholders nowadays have become more conscious of how corporations handle their social and environmental issues credited to their everyday business undertakings (Galbreath, 2012). In addition to financial disclosures, this has prompted corporations to issue sustainability reports and to hold a better knowledge on their sustainability footprints so as to showcase their commitment for value creation related determinations.

To realise optimal gains, a long-term view is important to allow room for unanticipated consequences and to build a stepping-stone towards sustainable business activities. Businesses choose to create value by opting to set achievable targets upon collaboration with managers and specifying practical objectives for each desired performance results (Beske-Janssen et al., 2015). There is a need for radical change in the absence of an optimal solution for conflicted sustainability situations.

Organisational change or transformation usually requires a radical and methodical approach whereby each step should be undertaken to minimise resource waste and supposedly better outcomes (Asif et al., 2011). Those organisational goals which are merely aligned towards achieving value (profits), only at the sacrifice of the environment, may not always achieve goal congruence objectives. Corporations need to appreciate the fact that no single strategic goal should predominately overtake its ability to deliver value added services (Dobler et al., 2015). Employing independent strategy tools such as sustainability business scorecards (SBSC) and other multi-dimensional measurement systems can act as a helping hand towards achieving sustainability goals and meeting stakeholder needs (Jassem et al., 2018).

Placing the value creation process within the sustainable growth strategies is a challenge. Knowledge is undoubtedly a particularly competitive guard since it is a key driver of value creation for most stakeholders (Iazzolino & Laise, 2016). In majority of the studies, implementing measures for sustainability value creation, inter-dependence relations, and the social hierarchical sustainability structures among the critical aspects of risks incurred and management of the same are inadequately addressed.

Businesses need to pro-actively seek innovative means to be socially and environmentally sustainable while confirming that stability in their profits is not a pre-requisite to put sustainability at the top of its priority list (Dobler et al., 2015). Environmental oriented acquaintance does not work together unless knowledgeable participants in organisations are encompassed and are working towards a shared goal of creating value in their everyday undertakings (Beske-Janssen et al., 2015).

Research should be driven towards investigating actors' involvement and contribution to value creation processes and how they are related to firms in achieving concrete business goals (Brozović et al., 2020). Value creation is not something firms can choose to do but it should rather co-exist. In principle, they are doing it, at least to some degree – it is just that some do it better than others (Chandler, 2020). Businesses need to be strategic in their approach to creating value and that is why a risk management strategy is critical.

2.3 Risk management strategy

Studies have shown that sustainability aid in gaining the support of stakeholders and act as an assessment tool to measure possible risks; positively influencing a firm's corporate image (Roa, Tilt, & Lester, 2012). Use of indicators that are correlated well with the value of the company would lead to critical perspectives in the risk mitigation implementation phase (Rae et al., 2015).

In doing so, these corporations have increased customer satisfactions and greater brand loyalties (Mackenzie, 2007). Companies ought to consider the reactions of various stakeholders in their handling of environmental issues, as these stakeholders may be working towards environmental protection (Mathur & Mathur, 2000). Investors may choose not to invest in those businesses if a company's environmental stand shows otherwise. A corporation may lose trust and confidence of its stakeholders; including suffer revenue loss and additional clean-up costs when environmental risks occur (Roa et al., 2012). This may be detrimental to a company's survival status. If companies choose to show to their stakeholders that they are committed to protecting the environment, voluntary disclosures employed can mitigate the effect of such risks (Roa et al., 2012).

In the current business world, there is a genuine need for accounting to disseminate how sustainability related decisions are made and the context of trade-offs as a result of undertaking these decisions. Decision outcomes that allow sustainable development to flourish help businesses in overcoming risks (Gadenne & Zaman, 2002). To allow researchers to move away from simplistic sustainability studies and towards touching base on real-life corporate predicaments, modelling of the business response is paramount for managers to undertake risks in complex decision settings (Narayanan & Boyce, 2019).

The quality of disclosures and its effect on sustainability reporting helps in examining the risk management proxies. Businesses need to make more balanced and informed decisions. Choosing between different sustainability options should be kept to a minimal to recognise environmental trade-offs (Elijido-Ten & Tjan, 2014). It is fair that decision patterns at corporate levels are scrutinized to overcome inherent risks, minimise dead-weight loss scenarios and to encourage a more elusive passage to sustainability reporting (Figge et al., 2002). To keep these risk parameters under control, developing an understanding of organisational behaviour is key.

2.4 Organisational behaviour

Organisations tend to showcase their concerns towards the environment when they house principles, codes, and professional standards to guide their moral behaviour. Corporations which emphasize and participate in sustainability related matters to have a greater appreciation for environment-oriented activities (Mathur & Mathur, 2000). It is no surprise that the decision-making powers relating to sustainability reporting rests in the hand of chief executives officers and the top management.

Decisions pertaining to sustainability reporting vests in the hands of the managers who are in the position to impose their moral stance on important business agendas (Mackenzie, 2007). Managers are often faced with the dilemma if they should fully disclose the true environmental impacts of their actions and in most cases face difficulties in arriving to the best professional decision that is fit both for the organisation and in carrying good public image.

Many critics assert that sustainability reporting entities' are moving away from the prime purpose of sustainability and have disputed the underlying motives of such businesses (Rae et al., 2015). Instead of environmental and ethical purposes, critics believe that such entities' are using sustainability reporting for economic and political gain (Pfau et al., 2008). Given that they vary among different organisational contexts, theorists argue that sustainability motivations are more complex than understood (Owen et al., 2000). The underlying motivations of sustainability reporting as per these theorists are stakeholder management, risk and reputation management, business efficiency and peer pressure (Sheela et al., 2015).

Moreover, corporations sometimes have to make decisions that are unique to their needs similar to the choices as those of individuals – the contribution to, or solution of environmental problems. These companies have moral responsibilities towards the environment, and some may even require non-obligatory decisions (Milne et al., 2009). Organisational codes of conduct are business standards, rules and moral principles which helps in guiding businesses towards desired behaviours. An organisation being socially responsible does share a bond with business ethics which helps in mitigating business risks and creating business value.

A moral dilemma however remains if a company should fully disclose environmental information when presentation of such information is voluntary. Organisations resorting to sustainable reporting should not belittle their performance level nor overly brag on their environmental performance; it should rather be accurate, truthful, and balanced in nature (Dando & Swift T, 2003). Information narrated in sustainability reports should be of high quality and reliable. As such, understanding the reporting standards and how they are influenced by societal norms is vital.

2.5 Reporting and societal norms

Sustainability reporting can vary from company to company. While some may opt to narrow it down to a few sentences or pages in their annual reports, others may choose to go into detailed reporting. These reports may comprise of environmental practices, internal policies, ground rules, performance, and routes for future directions to improve upon (KPMG, 2017). Some of the topical subjects covered in these reports include reducing waste, pollution control, managing people, species, stormwater use, wastewater conservation techniques, restoring natural habitats, minimising carbon footprints, reusing materials and recycling agendas (Sands & K-Hoon, 2015).

To ensure that businesses remain fairly managed and secure a decent amount of profitability level, corporate social responsibility (CSR) and sustainability reporting are two critical concepts that should not go ignored. Once this balance is achieved, corporations can showcase their commitment to tackling environmental and social issues to the interested parties (Sundarasen et al., 2016). Companies are choosing to do incorporate sustainability reporting in their annual reports whilst some are even releasing separate sustainability reports. It can be implied that this increase in reporting is due to an increasing demand by private and public investors. These corporate disclosures are not generally embedded in corporate regulations as sustainability reporting is generally deemed of voluntary nature (Kolk & Pinkse, 2010).

Research suggests that a possibility of biasness is inclined to exist. In this context, negative news and comments are kept to a minimal and good news as well as general successful business activities are given prominence (Owen et al., 2000). The concept of 'virtue ethics' erupts subsequently and suggests what corporations 'should' report in their sustainability reports and how openly they disclose their actions in these reports. Their sense of scrupulousness is reflected in their codes of conduct and value statements.

Those preparing sustainability reports need to be honest in their doings as most companies demanding such information hold themselves to be ethical (Chan et al., 2014). Two of the strongest determinants are industry benchmarks and environmental disclosures for NZ-based corporations for environmental reporting. Literature states that shareholders of NZ companies prefer compulsory and audited environmental disclosures whilst some consider companies to practise their stewardship role and be accountable for their environmental actions (Kolk & Pinkse, 2010).

Researchers identify potential benefits for adopting sustainable reporting as enhanced reputation, increased financial returns, legitimised organisation activities, and reduced risk for conducting business (Adams at al., 2004). As there are no direct enforcements on sustainability reporting adoption by any legislation to date, most current practice guidelines are voluntary in New Zealand. In view of the extent and genuineness of the information disclosed in corporate reports, criticisms are still extensively made to the reporting quality. The quality of sustainability reporting still fails to satisfy some critics in respect of reliability, completeness, and transparency requirements on these practices; even though the quantity of such reporting has substantially increased in recent years amongst multinational corporations (Moroney et al., 2012). A dilemma, however, is understanding the various challenges imposed on organisations who adopt sustainability reporting.

2.6 Challenges imposed

Literature shows that organisations which are often accountable for their actions are under greater scrutiny than ever before (Iazzolino & Laise, 2016). With a noticeable hike in activism and globalisation, organisations are pushed to put greater efforts into meeting sustainability-related motives. The long-term benefits in most cases outweigh the short-term concerns when businesses are able to get a clear indication of how sustainability reporting can benefit both their organisation and the society (Dando et al., 2003). Without sustainability reporting in place, organisations are not in a position to reflect upon their activities and how their actions are impacting the environment and society. Rather, they merely know how their business is performing financially.

As part of best approach for corporate governance purposes, securities market in stock exchanges are encouraging listed companies including the privatized ones to produce some form of report with discloses how their operations are impacting the environmental and social requirements around them (Gillet-Monjarret, 2015). Similarly, as part of their advice Australian Corporate Governance Council [ACGC] urged corporations to make disclosures of their impact on the environment (Gibson & O'Donovan, 2007). From year 2017, the NZ Stock Exchange promotes the publishing of social, environmental and governance report by listed companies to maintain their public image (NZX Limited, 2017). Some companies opt to publish sustainability information within a single annual report whilst others produce separate stand-alone sustainability reports (Moroney et al., 2012).

Over the past two decades, issuance of annual reports by corporations have been a growing trend for sustainability reporting (Gillet-Monjarret, 2015). However, this is slowly changing as stand-alone sustainability reports are coming into picture now. Sustainability reporting helps in showcasing the professional identity and reputation of an organisation and assists in constructing a company's social image (Milne et al., 2009). Reporting both social and financial information in one report assists in control of and management of information which can be subject to journalistic interpretations and is a cost-saving measure for businesses. For those corporations who are targeting a large public audience, sustainability reporting and having those reports available and accessible online is the most effective and efficient way of making disclosures.

Publishing detailed stand-alone sustainability reports is a growing trend for many companies and is mandated to some extent in few countries. These reports are frequently combined with social and economic information. Some organisations even go a step further and have their sustainability reports independently verified (Moroney et al., 2012). Most companies in New Zealand are becoming appreciative of the sustainability and environmental issues for the sake of upholding the country's 'clean-green-image'. However, global statistics hold that NZ-based companies are still lagging behind when it comes to sustainable reporting in comparison to rest of the developed nations (Kolk & Perego, 2010). With reporting challenges being covered, it is good to touch on the disclosure aspects of sustainability reporting at this stage.

2.7 Disclosure aspects

Companies can enhance their corporate image by paying attention to their sustainability activities in the form of disclosures (Pfau et al., 2008). It is these corporations who can attain competitive lead over others by being actively involved in sustainable activities and issuing sustainability reports by choice, gaining the goodwill and trust of those stakeholders (Kolk & Pinkse, 2010). Sustainability related disclosures help investors in forecasting their interest on companies' future economic decisions.

To increase the credibility of their disclosure, proactive companies or rather companies with a green motive are acquiring assurance over their sustainability reporting for risk management purposes. Given today's consensus on who the assurance provider is, the lack of regulation over sustainability reporting usually creates a scope and objective of engagement where the standard of work is usually neglected (Dobler et al., 2015).

Strategically, businesses tend to overlook that sustainability reporting not only hold financial information but information that covers social, economic, and environmental performance disclosures (Adams & Frost, 2008). Sustainability reporting can encourage changes in organizational practices and contribute to improving the reputation of a company. However, a practice called ‘green washing’ has come into picture recently whereby sustainability reports have been misused to disseminate a company pursuing environmentally and socially friendly practices when in fact little is achieved (Mahmood et al., 2016).

In this respect, transparency and accountability to the stakeholders is questionable as such behaviours may lead to loss of confidence among stakeholders. Sustainability reports nowadays are perceived as promotion records devised to stimulate good firm image and disclose decent financial accomplishment (Deegan & Rankin, 1996). Accredited scholars who critically review sustainability reports assert that such reports often fail to provide information on material issues and that these documents lack a sense of balance (Adam & Kausirikun, 2000).

Business establishments that incorporate sustainability objectives, measures and initiatives that are clearly linked to core business strategies and processes are more forthcoming in providing high quality disclosures; increasing the pressure to integrate sustainability into their core business to re-evaluate and enhance their strategy and performance (Nayha & Horn, 2012). Research shows that some firms are simply providing disclosures as a ‘green-washing’ mechanism (Schaltegger & Zvezdov, 2015).

One of the key noticeable deficiencies in current sustainability reporting disclosures are reporting-performance gaps which are often criticised by accounting academics and other interest groups. Several researchers have found that such gaps exist based on a wide range of criteria (Michelon & Parbonetti, 2012). Organisations sometimes selectively disclose information which is a common example of ‘lack of completeness’. Another one is ‘poor reliability’ whereby a difference exists between the credibility promised in the assurance statements and the actual credibility provided for sustainable reporting reasons by the auditing practices. Another minor gap is the ‘stakeholder dialogue process’ which is the difference between the stakeholder inclusivity claimed by dialogue organisers and the restricted access for stakeholders to participate in such dialogue meetings (Gray, 2000).

For the sake of sustainability reporting quality measurement, some critics advocate that mandatory regulation for corporate sustainability reporting is necessary. However, the voluntary nature of sustainability reporting provides an opportunity for preparers to utilise this reporting as a public relations machine and to disclose information incompletely (Galbreath, J., 2012). It is debatable that reliable and complete sustainability reports are insufficient or absent for stakeholders' needs. Unsurprisingly, this is further aggravated by the fact that legislative enforcement does not seem likely any time soon and the never-ending weak social auditing and assurance practices tend to continue (Gillet-Monjarret, C., 2015).

As a matter of fact, two common theoretical perspectives are employed to enlighten upon the general motivations leading to sustainability reporting for value creation and risk management.

2.8 Connection to legitimacy theory

Legitimacy theory is where the actions and behaviour of an organisation is aligned with the norms and values of a larger societal system. The management chooses to address and disclose to the public only those cooperative impacts which the society wishes to see. As such, organisations are able to legitimise their actions by showing their responsiveness to environmental issues and diverting attention of the society from those actions which appear unfavourable in nature (Lindblom, 1994). Advocates of this theory, Brown & Deegan (1998), Deegan (2002), and Patten (1991) suggest that sustainability reporting will assist in reducing regulatory risk and adverse reactions of stakeholders, thereby strengthening organisational license to operate. Additionally, legitimacy theory reflects a social contract, which implies that a firm's survival is dependent on its extent to operate within the bounds and norms of society (Brown & Deegan, 1998).

Firms may tend to maintain or enhance their legitimacy by employing various strategies pertaining to sustainability reporting. Foremost, they may do so by revoking previous firm goals and embracing new ones. Secondly, without making any actual changes but changing the perception of the public at the same time. Thirdly, by diverting public attention and/or manipulating them in such a manner that the real issues of concern are not brought forward. Lastly, by being dishonest about environmental and societal issues - considered a strategy which is of misrepresentation.

Legitimacy theory is one of those positive theories that evaluates management performance which may be beneficial to them and have motivating factors. In other words, through legitimacy theory companies are in a better position and gain social acceptance by aligning their actions accordingly (Chu et al., 2013) to create value. To secure legitimacy in their everyday involvements, companies find ways to distract the stakeholders, change expectations of external stakeholders on companies' performance, actively involve these stakeholders and inform them of the progress they intend to undertake on the corporation's profitability margins and look for avenues to change their perception on certain events (Lindblom, 1994).

The notion of legitimacy theory stipulates that businesses in most instances would strive to undertake necessary strategies that are compliant with the expectations of the society. In order to prove that a business operation is legitimate, companies should be knowledgeable and aware of any variation in societal values (Chan et al., 2014). The management should ensure that voluntary disclosures are being issued out (Adams & Zutshi, 2004). Conversely, prior studies indicate that companies are involved in limiting their reporting of positive changes in order to ensure legitimacy (Milne et al., 2009).

In considering legitimacy theory, corporations tend to disclose information that is only mandatory, and which would otherwise show them as good corporate citizens. A major correlation exists between corporate governance and sustainability reporting which influences value creation and risk management motives. These influences may be in the form of market capitalization, leverage, industry benchmarks, profitability, solvency, and industry types (Chandler, 2020).

The primary motivation behind sustainability reporting and voluntary corporate social disclosures is that the action of an entity needs to be legitimised. Yet, as the expectations and values of societies can change over time, maintaining legitimacy can be a challenge for many organisations. The correlation of sustainability reporting to the other theory follows.

2.9 Connection to stakeholder theory

Stakeholder theory claims that a corporation not only owes a duty of care and due diligence towards its shareholders but also has contractual obligations and a sense of accountability towards other stakeholders (Lindblom, 1994). Some authors hold that morality or virtue ethics play a major role and that stakeholder theory delivers very limited explanation for sustainability reporting

(Milne, 2009). Donaldson & Preston (1995) and Freeman & David (1993) argue that stakeholder analysis continually forms an integral part of sustainability reporting and corporate planning process. They also assert that corporations which practice stakeholder management will be relatively successful in terms of conventional performance such as profitability, risk mitigation, value driven motives, stability, and growth.

Corporate operations tend to have massive implications on the environment and vulnerable social groups (Nayha & Horn, 2012). Various forces influence the quality of sustainability reporting. Industries with greater environmental impacts consist of gas, oil, forestry, utilities, and dairy to some extent. Another determinant in the level of sustainability reporting is public visibility which is reliant on the size of an organisation. Corporate sustainability reporting is usually qualitative in nature and some authors assert that this can provide valuable and useful information to key users (Mackenzie, 2007).

An organisation's existence is at stake if the stakeholder demands are not adhered to. In order to avoid any damages that may be perpetrated by sizeable stakeholders, sustainability reporting may be provided by such firms for safeguarding their own interest (Owen et al., 2000). On the contrary, this theory proposes that companies with little sustainability reporting tend to not report at all. Both of the above theories elucidate how managers respond to societal groups and stakeholder demands and as such fall under the branch of managerial theories. Yet, the question remains if a cohesive framework exists to allow sustainability reporting to proceed.

2.10 Does a unified reporting framework exist?

Sustainability accounting is an evolved or broader form of corporate social reporting and is a concept that has surfaced in the early 1990s (Jones & Riahi-Belkaoui, 2010). Nevertheless, a unified framework which houses all the aspects of sustainability reporting, including environmental, social, political, and economic components of reporting is still missing. As per the literature, sustainability reporting and CSR have become virtually interchangeable concepts. Nevertheless, CSR disclosures (both in terms of quality and quantity) continue to be marred by lack of effective regulation (in professional accounting practice and at the legislative level) and now there is growing evidence that sustainability reporting is gaining significant momentum in the world.

Corporations are using the business case model to justify the CSR disclosures in their sustainability reports. This is where these corporations attempt to align the interests of their ordinary shareholders with those of social and environmental oriented stakeholders. They achieve this by presenting their activities as a ‘win-win’ scenario for both groups in this area of interest. The recognised benefits associated with sustainability reporting for value creation and risk management include socially responsible behaviour and tangible economic benefits; better community establishment and rapid growth; better retention of employees and recruitment calls; improved affiliations with stakeholders and corporate image; better cost saving measures; and improved internal decision-making procedures.

In Australia, there is little else in the way of mandatory regulation and rather a sweeping reference to environmental disclosure in the Corporations Act 2001 (Jones & Riahi-Belkaoui, 2010). Similarly, an emerging trend across the Asia-Pacific region appears to be social and environmental reporting. A range of initiatives such as ‘name and shame policies’ to more structured reporting obligations are in place or in development phase (Jones & Riahi-Belkaoui, 2010).

A sustainability reporting framework that would lead to a more comparable and consistent disclosure across corporations has witnessed various attempts. Perhaps the most widely used sustainability framework in practice is the Sustainability Accounting Guideline put together by Global Reporting Initiatives (GRI), even though a variety of frameworks have been developed to achieve a common goal (Jones & Riahi-Belkaoui, 2010). In order to better guide the capture, measurement, evaluation, and reporting of sustainability-driven information, the current status suggests that there is enough momentum and interest to warrant a global effort from the accounting profession for sustainability reporting guidelines to overtake the present reporting practice.

2.11 Summary of Literature Incorporated in SLR

The following table summarises the key ideas of 92 publications forming part of the SLR:

Journal Name	Authors	Purpose/ Key Ideas	Search Terms	Theory	Database Employed
Academy of Management Review	Clarkson (1995), Donaldson & Preston (1995), Suchman (1995)	CSR, stakeholder demands, managing legitimacy	SR, SA	ST, LT	EBSCO
Accounting and Business Research	Brown & Deegan (1998)	Environmental performance information	SA	LT	Emerald Insight
Accounting, Auditing & Accountability Journal	Deegan (2002), Deegan & Rankin (1996), Milne et al. (2009), Narayanan & Boyce (2019)	Social and environmental disclosures, SR	SR, SA	LT	Scopus
Accounting & Finance	Moroney et al. (2012)	Quality of voluntary environmental disclosures	SR, SA	LT	Google Scholar
Accounting Forum	Adams & Frost (2008)	Integrating SR	SR	ST	Google Scholar
Accounting in Europe	Gillet (2015)	Assurance of sustainability information	SA	ST, LT	Web of Science
Accounting, Organisations and Society	Al-Tuwaiiri et al. (2004),	Economic performance, environmental disclosure & performance	SR, SA	LT	Scopus
Australian Accounting Review	Adams & Zutshi (2004), Bachoo et al. (2013), Jones et al. (2007)	CSR, firm value, quality of SR	SR, VC	ST, LT	EBSCO
Australian Accounting Business & Finance Journal	Faisal et al. (2012), Tairan et al. (2014)	SR and world views, SBSCs	SR	LT	Emerald Insight
British Journal of Management	Bowman & Ambrosini (2000)	Value creation, value capture	VC	ST, LT	ScienceDirect
Business Strategy and the Environment	Chithambo et al. (2020), Figge et al. (2002), Kolk & Perego (2010), Rajesh & Rajendran (2020), Tukker (2004)	Corporate voluntary reporting, stakeholder pressure, SBSCs, business strategy, sustainability assurance	SR, RM	ST, LT	Emerald Insight
California Management Review	Freeman & David (1983)	Corporate governance, stakeholder behaviour	SR	ST	Scopus
CSR and Environmental Management	Alcaide et al. (2020), Kolk & Pinkse (2010)	CSR disclosures, value creation, SR	SR, VC	ST, LT	Google Scholar
Corporate Reputation Review	Pfau et al. (2008)	CSR and stakeholder impacts	SR	ST, LT	Scopus
European Accounting Review	Adams & Kuasirikun (2000), Owen et al. (2003)	Corporate social reporting, social audits, accountability	SR, SA, RM	ST, LT	Scopus
European Journal of Innovation Management	Windahl et al. (2004)	SR characteristics and implications	SR	ST, LT	Google Scholar
Global Finance Journal	Fatemi et al. (2018)	CSR disclosures	SA	ST	Google Scholar
Industrial and Corporate Change	Davies (2004)	Value creation approach	VC	LT	Google Scholar
International Journal of Auditing	Gray (2000), Mackenzie (2007)	Social & environmental auditing and reporting	SR, SA	ST, LT	Emerald Insight
International Journal of Business & Society	Kathyayini et al. (2012), Sheela et al. (2016)	Environmental reporting, corporate governance	SA	LT	Scopus
International Journal of Economics & Management	Atan et al. (2016)	Environmental, social & governance disclosures, firm performance	SA, RM	LT	ScienceDirect
International Journal of Service Industry Management	Olivia & Kallenberg (2003)	SR transition and business effects	SR	ST	Scopus
International Journal of Trade, Economics & Finance	Tarmuji et al. (2016)	Impact of SR on business	SR	LT	Scopus
Issues in Social & Environmental Accounting	Elijido & Yulianda (2014), Rae et al. (2015), Sands & Lee (2015)	SBSC disclosures, corporate sustainability commitment	RM, SR	LT	Web of Science
Journal of Accounting & Organisational Change	Dobler et al. (2015), Schaltegger & Zyezdov (2015)	Sustainability disclosures, business risks, value creation	RM, SR, VC	ST	Scopus
Journal of Accounting and Public Policy	Patten (1991)	Legitimacy, social disclosure	SA	ST, LT	SpringerLink
Journal of Accounting Literature	Rezaee (2016)	Business sustainability	SA	ST, LT	SpringerLink
Journal of Asia Entrepreneurship and Sustainability	Reddy & Gorden (2010)	Effect of SR on financial performance	SR	ST, LT	SpringerLink
Journal of Business Ethics	Ameer & Othman (2012), Chan et al. (2014), Dando & Swift (2003), Freudenreich et al. (2019), Hansen & Schaltegger (2018), Lopez et al. (2007), Miller et al. (2000)	Sustainability practices, SBSCs, corporate financial performance, CSR disclosures, value creation for sustainability	SR, VC, RM	LT	Scopus
Journal of Business Research	Mathur & Mathur (2000)	Wealth & value creation	VC	ST, LT	ScienceDirect
Journal of Cleaner Production	Aras et al. (2018), Gracia et al. (2017), Jan et al. (2019), Maletic (2018), Rajesh (2020), Shad et al. (2019)	Corporate sustainability performance, CSR, sustainability practices and organisational performance, enterprise risk management	SR, RM, SA	ST	SpringerLink
Journal of Economics, Business and Accountancy	Burhan & Rahmanti (2012)	SR impact on company performance	SR	ST, LT	SpringerLink
Journal of Environmental Assessment Policy and Management	Gadenne et al. (2002)	Strategic environmental management and SR	SR	ST	Web of Science
Journal of Intellectual Capital	Iazzolino & Laise (2016)	Value creation and sustainability	VC	ST, LT	SpringerLink
Journal of Management and Governance	Michelon & Parbonetti (2012)	Sustainability disclosures	SR	LT	Scopus
Journal of Management and Organisation	Galbreath (2012)	Various influences on SR	SR	LT	Scopus
Journal of Organisational Change Management	Furlan et al. (2019)	Risk management, long-term business strategies	RM, SR	ST, LT	ScienceDirect
Journal of Portfolio Management	Wei (2020)	Stakeholder demands, SR	SR	ST	Web of Science
Journal of Sustainable Finance and Investment	Muhmad & Muhamad (2020)	Sustainable business practices	SR	ST, LT	Web of Science

Journal of Supply Chain Management	Beske-Janssen et al. (2015), Schmidt et al. (2017)	Sustainable supply chain, performance measurement, green practices	SR, SA	ST, LT	Scopus
Managerial Auditing Journal	Choi et al. (2012),	Legitimacy theory, SR	SR	ST	Scopus
Organisation & Strategic Leadership Practice	Bennett et al. (2001)	CSR, customer value, business strategy	SR, SA	ST, LT	ScienceDirect
Pakistan Journal of Social Sciences	Mahmood et al. (2016)	Patterns of SR	SR	LT	ScienceDirect
Press Academia	Akbulut & Kaya (2019)	Firm performance, SR	SR	LT	Scopus
Sustainability	Brozovic et al. (2020), Ivo et al. (2019), Jassem et al. (2018)	Sustainability avenues, value creation, SBSCs	SR, VC	ST, LT	Web of Science
Sustainability Accounting, Management and Policy Journal	Grace & Hengky (2017), Katherine et al. (2016), Nayha & Horn (2012)	Environmental accounting, SR	SR, SA	ST	Scopus
TQM & Business Excellence	Asif et al. (2011)	Sustainability business models	SR	LT	Scopus
List of Acronyms: *SR - Sustainability Reporting, SA - Sustainability Accounting, VC - Value Creation, RM - Risk Management, ST - Stakeholder Theory, LT - Legitimacy Theory*					

Table 1: SLR summary of all literature employed in the study

2.12 Chapter summary

Many studies have been linked to sustainability reporting and motivation by businesses to do so. The literature review has demonstrated that there is surely some significant academic interest in sustainability reporting and that sustainability is frequently used to fulfil corporate goals (Adams, et al., 2000). Value creation is assessed as a motivation for sustainability reporting and risk management is pertinent for corporate success. In literature, 'profit motive' has been used instead of value creation. There are no legal obligations requiring organisations to engage in sustainability reporting. It has rather become an accepted practice even though it is done on a voluntary basis. For firms to stay competitive, it is rather becoming challenging for organisations to be oblivious of the need to engage in sustainability reporting. The research methods employed in this study follows.

CHAPTER 3 RESEARCH METHODS

3.1 Overview

The main aim of this chapter is to present the method employed to answer the research questions of this study. Systematic literature reviews (SLRs) of existing literature, archival documentary review of sustainability reports of Fonterra NZ and content analysis of company's text reports and website information formed part of research methods for this study. This research mainly houses two concerns which is sustainability reporting and their targeted reports for risk management and value creation.

3.2 Systematic literature review

SLR is a relatively new phenomenon in the current social sciences. A SLR follows a clear review protocol and explicitly states its method of selecting publications. It involves a systematic search for literature drawn from multiple databases. This process involves an interpretation and extraction of themes from relevant studies of interest. Before a review is conducted, SLR follows an unambiguously specified plan or protocol where the conditions are explicitly asserted. SLR can be reproduced and replicated by other researchers and is a transparent, comprehensive search conducted over varied databases (Dewey & Drahota, 2016).

The study is primarily based on a SLR. In order to identify, evaluate and synthesize the existing literature, this dissertation employs an explicit, systematic, and reproducible methodology in contrast to a narrative literature review. It draws contribution from past literature and develops an agenda for future research. It gathers and critiques existing literature and studies the present state of understanding on the topic of interest. With the help of SLR, it summarises, compares, and critiques the most relevant scholarly sources on the research topic. In doing so, it identifies points of conflict and situates position on value creation and risk management attempts of organisations from a sustainability reporting perspective. As part of this study, the floating themes were accounted for as an expression of their frequency. Based on the number of themes included in the selected paper and the level of 'intensity' of those themes, papers of interest were given an intensity score. An illustrative narration of how the SLR was undertaken as part of this paper is highlighted in Figure 2 that follows in next point.

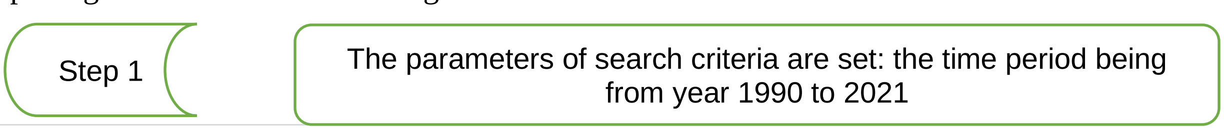
The literature reviews extend on earlier studies on value creation tactics, risk disclosure tasks corporations undergo and how they manage it. This helps in identifying and filling in the current gaps in literature and developing a better understanding of the sustainability phenomenon. The paper disseminates if study undertaken so far are theoretically adequate and if researchers have undergone same or similar issues before in the subject area. It also studies the perspectives of how these studies have been conducted and why extending on earlier studies at this stage is necessary.

This research carries out detailed enquiry into databases which host key academic articles from the discipline, including but not limited to, economics, finance, banking, and psychology. The key databases employed include Emerald Insight, Google Scholar, Web of Science, ScienceDirect, SpringerLink, and Scopus. The research questions acted as a guidance in assessing the extent of reliability and relevance for each article referred to. Further critical analysis is conducted on those articles which are within the parameters of research objective. This dissertation does not involve collecting data from primary sources as it is principally conducting a SLR to synthesize the key contributions of previous research.

The study builds on, challenges, and synthesizes the work of others in the subject of sustainability reporting and fills in the knowledge gap that exists for businesses striving to achieve an equilibrium between value creation and risk management. In order to understand this equilibrium, a research strategy is necessary.

3.3 Research strategy

This component of the chapter elucidates the research tactics employed to identify the journals, books and publications engaging with the phenomena of sustainability reporting. Later, it provides an analysis of the publication by identifying the different strands of research. For each strand or term identified, a conclusion is reached on which authors to employ for writing. Given the scope of this dissertation, no information is provided in terms of the discipline and geography and where the authors come from. The research analysis and strategy, including the specific process comprising both is summarised in Figure 3:



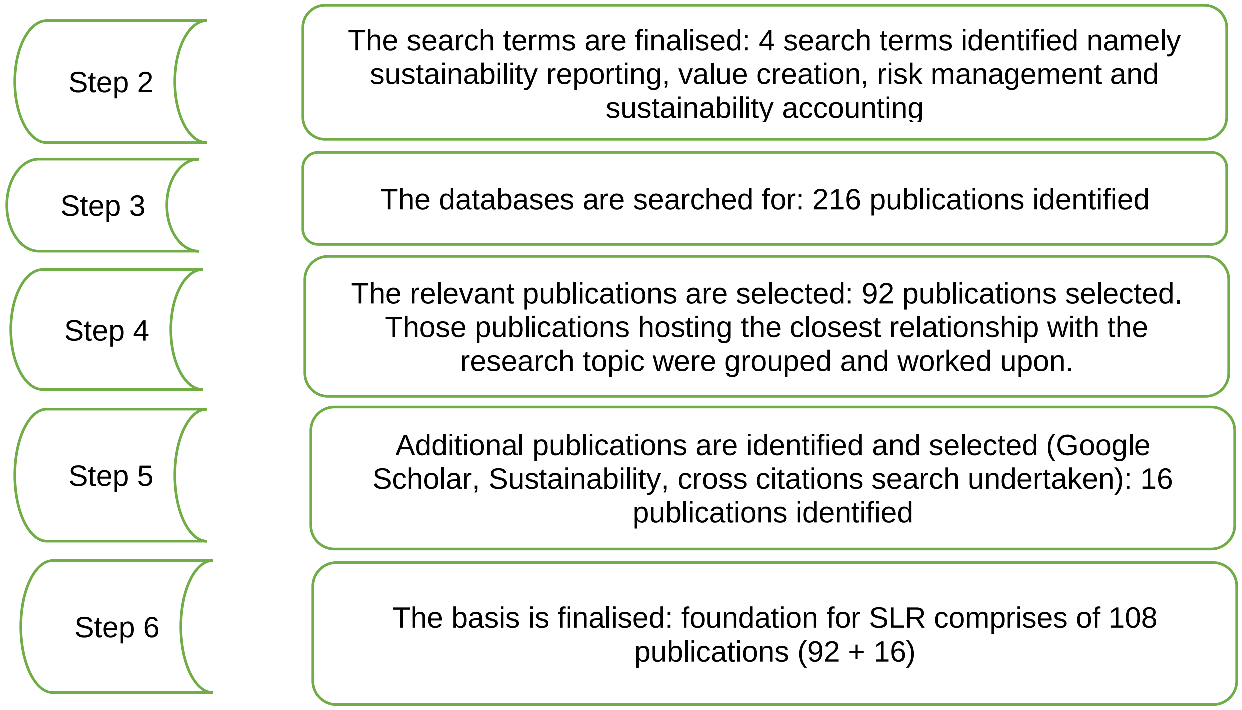


Figure 3: Specific steps undertaken for systematic literature review

The results of the studies were analysed by means of a SLR in order to get a methodical insight about the literature. With the assistance of SLR, the interactions between sustainability reporting, value creation and risk management (with close reference to the research questions) were identified and analysed. Foremost, the research parameters were set. This was ideally for identifying the search strategy based on its scope and depth. Only peer-reviewed journals and publications were considered for quality and utilised for writing. Without ignoring the likes of other sources and their contribution to content build-up, a follow-up search step was undertaken to complement the set of findings. Thereafter, the search terms were identified namely "value creation", "risk management", "sustainability reporting" and "sustainability accounting". Later, their alternative expressions or synonyms were used as a search string. These key terms made search on research databases being SpringerLink and Scopus easier. These databases were preferred over others on the basis that they host a broad range of social science journals pertaining to the topic.

The identified keywords needed to appear within the titles, sub-titles, abstracts, or keywords of the searched papers leading to the content build-up of this paper. The contents of the papers were examined to see if there was sufficient linkage between sustainability reporting, value creation and risk management once all of these conditions were fulfilled. In order to increase reliability of the review, every selected paper was verified at least twice with the Ctrl+F keyboard function keys to check for keywords. A brief forward and backward integration procedure was performed for the identified papers that fulfilled the outlined criteria. For the purpose of further examination, 216 publications were identified as results of the database search. The preferred language criteria was English. 92 publications were shortlisted. An initial screening helped in this shortlisting procedure as it only returned results closely meeting the requirements of the research enquiry. This also assisted in deriving a list of interest to work upon.

Additionally, to capture any publications preceding to 1990, critical references forming part of these 92 search results were incorporated to study where required. Any conference proceedings as part of the search were excluded. Further publications from the industry, classified as relevant to the research area were identified upon conducting an online search using Google Scholar. A total number of 16 publications were added to the SLR. In totality, the basis of SLR was finalised with 108 publications. Another key research method to contribute to this study follows.

3.4 Archival documentary review

Annual and sustainability reports provide a body of knowledge on past, current and future organisational undertakings by communicating with users from all works of life in an easy, timely, reliable, and relevant fashion (Breton, 2009). In this viewpoint, the paper carries out archival documentary reviews of NZ-based Fonterra Co-operative Group's sustainability reports from years 2017 to 2020 and correlates it to literature reviews to give supportive statements and own standpoint on the current trends in sustainability reporting.

The 2017 to 2020 sustainability reports of Fonterra NZ highlight the rhetorical intent of the report and provides a valuable insight into how the business is performing from a sustainability-related perspective. The organisation first published its sustainability report in 2017 and has published these reports since then. It uses international reporting guidelines from the GRI to report on its sustainability performance (Fonterra Co-operative Group, Global Disclosure Policy, 2018).

In an effort to be translucent in its activities, the company has made most of its content available online for public read, making it certain for public to trust Fonterra's values and ethical claims. These available documents, in the form of annual reports, sustainability reports and statistical data, speaks volume of the company's commitment to sustainability. Study of sustainability reports over a four-year period allows room for meaningful comparisons and provides the main reasons for data selection. A further analysis of these documents was undertaken with a content analysis methodology.

3.5 Content analysis

Content analysis, commonly used in the field of sustainability reporting, was used as a method of this study. Content analysis is defined as a method in which various reports and explanations are analysed objectively and systematically (Guthrie & Abeysekera, 2006). It is a research method used to identify patterns in documented communication. It collects data from a set of textual or graphical report and systematically conducts an analysis on the same. As such, this research is employing 'content analysis' approach to organise, formulate, categorise, analyse, and disclose information in the public domain presented in Fonterra NZ's sustainability reports and on its website. One of the many advantages of analysing sustainability report is that it is present-day relatable. This form of analysis is considered a favourite for topics concerning social and environmental responsibilities. Irrespective of the reporting year, this research rather evaluates Fonterra NZ's obligation and its flow to sustainable reporting over a four-year period. In the content analysis procedure, the most disclosed indicators were identified among other disclosures on value creation, risk management and sustainability-driven indicators of Fonterra. This is further demonstrated under the findings chapter.

As only four key reports were related to this research, identifying data appropriately ensures the workload of this research is manageable and increases the efficiency of data analysis. The sustainability reports are considered as preferred data because the purpose of this research is to investigate sustainability report's apparent effect on value creation and risk management motives leading to advantageous social and environmental performances of corporations. Annual reports and internal organisational policies were the second form of preferred data. The analysis of the main data is focused on the images, texts, and reporting structures of such reports.

During the process of this write-up, the 2020 Sustainability Report was published. While this research could have used more than Fonterra NZ's sustainability reports, the goal was rather to attain a thorough understanding of the company's current sustainability tactics. For this reason, all the four sustainability reports of the entity were treated as one of the best available resources to undertake this research.

As it is, content analysis is considered the most suitable technique to understand the sustainable approach of Fonterra NZ, including analysing the value creation and risk management motivations of the company. The next point highlights reasons for choosing to employ Fonterra's webpage for conducting this research.

3.6 Reasons for selection of research site

Company website disclosures, annual reports, and sustainability reports (available online for public download and use) tend to have little or no distortion on part of the researcher as they are directly being sourced from the company and the legality of these documents can be substantiated from an independent party that furnished the same. As it is, the very elements of credibility, meaningfulness, authenticity, and representativeness for the purpose of quality analysis is sustained and information communicated through such reports are understandable and meaningful to both stakeholders and researchers. In this viewpoint, few reasons for choosing Fonterra NZ as part of this research are as follows:

1. As Fonterra is the largest supplier of dairy products in NZ, the paper seeks to identify the trends in this industry and provide a good understanding of its compliance with sustainability reporting;
2. With the prominence set in its code of ethics that this company carries, the stakeholders vest a great deal of reliance on the report preparers and trust that Fonterra NZ strives to uphold ethical responsibilities, openness and honesty at all levels;
3. Apparently, larger corporations like Fonterra NZ tend to have greater effects on the environment and have a greater obligation to report on their activities in an unbiased way irrespective of their size; and

4. Larger companies like Fonterra NZ makes it possible for users to draw insights on their actions as they have more publicly available communications and are more visible. Sustainability reports of these companies tend to be mostly free from journalistic interpretation and an absolute representation of what they stand for, and what they want the public to interpret.

However, it can be noted that organisational documents cannot be ‘fully’ free from biasness and distortions, as managers (being the major contributors to such reports) place a particular point of judgement that they wish to get across. As such, representativeness can be questionable to some extent. This dissertation is putting greater emphasis on environmental issues encountered by Fonterra NZ due to the research scope and appreciates that social, political, and economic disclosures are also necessary for sustainability reporting purposes.

3.7 Chapter summary

With the three methodologies being identified as above, the findings of this research (which follows) are organised under the following routes:

a. The value creation avenues appearing and forming part of the company’s codes of conduct and value statements, without compromising the virtues of the entity;
b. Fonterra NZ’s stated responsibility and commitment towards the environment and sustainability response; and
c. The risk management arrangement and the actual sustainability reporting, representative of environmental performance.

CHAPTER 4 RESEARCH FINDINGS

4.1 Overview

The objective of this research is to examine sustainability reporting for creating value and management of risk in light of Fonterra NZ which is considered as one of the environmentally responsible entities' in New Zealand. Value creation is assessed as a motivation for sustainability reporting and risk management is pertinent for corporate success. The chapter addresses whether Fonterra NZ's sustainability reporting is in line with the attributes they stand by and if it considers environmental and other impacts as a yardstick to risk management and value creation.

To achieve this motive, Fonterra NZ's stance towards sustainability reporting is studied against its business statement. The company's statement about its commitment to the environment is also observed. Where appropriate, the entity's actual environmental performance reporting is scrutinised against its expectations. The quality of sustainability reporting and the basis upon which this is evaluated form part of findings to this chapter. It is good to develop an understanding of Fonterra's business background before we dwell into the various internal policies it maintains.

4.2 Company background & current standing

Fonterra NZ holds its employees to its key entity attributes namely diligence, honesty, trustworthiness and responsibleness (Fonterra Co-operative Group, Global Governance Standard Disclosure, 2020). The entity believes that detailed record-keeping of its actions on the environment and reasonably accurate information in this respect is of utmost importance. By performing its social and moral obligations, the firm promotes itself as a good corporate citizen which exercises good care of the environment. This is evidenced by their commitment towards the environment as narrated in their environmental policy. Fonterra NZ trusts that its reporting on the environment is objective and unbiased considering the underlying accuracy of its record-keeping.

The company's 'Environmental Impact Assessment Report' furnishes both predictive and confirmatory morals for stakeholders to comprehend the steps undertaken in regard to green impacts and if they have reported explicitly and in great depth on major environmental impacts such as water consumption (Fonterra Co-operative Group, Group Environmental Policy, 2018).

This helps in satisfying the value creation proposition for stakeholders. The foreseeable actions of the company to minimise its environmental impacts is also elaborated. The reporting does not appear to be partial as it provides both optimistic and pessimistic evidence on its impact and delivers suggestions for improvement. The company still believes it can do better in terms of community commitment, people, and carbon footprints (Fonterra Co-operative Group, Global Diversity and Inclusion Policy, 2017). In other terms, the company does not aim to disguise or omit areas of concern so as to 'paint a rosy picture' of its sustainability report.

For stakeholders to have a sense of faith in Fonterra NZ, the company has published its sustainability reports since 2017 and not looked back in terms of commitment to improve in the form of publishing its content and relevance. The company places good emphasis on greenhouse gas profile, waste containment and water discharge. This again satisfies the value creation proposition for the stakeholders. Most of the information communicated through these reports appear to be in an optimistic direction of conducting green business. While ensuring quality reporting at all levels on their material environmental impacts, Fonterra NZ balances environmental requirements with a responsibility towards future generations as its priority. At this juncture, the various policies that the Group retains and closely monitors is discussed.

4.3 Environmental Policy

It is expected of Fonterra NZ that they must communicate constructively and openly to the concerned stakeholder regarding environmental information on their Environmental Policy. In order to honour their promise of excellence in sustainability reporting, the entity has taken concrete steps to recognise that environmental responsibility plays a big part in their long-term success.

Fonterra NZ promises its bigger commitment to sustainability by transforming its warehouses and offices to a more energy efficient one, reducing and monitoring its daily usage of resources and promoting a more inclusive workspace (Fonterra Co-operative Group, Group Environmental Policy, 2018). The same is highlighted in all four of the company's sustainability reports which satisfies the value creation proposition of this research. For instance, Fonterra's "sites have a manager specifically responsible for environmental compliance and at most sites, there is a dedicated environmental manager (often supported by a site Environmental Management team) who focus on managing site-wide environmental performance and compliance with local environmental requirements" (Fonterra Group, 2020, p. 54). It can be presumed that customers are more likely to purchase from brands, such as Fonterra, which practices transparency and sustainability. This helps the company in building brand loyalty by creating long-term shareholder value. In following the sustainability guidelines, Fonterra NZ is able to increase organisational efficiency, spot opportunities and mitigate potential risk areas. Disclosure such as this in the sustainability reports addresses the risk management factor.

For a profitable, sustainable dairy business to exist in the market, Fonterra believes that a stable and robust healthy environment, including connection with the co-existing communities is paramount. In appreciating its global value chain, the company trusts that in order to safeguard the opportunities for future generations, a regenerative mindset is critical for protecting and restoring the environment (Fonterra Co-operative Group, 2018). Fonterra upholds the legacy that to enjoy an accelerated progress on environmental outcomes, working together in a collaborative manner on challenges affecting the environment will assist in attaining social cohesion. This again helps in bringing out the value creation proposition in sustainability reports.

In line with its business strategy, the company continues to review its asset base. For instance, Fonterra has looked at the future cash flow projections of its New Zealand consumer business and made a call to write down that business by $21million despite its improved earning performance in 2020 financial year - a prudent approach towards risk management (Fonterra Annual Report, 2020). Fonterra chooses to measure the success of its strategy in three buckets: healthy business, healthy environment, and healthy people. For example, the company has achieved a 20percent reduction in energy intensity from its 2003 baseline at its NZ manufacturing sites (Fonterra Annual Report, 2019). To manage and to adapt to the changing global situation, the corporation believes it just needs to stay agile and build upon its strengths across the supply chain.

In doing so, it undertakes an integrated approach in support of healthy environments by targeting activities relevant to environmental aspects and management of the same, including, pollution, water use, energy use, waste prevention and climate change facets (Fonterra Co-operative Group, 2018). This value chain helps the company in achieving its value creation intentions by:

1. Working towards targets that drive environmental performance and setting objectives and aspirations to this effect. The entity also strives to maintain this stamina, continuously improvises on new prospects and sets targets on achieving beyond the set targets;
2. Houses strategies to mitigate and/or minimise adverse impacts by assessing environmental risks and identifying rooms for uncertainty. It attains this by having a precautionary framework towards decision-making so as to avoid harm to human health or the environment;
3. Considering third party certifications, where possible, of best practice environmental systems and working towards meeting strategic intent and compliance requirements;
4. Putting utmost focus on its manufacturing operations into undertaking a leading industry approach to environmental management;
5. Being a supportive hand to farmers into implementing good management practices and environmentally sustainable dairy farming systems;
6. Collaborating with various stakeholders such as unitholders, farmers, communities, employees, indigenous peoples and customers on better management approaches, environmental target-setting and restoration activities; and
7. Gearing for and warranting an honest and open engagement on environmental agendas with various stakeholders (as above).

These intentions subsequently assist in uncovering the value creation propositions in sustainability reports. Another plan which works in a similar manner and helps in reporting is disclosure policy.

4.4 Disclosure Policy

Fonterra claims that for continued business success and in enduring to commit to what is right, an efficient and well-informed market share and listed debt securities is essential. The entity also believes this will encourage an all-inclusive, efficient, and informed market in its Fonterra Shareholders' Funds (Fonterra Co-operative Group, Global Disclosure Policy, 2018). This is only in good faith that these units are disclosed against the Fonterra Shareholders' Fund and are designed to track its own shares and all NZX disclosures by Fonterra NZ. Similarly, Fonterra "engages with its business-to-business customers on an ongoing basis through its account management teams and by sharing information through programmes such as SEDEX and the Carbon Disclosure Project to achieve core compliance with its GRI standards" (Fonterra Group, Fonterra Sustainability Report 2019, 2019, p. 18). As a matter of fact, such disclosures help in satisfying the value creation propositions of sustainability reporting, not only for the customers but also for other stakeholders.

The company achieves it risk management capabilities by:

1. Maintaining a high standard and consistent form of communication with its market observers, investors and market participants; one which is non-exclusive and timely in nature;
2. Ensuring compliance with Financial Markets Conduct Act 2013, Listing Rules, FMS rules, Listing Rules, FMA Principles and Guidelines and other applicable requirements (Fonterra Co-operative Group, Global Disclosure Policy, 2018); and
3. Certifying discretion at all times and ensuring that no sensitive information is disclosed to a third party on confidential matters concerning Fonterra by its employee, advisor, accountant, consultant or auditors; unless they are specifically authorised to do so.

As part of its sustainability reporting procedure, the entity “finalises farm-specific greenhouse gas reports, has switched from coal use to wood pellets at its Te-Awamutu site, and have drawn Farm Environment Plans for 34percent of its farms across New Zealand” (Fonterra Group, Fonterra Sustainability Report 2020, 2020, p. 44). Some of its key global targets for value creation purposes include “zero solid waste to landfill by 2025, reduction of greenhouse gas emissions by 30percent by 2030, and reduction of water use at sites in water constrained regions by 30percent by 2030” (Fonterra Group, Fonterra Sustainability Report 2020, 2020, p. 76). Such capabilities assist in mitigating risks when sustainability reports are drawn and available for public use, ensuring confidentiality is maintained at all times and value creation motive is not compromised. The company’s governance standard acts as a safeguard to address both of these requirements.

4.5 Governance Standard

The scope of Fonterra’s global standard is applicable to all the individuals, entities and stakeholders associated with Fonterra and pertains to the disclosure of full, timely and accurate information concerning all listed securities of the company comprising Fonterra’s retail bonds, listed capital notes and co-operative shares.

The company manages its risk etiquettes by having only appointed and authorised spokespeople responsible of communicating on behalf of the company with interested parties. These authorised personnel consist of Chief Financial Officer, Chairman of the Board, Managing Director, Chief Executive Officer, Director Capital Markets, Director Governance and Director Legal (Fonterra Co-operative Group, Global Governance Standard Disclosure, 2020). For instance, Fonterra "engages with its New Zealand farmer shareholders at meetings and roadshows, and through the formal governance processes of its Co-operative" (Fonterra Group, Fonterra Sustainability Report 2019, 2019, p. 18). This ensures that a chain of approval is maintained and the value creation process is not compromised.

Unless authorised by the Director Communications, no other employee can make public comments about Fonterra's listed securities. This list of individuals, though not exhaustive, consists of Shareholder Councillors, Fonterra Directors and Senior Managers, Members of the Milk Price Panel, Directors of Fonterra Shareholders' Fund and any secondee, accountant, consultant, contractor, advisor, auditor or lawyer of Fonterra or any of its subsidiaries (Fonterra Co-operative Group, Global Governance Standard Disclosure, 2020).

Fonterra continuously reviews its 'disclosure obligations' and scans all material information relevant to have an effect on the price of its listed securities. Once the company becomes aware of such information, it attends to making it public through an immediate NZX market announcement. The company exercises prudence in disclosing information to public and determines beforehand consequences of any information on Fonterra's quoted securities (Fonterra Co-operative Group, Global Governance Standard Disclosure, 2020).

Fonterra does not respond to rumours or market speculations and considers it to be one of its general policy in response to 'false markets'. In cases of rumour, Fonterra may in ordinary situation, confirm that it is in full compliance with its continuous disclosure obligations if it does not have any material information with which to respond to the same (Fonterra Co-operative Group, Global Governance Standard Disclosure, 2020). This ensures that the value creation motive is maintained at all times and the same proposition is reflected in the sustainability reports.

In other circumstances, Fonterra may also request a ‘trading halt’ from NZX in order to maintain an efficient and well-informed market in respect of its quoted securities. Firstly, it may involve situations where the company may require further time in preparing an appropriate announcement whereby material information has been inadvertently made public or leaked without anyone’s knowledge. Secondly, investigation needs to be carried out for an unforeseen event which occurred and has an upshot on the company runs and it needs to advise the market of the impact of the same. Lastly, the company is rather concerned to avoid build-up of any speculative or uninformed trading in conditions where Fonterra is gearing to make a major market announcement. Fonterra appreciates that for risk management purposes, maintaining confidentiality of information is paramount and trade secret should be kept unreleased at all times. Value is created for the prospective investors of the company as a result.

As part of its ‘disclosure process’, if one becomes aware of any sensitive information made public by Fonterra, they must contact a member of the Capital Markets and Investor Relations team and/or the Director Governance, Risk and Audit (Fonterra Co-operative Group, Global Governance Standard Disclosure, 2020). In this view, all relevant details relating to the information must be furnished depending on the circumstances on hand. Whether or not it is understood to be material information, any information intended to be made public needs to be reviewed by the parties mentioned before it is released for public use.

Finally, the ‘accountability standard’ is monitored by the company and all Shareholder Councillors, Directors, employees and members of the Milk Price Panel of Fonterra (including its subsidiaries) (Fonterra Co-operative Group, Global Governance Standard Disclosure, 2020). Fonterra’s Disclosure Committee has the overall duty of reviewing, monitoring and implementing the global standard and overseeing the continuous disclosure obligations; including compliance with the same. The diversity policy follows for peoples’ value creation sake.

4.6 Diversity and Inclusion Policy

Fonterra believes in the notion of ‘inclusivity’ and appreciates the differences in national origin, cultural background, people, religion, age, sexual orientation, thinking style, ethnicity, personality, disability status, education level, and gender. The company specifically places emphasis on ‘diversity’ and sheer gratitude and respect for the afore-mentioned differences. Fonterra trusts that in order for its stakeholders and its own people to fully contribute to a supportive and safe environment, they must feel respected, valued, encouraged and that a sense of belonging must co-exist (Fonterra Co-operative Group, Global Diversity and Inclusion Policy, 2017).

To deliver to its purpose and to live by its values, Fonterra supports an inclusive and diverse workforce; empowering people to generate and live by goodness for generations. In the sustainability reports, a similar proposition is highlighted narrating an acceptable workplace criteria for value creation. For instance, the company has “begun to create a more complete picture of the diversity of its people by asking them to voluntarily provide information like gender identification, nationality, ethnicity and age” (Fonterra Group, Fonterra Sustainability Report 2018, 2018, p. 75). This ensures that the human diversity factor is accounted for, and an inclusive workforce value creation proposition is achieved by the company.

Fonterra is equipped to deliver to its purpose through a sense of inclusion and diversity for value creation on the following propositions:

i. People – avoiding approaches or practices that are exclusive or discriminatory in nature and retaining and developing those individuals who assist in driving Fonterra’s business performance;
ii. Strategy – ensuring that the organisation supports strategic planning, performance and decision-making whereby diversity of stakeholders, markets, customers and communities are not compromised; and
iii. Identity – reflecting Fonterra’s core values by embracing, leveraging and respecting the diverse perspectives and unique skills of its people. Consistency is the cornerstone and what the company stands for to all its stakeholders.

Fonterra also ensures that it remains focused on what is important by housing an on-going measurement system in place which determines how strategies and initiatives which promote inclusiveness and diverse organisational culture overtime (Fonterra Co-operative Group, Global Diversity and Inclusion Policy, 2017). The People, Culture and Safety Committee of Fonterra’s Board sets specific measures and targets which are reviewed annually and reported on for value creation and risk management purposes. For instance, some of its key global targets for value creation purposes include a world-class engagement, world-class injury prevention, 50percent female representation in senior leadership by 2022, and 100percent product portfolio meeting endorsed nutrition guidelines by 2025 (Fonterra Sustainability Report, 2020).

Fonterra does not tolerate unlawful bullying, discrimination, victimisation or harassment in line with the way it operates which is holistically guided by its Code of Business Conduct. The entity's Managing Director (People & Culture) sets direction on strategies and initiatives and ensures appropriate disclosures are made in the sustainability reports. The ethical policy follows.

4.7 Ethical Behaviour Policy

Fonterra's reputation and commitment to its purpose dwells around the culture of integrity and honesty. The company believes that its reputation is built and relied upon the actions of its people namely customers, business partners, shareholders, farmers, and communities at large. By acting honourably, ethically, honestly and living by its set values, the company believes it can earn trust of its stakeholders on an everyday basis. Fonterra understands that complying with principles, policies, regulations, procedures, and good corporate governance means conducting business with integrity (Fonterra Co-operative Group, Global Ethical Behaviour Policy, 2017).

The company endeavours to create an environment where people feel confident speaking up by embedding a culture of transparency, honesty, and integrity. Fonterra respects cultural norms and generally accepted business practices by conducting business in a style that meets regulatory and legislative requirements. It also realises its obligation to disclose unlawful and fraudulent activities, corruption and bribery related cases, kickbacks, corporate hospitality and gifts, and other corrupt payments to obtain business (Fonterra Co-operative Group, Global Ethical Behaviour Policy, 2017). This helps the company in identifying areas of actual or potential conflict of interest situations so as to ensure rigid and transparent business practices at all times.

For in-house value creation, Fonterra constantly deems in challenging things that do not seem right and asking its people to speak honestly and openly. In doing so, the company expects its people to uphold an ethical behaviour and applying it to their designated business roles and everyday decision making. The same proposition is reflected in the sustainability reports. For instance, Fonterra "funds an independent and confidential service, facilitated by Deloitte, available to all employees to seek advice and raise concerns related to ethical or unlawful behaviour" (Fonterra Group, Fonterra Sustainability Report 2018, 2018, p. 74).

4.8 Health, Safety and Wellbeing Policy

For its contractors, visitors, and people to return to their domicile safely every day, Fonterra is committed to providing a zero-harm workplace all over the place it conducts business. The company delivers wellbeing, continuous health, and safety into everything it undertakes. Fonterra trusts this is essential to their sustainable success and vital to their everyday business dealings. The company vests its confidence in togetherness where every stakeholder involved owns and leads safety, health, and wellbeing as an omnipresent business culture (Fonterra Co-operative Group, Global Health, Safety and Wellbeing Policy, 2020). The stakeholder confidence helps in portraying the value creation proposition.

In delivering this purpose, the stepping-stones towards achieving this goal are:

I. People – who support a safe and healthy work ambience and believe that harm is avoidable;
II. Processes – adapting to safe work practices and detecting and managing risks where possible. Also, compliance with statutory requirements where Fonterra operates in specific locations; and
III. Plant and Equipment – creating a safe and healthy work environment which intends the design, operation, management and maintenance facets.

Fonterra invests in a management system which is open to continuous improvement and one that is led by leadership at all levels. In cases of incidents, the root causes are identified, reported, documented, investigated proportionally and accurately, corrective actions are undertaken, learned outcome and its knowledge is shared with the whole team (Fonterra Co-operative Group, Global Health, Safety and Wellbeing Policy, 2020). Similarly, in reflecting its duty of care, Fonterra's people are supported to return to work following an illness or injury. In the sustainability reports, this policy gels well with the above policy to bring about the value creation proposition. For instance, Fonterra has "established a Global Wellbeing Forum with a specific emphasis on the mental health aspect of personal wellbeing, intended to encourage local ownership of wellbeing in its business units around the world, but in an aligned way where locally developed best practice can be shared to accelerate progress" (Fonterra Group, Fonterra Sustainability Report 2018, 2018, p. 79). The nutrition policy of the company follows.

4.9 Nutrition Policy

In ensuring that it thrives in whatever it undertakes, Fonterra believes that good nutrition is central to their wellbeing. The company trusts it is the most feasible way to contribute to society and to secure productivity at all levels. Measuring nutrition level of its customers through deliverance of good nutritious products is an indicator of health value creation proposition in the company's sustainability report. For instance, Fonterra's "Medical Nutrition team is tasked with pioneering a range of dairy nutrition solutions for people who are recovering from disease and illness at all stages of life, or who want to take preventative actions to help them live longer and healthier lives" (Fonterra Group, Fonterra Sustainability Report 2019, 2019, p. 25).

To fuel the development, growth and maintenance of health and wellbeing, Fonterra recognises that people eat to gain the essential nutrients and above all for enjoyment. With an absolute commitment to providing goodness for generations, Fonterra addresses and supports the vast nutrition issues facing the world. It does this by contributing to improving the wellbeing and health through the products and services it delivers without compromising quality standards (Fonterra Co-operative Group, Global Nutrition Policy, 2020).

In order to provide goodness to its consumers, Fonterra supports the continuous improvement of its portfolio by delivering sustainable nutrition through seeking guidance from global health authorities and reflecting upon current scientific evidence (Fonterra Co-operative Group, Global Nutrition Policy, 2020). Similarly, it strives to deliver value to its consumers by delivering a sturdy gateway of credible, honest, and science-based health benefits. The company works towards supporting communities by opting to create awareness on healthy choices which complement the goodness of dairy. This again addresses the value creation proposition of the Cooperative and is reflected in the sustainability reports as well.

For consumers to make informed nutrition choices, the company believes that being recognised and respected as a credible source of nutrition knowledge is a significant step towards value creation motives. On the same note, whilst protecting the integrity of dairy nutrition through its products and messaging, Fonterra acknowledges the role of its ingredients and products as part of sustainable diets and at the same time maintaining robust alliances as part of key global discussions (Fonterra Co-operative Group, Global Nutrition Policy, 2020). The company also ensures compliance with relevant food regulations and policies and limiting the use of ingredients that may have an adverse effect on health. In a nutshell, Fonterra promotes its products in a fashion which endorses a healthy lifestyle and a balanced diet, bringing out the value creation proposition for the purpose of this study. The privacy policy of the firm is next.

4.10 Privacy Policy

Fonterra trusts that protecting the privacy of every individual and consistently ensuring they do so is fundamental in maintaining the integrity of their business. Respecting and protecting the privacy of all stakeholders whom they collect personal information from is important for the company at all levels (Fonterra Co-operative Group, Global Privacy Policy, 2020). This also ensures that the sustainability reports do not spill out any sensitive information on the stakeholders and the privacy proposition for value creation purpose is achieved. For instance, Fonterra believes that "collection of some of the information from stakeholders must remain voluntary to respect privacy rights" (Fonterra Group, Fonterra Sustainability Report 2018, 2018, p. 18).

Furthermore, in practising their risk management tactics, Fonterra is committed to:

- Collection and processing of information for a specific purpose meant for business use only and with an individual's consent and/or knowledge;
- Use of and accessing information as permitted under applicable legislation and only for the purposes for which it was collected;
- Disclosure and transferring information as required under applicable legislation and only in line with its communicated purpose;
- Storage, safeguarding and managing information only for the duration of time for which it was required, using applicable technologies and industry-standard systems (Fonterra Co-operative Group, Global Privacy Policy, 2020);
- Disposal of information when it is no longer a requirement for legitimate business or legal reasons, in a very timely and secure manner;

- Amending, deleting and providing access, where applicable law provides for this, information that the company holds about them upon their request;
- Enduring applicability of privacy guidelines in light with the company's Privacy Statement, including all its external-facing digital platforms and websites (Fonterra Co-operative Group, Global Privacy Policy, 2020); and
- Addressing all breaches of this policy in accordance with appropriate legalities in place.

In mitigating risks with the help of above guidelines, Fonterra is able to meet its legal requirements and maintain privacy demands of its stakeholders. The value creation proposition is also satisfied as a result. In view of market forefront, the company's securities trading policy follows.

4.11 Securities Trading Policy

Fonterra is against insider trading tactics and ensures that its people thoroughly understand compliance with its commitment to never participating in the same for business integrity purposes (Fonterra Co-operative Group, Global Securities Trading Policy, 2020). Any information that can impact the integrity of Fonterra's market from disclosure is critical for determining its reputation. The integrity proposition for value creation is witnessed as a result of such action and the same is indicated in the company's sustainability report. For example, Fonterra explicitly states that its "sustainability report does not constitute investment advice, or an inducement, recommendation or offer to buy or sell any securities in Fonterra or the Fonterra Shareholders' Fund" (Fonterra Group, Fonterra Sustainability Report 2018, 2018, p. 94).

Furthermore, for risk management purposes, Fonterra is committed to:

1. Ensuring that none of its stakeholders who possess material information:
    - get involved in trade of restricted securities;
    - boost anyone to trading or holding any restricted securities; and
    - engage in disclosure of material and/or sensitive information to others.

2. Maintaining compliance to the Fonterra Shareholders' Market Rules, Listing Rules, Financial Conduct Act 2013, Financial Markets Authority's Guidelines and Principles and other requirements as approved and implemented by the business (Fonterra Co-operative Group, Global Securities Trading Policy, 2020).

3. Escalating any risk of material information from inappropriate disclosure in accordance with the Global Ethical Behaviour Policy.

The above risk mitigating commitments ensure that the stakeholder preferences are met and that their trading affairs are controlled. This helps in satisfying the value creation proposition also. Fonterra's approach to handling taxation matters with its in-house policy is next.

4.12 Approach to Taxation Laws

Under all jurisdictions, Fonterra believes it pays its fair share of tax to the government. The company does not employ tax havens as part of its trade to avoid tax responsibilities. As one of its commitment to CSR, the company recognises that collecting and giving a just and fair portion of tax to the government is imperative for long term success (Fonterra Co-operative Group, Our Approach to Tax, 2020). It rather believes in tax arrangements which ought to be ethical and transparent by all means.

In the same way, to ensure legal compliance in whichever way it operates, the company reports and pays the rightful amount of tax. This righteousness helps Fonterra to showcase its value creation proposition to the government and the same disclosure is reflected in the annual and sustainability reports where the rightful amount of taxes are accounted for and any unpaid balances are agreed upon under tax arrangement systems with the Tax Office. For instance, "rather than being taxed directly, Fonterra passes its income on to its farmer shareholders, who pay the tax at their level" (Fonterra Group, Fonterra Sustainability Report 2017, 2017, p. 90). This approach ensures that there is no double taxation and that tax evasion schemes are prevented.

Fonterra opts to optimise its taxes in ways that are just and socially responsible. For compliance reasons, it ensures that all its disclosures are made in accordance with local and international regulations and policies (Fonterra Co-operative Group, Our Approach to Tax, 2020). To ensure that it continues to act responsibly and does the right thing, the company operates with transparency and works hand in hand with the tax authorities. The corporation's analysis of its digital platform follows.

4.13 Fonterra's website analysis & use of digital tools

Fonterra has all information available on its "fonterra.com" website, including but not limited to, public announcements, financial presentations, and an overview of the Co-operative's operations. In order to share information with its stakeholders, the company uses regular farmer updates, email correspondences and frequent updates from Chief Executive Officer (CEO) and the Chairman.

Furthermore, an up-to-the-minute news and weather, online statements, and milk production and quality are available on the company's Farm Source website which enables connection with business partners, farmer shareholders and their employees. The same website is used by farmer shareholders to keep a tab of information on daily business run. Fonterra also uses 'My Co-op' and 'On Farm' applications to keep trace of tanker movements, comparisons against last season volumes, daily milk production and quality information is sorted on the entity's application. All these commitments mean that value creation proposition is met and those affected by company's everyday run are on the same page of doing things.

Moreover, Fonterra's material announcements, annual reports and other half-year statistical reports are available on "fonterra.com". All market and media releases are also available on "fonterra.com". Providence of this ad-hoc information means value is created and information is accessible in one mouse click.

4.14 Fonterra's sustainability report analysis

The dissertation set out to study Fonterra's sustainability reports from years 2017 to 2020 and its disclosures related to value creation and risk management. The reports have case or scenario examples to narrate the message of disclosure changes over the four years to the reader. The effort put into achieving sustainability in the business and into the report preparation is visible in the reports. The contents of these reports also have certain similarities. All four reports present a clear strategy and/or an ambitious vision that takes sustainability into account, with focus placed on addressing the needs of its various stakeholders. The table which follows illustrates the same:

Value Creation & Risk Management Oriented Keywords in Fonterra's 2019 Sustainability Report						
No.	**Economic Responsibility**	**Count of Words**	**Social Responsibility**	**Count of Words**	**Environmental Responsibility**	**Count of Words**
1	Plant use	6	Safety	26	Waste	14
2	Global	31	Foods	96	Sustainability	36
3	Growth	11	Communities	32	Resources	17
4	Agriculture	16	Local	16	Planet	8
5	Products	24	Partnership	12	Animals	15
6	Progress	12	Labour	9	Environment	26
7	Processing	9	Farmers	64	Greenhouse	11
8	Business	26	Fatalities	2	Water	15
9	Customer(s)	29	Health	29	Climate	16
10	Trade(s)	4	Employees	42	Responsibility	10
Total		168		328		168

Table 2: Sustainability related disclosures in Fonterra's 2019 SR

Fonterra has a credible sustainability plan, and this program is visible throughout the report. The reports disclose futuristic plans relating to sustainability. The reports also narrate a distinctive story of the company's sustainability journey where sustainability seems to be well integrated into the business strategy. Fonterra is able to look at its business from a distance and narrate this story to their stakeholders.

The reports emphasize the importance of sustainability and innovation which enables Fonterra to create wellbeing and find solutions to global problems. Fonterra also recognizes long-term sustainable business success, profit or growth (value creation) and minimizing risks as their approach for sustainability. The results that follow show that leaders in sustainability, like Fonterra, greatly agree to the latest concepts of value creation and risk management and are increasingly aware of the potential of sustainability reporting.

Clauses Demonstrating Value Creation & Risk Management Motives from Fonterra's Sustainability Report Years 2017-2020		
Proposition	**Theme**	**Sentences/Report Clauses**
Value Creation	1. Farmers	"Delivering a strong payout; helping farmers meet regulatory requirements and improve their farming practices" (SR 2019, p.16)
	2. Employees	"Providing a safe workplace with good development opportunities and high staff engagement" (SR 2020, p.9)
	3. Planet	"Working with our farmers to achieve a healthy environment for farming and for society; reducing our manufacturing environmental footprint including GHG emissions, water consumption and solid waste to landfill" (SR 2018, p.11)
	4. Communities	"Providing direct and indirect, rural and urban employment; lowering our environmental footprint; investing in community and providing access to nutrition through in-school nutrition and food bank donations" (SR 2020, p.9)
	5. Government & Regulators	"Reducing our environmental footprint including GHG emissions, water consumption and solid waste to landfill" (SR 2017, p.13)
	6. Customers & Consumers	"Delivering nutrition products that are: high-quality, low carbon and responsibly produced; providing access to nutrition products that include healthier options, are safe to eat and linked to sustainable credentials" (SR 2020, p.9)
Risk Management	1. Building Relationships	"We rely on positive relationships with farmers, with governments and regulators, with unions and employees, and with iwi and community" (SR 2018, p.11)
	2. Intellectual Capital	"We rely on the know-how, systems and intellectual property that more than 90 years of investment in research and development has generated" (SR 2017, p.13)
	3. Financial Capital	"We rely on a strong financial base to operate and invest for the future and employ capital from our farmer shareholders, unitholders and from debt" (SR 2020, p.9)
	4. Assets Utilisation	"We rely on the property, plant and equipment that allow us to collect milk, and make and distribute our products to the world" (SR 2019, p.16)
	5. People & Culture	"...thousands of people in our supply chain help deliver the goods and services we produce" (SR 2020, p.9)
	6. Investors & Payouts	"Providing sustainable returns via earnings per share, dividends and interest paid; reducing investment risk through transparency and independent assessment" (SR 2020, p.9)
	7. Government & Regulators	"Complying with regulatory requirements, including food safety, marketing and environmental; taking a responsible approach to tax" (SR 2020, p.9)

Table 3: Sustainability propositions reflected in Fonterra's SRs 2017-2020

The table above provides a summary of various value creation and risk management propositions included in Fonterra's sustainability reports from years 2017-2020. It shows that the company's motive of achieving a sustainable business without compromising the needs of its stakeholders is prioritised all year round and the same is reported at the end of the year in a very systematic way. The disclosures show each year the company is focused and that both the propositions are given attention; with the sole purpose of maintaining consistency and obligatory reporting status.

4.15 Conclusive remarks

There are no legal obligations requiring organisations to engage in sustainability reporting. It has rather become an accepted and expected practice even though it is done on a voluntary basis. Relatively, it designates that Fonterra NZ is expected to report on its performance in relation to sustainability where it becomes almost obligatory at some point in time. Due to growing expectations from the public, a whole new industry has grown around sustainability reporting. For them to stay competitive, it is rather becoming challenging for organisations to be oblivious of the need to engage in sustainability reporting.

Fonterra publishes it sustainability report on a voluntary basis each year, reporting the actions it has undertaken throughout the year to deliver its sustainable behaviour. It believes that it cannot act in isolation and that it is affected day-to-day by evolving consumer behaviour and social change. As such, to maintain a ‘good state of legitimacy power’ it must adhere to the stakeholder expectations. It also reflects upon future sustainability initiatives and its increasing approach to broader sustainability related themes. Fonterra demonstrates that perception is key to public image and that its actions and motives are clearly defined.

CHAPTER 5 DISCUSSION OF FINDINGS

5.1 General overview

The paper set out to study what sustainability reporting is and its linkages to organisational value creation and risk management. Two research questions were posed namely how Fonterra NZ reports value creation to its stakeholders and what risk management disclosures Fonterra NZ makes in their sustainability reporting. The contribution of 108 publications assessed using the research categorization procedure helped in identifying the findings, theoretical underpinnings, methodology and analysis of their topical foci.

Upon analysing the sustainability reports for years 2017 to 2020, it appears that Fonterra does not aim to omit negative and/or neutral information with the intention of satisfying stakeholder requirements or to achieve a desired result to possibly legitimise their course of action. The findings reveal that firms ought to target for strategic modernism in order to be successful and geared towards achieving sustainability reporting.

Fonterra has got very clear strategies on value creation, and they have delivered these through the various policies that they have in place such as disclosure policy, nutrition policy, diversity and inclusion policy, and so on. They have identified and attained a number of value creation propositions by infusing these policies in their everyday undertakings. For instance, the entity shows propositions employed in its reports such as care for wildlife, environment, impact of their activities on communities and conservation tactics.

In line with these propositions, they are able to meet the demands of their wider stakeholders better. Thus, it can be implied that Fonterra NZ does not only wish to remain as the ‘wealth creating machine’ of the nation but one that helps in bettering of the environment and the community at large whilst adhering to its value statement.

5.2 Analysis of findings and connection to literature

The SLR has shown that the relationship between sustainability reporting and value creation as well as risk management has already been subject to a manageable number of different studies.

Nonetheless, research on this topic specifically is still in its early stages. The identified findings of the literature reveal that there are preconditions and drivers which influence the contents, extent, and the reporting quality of sustainability reports. Also, sustainability reporting (such as those of Fonterra) help in shaping an organisational vision or culture and serve as a tool to gain awareness for issues pertaining to sustainability or to develop an understanding of such topics.

Fonterra chooses to report on environmental, social and economic impacts of their actions to show their contributions to sustainability and to create a sense of transparency about their sustainable performance. By upholding its best corporate practices and adopting strategies to minimise waste, Fonterra utilizes the limited resources at its disposal effectively and efficiently to create value for its various stakeholders. The company's reporting strategy comprises of all the three dimensions of economic, environmental, and social sustainability (as reflected in Table 2). The various risk management and value creation propositions (as per Table 3) help the company in decision-making process by supporting its internal information needs and performance measurement procedures.

Organisations which pursue value creation motives like Fonterra should be in a position to gauge which of the value creating attributes they should be able to place their greatest emphasis on for risk management purposes. Sustainability reporting can be seen as one of the core competencies for firms to attract stakeholders. Firms engaged with sustainability reporting many at times may not consider critical aspects and this would require putting focus on strategic decisions. Information and communication technologies have a role to play in influencing business models and value chain. Literature suggests that firms should have dimensions in place leading to mitigating risks and harbouring sustainability qualities (Chithambo et al., 2020).

Organisations nowadays have an online platform (websites preferably, similar to Fonterra) to reach out to their stakeholders to and showcase their sustainability attributes of conducting business. It also acts a platform of informing stakeholders that they are involved in community building activities for achieving sustainability. However, literature suggests that a dysfunctional firm behaviour can occur if firms opt to be more technology driven than stakeholder driven. As such, Fonterra aligns its strategic goals and integrates its drivers for value creation to make sustainability reporting dimensions possible.

Literature also holds that firms often lack the 'knowhows', embedded knowledge and competencies to comply with sustainability reporting, resulting in exploitation of the intensive tacit knowledge they have of the industry and financial institutions (Kolk & Perego, 2010). Fonterra's reporting technique enlightens that firms should rather act as discovery providers, educationists and diagnostic giants for their stakeholders who vest in them. Reducing costs by eliminating resource wastefulness just like Fonterra can be one of the many aspects of solution-based business model following the sustainability streamline. Should they lack certain competencies, Fonterra demonstrates that firms must be in a state to augment their offer to working in conjunction with industry affiliates to manage risks for sustainability reporting.

The findings suggests that a reciprocal correlation exists between sustainability reporting for value creation and risk management. A stronger embedding of a sustainability culture is bound to arise upon communicating the contents of sustainability reports to interested parties and an appreciation for a common understanding for sustainability related matters is necessary. Many companies acknowledge the trend of sustainability reporting becoming prominent for them and corporations such as Fonterra NZ continue to scrutinize and improvise on the positive effects and potentials of sustainability reporting.

In view of the above, it can be implied that in order to allow firms to carry out their social responsibilities and societal roles, managers in these firms should use risk management strategies to ensure their economic viability and that they use these tactics for more than just maximising shareholder wealth. For societal reasons, Fonterra appreciates that risk management is necessary for firm survival and continuity. Table 3 of findings chapter highlighting risk management disclosures of Fonterra for sustainability reporting purposes:

- Aligns the interests of the company to its owners and management (Adams & Frost, 2008);
- Fairly reduces the firm's expected tax burdens and distortions introduced by taxes (Faisal et al., 2012);
- Safeguards and encourages firm-specific investment portfolios (Suchman, 1995);
- Preserves the company as a social welfare organism (Reddy & Gorden, 2010);
- Assists the firm in funding programs and developing financial plans (Gracia et al., 2017);

- Provides a suitable gauge for retained earnings and stabilises dividend payouts (Maletic, 2018); and
- Allows management to practise their stewardship role in view of holding them accountable for their actions (Hansen & Schalteggar, 2018).

Furthermore, Fonterra acknowledges that few important and immediate implications emerge from analysing avenues through which value (profit motive) is created:

- For risk management to arise, settings and reasons for the same may differ. As such, management must choose an appropriate strategy after acquiring a thorough understanding of how cash flow distribution is affected post allocation of risk (Gadenne et al., 2002);
- A broader view of the firm is required for risk management purposes. An overall firm-oriented objective should be of paramount interest (Chan et al., 2014); and
- By accepting a firm's capital structure and investment policy as given, risk management should not be treated as a subordinate but as a primary determinant. Risk transfer decisions and real investment decisions are generally mutually dependent on each other (Furlan et al. (2019).

The focus of risk management shifts from considering each risk as an isolated one to identifying the firm's collective net exposure by integrating different risk management functions concerning sustainability reporting. In order to identify the relevant net exposure and alternative avenues through which management can implement their interaction and risk management objectives for sustainability reporting purposes, findings of Fonterra show that integrating operating, financing, investing and risk management decisions is paramount. It might be possible to design more efficient means of transferring risks by integrating different risk management tools leading to sustainability reporting. In this view, risk management needs to take into consideration the design of organisational structure, financial framework, and incentive systems in place. It is fit, however, to declare that the interrelation between risk transfer products, capital structure, and operating strategies differ for different firms and the way in which risk management affects value also varies (Bérard, & Teyssier, 2018) which may not have the same protocol as Fonterra.

Before it is possible to determine how to deal with the individual sources of risk, risk management tactics for sustainability reasons such as those of Fonterra, would require a comprehensive analysis that integrates core decision areas of a firm. Firms are more or less flexible to react to future changes in the environment, conditional on the investment and the assets in place. Firms in a rapidly changing environment will require a different risk management strategy than firms in a mature industry like Fonterra with established technologies. Distorted risk management decisions may result from distorted information if incentives are not aligned towards sustainability reporting. This risk is further escalated by members of the organisation who pursue their own interests and impose hidden threats thereof to a firm. If only senior managers are required to prove that they take risk management genuinely and consider it to be one of their prime objectives, external requirements and objectives associated with the risk management process would contribute to the development of an integrated risk management for sustainability reporting.

Negligence or underestimation of certain operational risks post technical and human failures are often attributable to or associated with simulations of certain stakeholders, insufficient experience, or lack of training and development. In this regard, Fonterra realises that events, accidents, or incidents causing impossibilities, discontinuities, and breakdowns can often exploit the existing firm potential and call into question an entity’s sustainability status. This is where strategic reporting plays a purpose of providing an early reflection before these issues eventuate. Strategies promising Fonterra’s goal of sustainability reporting drives managers of the company to have the ability to diagnose the situation and ensure that the business model is adapted to whilst operational management is constantly focused on identifying and closing the gaps leading to abnormalities.

5.3 Analysis of findings and connection to two theories

In light of legitimacy theory, Fonterra appreciates the need for a long-term business survival, continuous existence, safeguard of name and reputation, value and growth. The company realises that it must always strive to meet societal norms and expectations. In order to avoid the adverse reactions of its stakeholders, the company operates and maintains a social contract to stay in business. It does this by thoroughly engaging in environmental, social and economic dealings of the society and reflecting the same in form of disclosures in its sustainability reports.

The action or reflection that managers alone can have in the strategic risk management process of sustainability reporting is often overlooked as there is always a large number of actors involved. Preferably, while considering all the different type of constraints within the company and in accordance with the policy balances within it (similar to the policies of Fonterra NZ), these actors must be able to undertake fully informed decisions.

In light of the adoption of integrated risk management mechanisms, legitimacy theory suggests that management teams (such as those of Fonterra) play a major role in the adoption of such mechanisms and their interactions on risk management performance concerning large enterprises. Literature suggests that a company's performance is merely dependent on a manager's role who alone can shape the risk management framework of their organisation. In particular, when these managers rely on an extended system of governance involving an advisory committee, members of the management team and the board of directors, the risk management system could be made more effective for sustainability reporting.

Furthermore, by improving the effectiveness and coherence of the collective decision-making process or by offering the possibilities of individual actions, sustainability reporting systems in organisations such as those of Fonterra can function as levers by enabling the accumulation of new information, knowledge, and expertise essential to the identification and assessment of risks. Managers, in large organisations such as Fonterra NZ, shape the control environment and represent a powerful lever to disseminate the 'culture of risk' by playing a leading role in strategic decision-making (such as complying with sustainability reporting guidelines) through their dialogues and decisions. It is only with strong support from the management team can risk management initiatives within organisations appear to be successful. Fonterra demonstrates that a homogeneous management team that shares common values of value creation and risk minimisation can lead to an achievable sustainability reporting motive.

With the wealth of cognitive resources that directors of a company (such as Fonterra, in this case) can provide, the board ensures that the managers set up a risk management process that is in respect of the balance of power and is well informed, particularly with regard to stakeholders affected by sustainability reporting. The tendency in recent decades has exposed companies and societies to incompatible risks with real sustainable development issues, encouraging them to employ an often makeup rhetoric of the CSR to highlight the efforts made and associated risk management in few judiciously chosen areas such as economic, social, ecological, political, and financial dimensions. Given that risks are managed on cost basis, it is decent to comprehend that it is cost and not risk that is usually managed. On the understanding that risks can dissimulate organisational threats, management should work to overshadow activities which are politically and ethically imprudent to engage in or pursue.

Moreover, a source of value creation in firms is focused on utilising organisational resources wisely. The basis of value creation in firms is formed through combination of resources and technology leading to new products and production techniques. An interdependent bundle of organisational resources is viewed as a source of competitive advantage. Some researchers have mapped the causal relationship between value creation and organisational resources in understanding how organisational resources transform into value.

Different primary and secondary firm-level activities contribute to value creation and later transform into value chain framework and comprehension of value. Other researchers of the theory claim and propose the network configuration of firm value creation which may better describe the value creation activities in diverse firms. Few researchers have asserted that intellectual and knowledge assets as well as organisational resources are important for value creation in firms as they act as asset value drivers. In this respect, Fonterra recognises that if it fails to uphold the interest of a particular stakeholder group, it may jeopardize its corporate reputation and this can subsequently affect its business performance in the long run. Fonterra mentions various stakeholders in its sustainability reports and acknowledges the due care and diligence it owes to each one of them.

Due to the dynamic interaction of organisational human and physical assets that are interdependent, Fonterra shows that value creation is not only limited to shareholders but also related to stakeholders. As a company aims to conform to the expectations and norms of different type of shareholders, a major implication is that different types of shareholders are considered important and accounted for when developing strategies which may go beyond the owners of the company. How a focal firm such as Fonterra creates value and an approach that is universal to all is a question that still remains.

5.4 Analysis of Fonterra’s sustainability reporting approach

Fonterra delivers objectives aimed at a narrow financial perspective of maximising shareholder wealth by adapting to sustainability reporting and those which go beyond in ensuring the survival of a firm and assist in risk management. Only if managers can do something individual investors cannot do on their own, can managers strive towards increasing the value of a company. The notion of wealth transfer with a self-interest motive is core and mitigating these conflicts are concerns for companies such as Fonterra, aimed at complying with sustainability reporting and going beyond the normal goals of achieving corporate governance. Imperfections exist and Fonterra highly acknowledges this concern for having managers to manage these risks in various departments within the organisation.

As risk management has become crucial for companies’ development and sustainability status, it has had a strategic and global dimension. The manager should be in a position to act retrospectively to address this strategic and global process. Some of the risk management processes gathered from Fonterra’s various in-house policies are as follows:

- Selecting the appropriate level and type of risks that a company is capable of engaging in and supporting at a particular point in time;
- Identifying the risks incurred and evaluating them in terms of severity and likelihood of occurrence in order to prioritise them appropriately;
- Planning and implementing suitable risk management mechanisms leading to value creation motives; and
- Frequently communicating about the above phases within the organisation and its external stakeholders to allow information flow at all levels.

With a view to sustainable growth, Fonterra’s Board continues to refresh the company’s risk appetite statement alongside refinements to its strategies. Be it the company’s investment decisions, balance sheet, profit and loss, or general business operations, Fonterra has developed a more conservative approach to risk across the business. Before the company commits to any investment decisions (particularly for offshore investments), it is a critical piece of work that gives the entity a much clearer view of the risk adjusted return.

Fonterra strives to attend to the 'healthy environment' concept through a number of ways. By reducing the impacts of farming and manufacturing, having a regenerative mindset, and working in partnership with others, it is improving the biodiversity and health of its land and waterways. Further, by investing in infrastructure and innovation to reduce greenhouse gas emissions from its supply chain, the company is leading the transition to a low-carbon future. Similarly, through improvements in productivity and minimising waste from farm to consumer, it is meeting the growing nutritional needs.

Fonterra strives to attend to the 'healthy people' concept through a number of ways. By developing a diverse, skilled, and agile workforce and by promoting a healthy and safe working environment, the company provides a positive employment for its people. Further, by promoting healthy diets and improving the nutritional profile of its products, it addresses the public health challenges. Similarly, by playing its part to build resilient, sustainable communities, sharing what they do best and by doing business in the right way, the entity improves the health of its communities. As part of its sustainability reporting procedure, Fonterra has rather shifted to a customer-lead operating model of doing business, created a culture that empowers its people, and supported communities through nutritional programmes.

Fonterra strives to attend to the 'healthy business' concept through delivery of a sustainable business by working together. It does this by returning the most value from every drop of milk it produces through supporting healthy, sustainable livelihoods for its farmers. Further, ensuring its business, including investments, delivers long-term value by building a strong co-operative. Finally, by leveraging its unique strengths and innovating to create sustainable value through meeting the changing needs of its consumers and customers. The company provides coverage of both financial and non-financial matters in its sustainability reports. The non-financial reporting consists of its approach to governance in their Corporate Governance section and coverage of its environmental and social performance in their Healthy Environment and Healthy People section. In its Healthy Business section, the entity reports its financial performance.

As part of its ‘risk management framework’, Fonterra’s Safety and Risk Committee along with the Board has an overall responsibility of ensuring that it operates within its risk appetite settings and has an effective implementation of risk management systems in line with their Global Risk Management Policy. As per its 2020 Annual Report, the company’s Risk Management Policy follows the *ISO31000 Risk Management – Principles & Guidelines 2018*. Whilst setting out the requirements for managing and reporting risk across its global business, the policy outlines the corporation’s risk principles and accountabilities. The policy establishes a consistent approach to identifying, assessing, controlling, monitoring, and reporting on key risks and is designed to embed a co-operative-wide risk management capability of the company.

Fonterra issued its third Sustainability Report in November 2019 which is independently assured and prepared in accordance with the GRI Standards. Performances against targets, and consideration for environmental, social and governance factors further expands the coverage of its non-financial reporting. To assist users of its Sustainability Report to compare its disclosed information and performance more easily with others, Fonterra has adopted the above internationally recognised reporting framework. With the next report due to be issued later in 2021, the corporation plans to release the Sustainability Report annually as it has done previously.

5.5 Chapter summary

Understanding how risk management actually adds value for organisations such as Fonterra in real life is quite a challenge. It is recognised however, that a reasonable objective is neither understanding the source of value creation nor reducing the risks borne by the firms. Fonterra favours the concept of ‘non-financial reporting’ and is on a journey towards a more integrated system of reporting by reflecting the core role of sustainability within its strategy; guided by international best practice.

CHAPTER 6 CONCLUSION

6.1 Overview

The growing significance of sustainability reporting reveals that companies are an important tool to bring current situation about sustainability practices into the World view. Therefore, corporate dimension of sustainability has emerged. Corporate sustainability engages with economic, environmental, social, and managerial issues. Likewise, developments related to corporate sustainability are tracked through sustainability reports.

This chapter provides concluding comments on the findings with close reference to the research questions of this study. For organisations willing to engage in genuine sustainability reporting for the purpose of creating value, Fonterra can be an exemplary entity for many practitioners and those in the similar line of business involving environment, animals, nature, and community.

Remarkably, the entity shows themes employed in its sustainability reports such as care for wildlife, environment, impact of their activities on communities and conservation tactics. The research has highlighted the authenticity of Fonterra NZ's contemporary, willing and unprecedented approach to sustainability reporting by analysing sustainability reports of the company. The company owes it profit, success and expansion to its 'green approach' of undertaking activities and its undoubted commitment to safer environment for all.

It also delivers few suggestive comments on future research. In order to solidify the former researchers' inferences, the contribution sought in this research is to provide a more realistic evidence to risk management and value creation.

6.2 Implications

This research has a number of implications. Companies should value their codes of ethics and value statements so as to ensure that the moral motivations behind their sustainability reporting is achieved. The preparers of sustainability reports should exercise sound professional judgement in preparing and submitting these reports for use. A substitute standpoint to comprehending the rationales following sustainability reporting is delineated in the literature review section of this dissertation by giving a fair insight of how corporations tend to report given the virtues they uphold as crucial to them for value creation and risk management purposes.

6.3 Contribution

This paper may be beneficial to corporations who are keen on improving their disclosure measures in sustainability reporting; including policy makers who are driving towards corporate governance quality and not just individual business characteristics with value creation motive. In order to address the dire challenges faced across the globe, this research is hoped to encourage businesses to step up and engage themselves into sincere sustainable reporting. With due consideration to sustainability reports, organisations nowadays need to be responsible and justify their actions to the public.

It is understood that results of this study may provide guidance to academics for future studies on sustainability issues. Besides, it can help them to see deficiencies related to sustainability in the literature. It is expected that this study will also provide awareness on sustainability reporting. In addition, the study results may help business managers to improve their performance on sustainability matters and to comprehensively consider sustainability reporting.

6.4 Limitation

To fit the scope of this dissertation, a limitation of this research lies in scrutinising and probing on only publicly available information such as annual reports, sustainability reports and internal firm policy documents in establishing the content pertaining to reporting on environmental performance which may not be sufficient to give a true picture of the companies which choose to do sustainability reporting. Nevertheless, in case of Fonterra NZ, sustainability reports provide a normative perspective on its high quality and standardised sustainability reporting.

6.5 Research gaps

This study has few research gaps identified from literature and findings. Further studies should dwell upon identifying what influence does value creation motives and risk management strategies have on meeting customer needs. There are limited studies pertaining to the extent of internal organisational change and its contribution to sustainability reporting. There is still limited and inadequate research guiding firms to measure value of product-service offerings and a model, either qualitative or quantitative, is needed. Also future research can look into the moderation and integration of stakeholder interactions in the design process of combined offerings for value creation.

An innovative research is required to understand new procedures and processes firms can engage themselves into for risk management as a wholesome phenomenon. A unified business model is also missing to bring about key drivers for value creation which would harmonise the dynamics of value creation across all industries. Finally, researchers can dig deeper into the theoretical reasonings behind the performance and productivity impact of value creation tactics and undertake partial qualitative analyses to confront this obscurity.

6.6 Scope for future research

Future studies in this area of research can look into interviewing the preparers of sustainability reports and managers who act as exemplars within an organisation. It can be implied that a strong alliance is achieved upon undertaking a high quality voluntary sustainability reporting. Further interrogations can consist of verifying companies' motivations opting for sustainability reporting and if it is a factual likeness of their environmental performance. Leaders in sustainable business may or may not be leaders in sustainability reporting.

However, based on this study, companies are with varying degrees aware of the latest practices and knowledge related to risk management, value creation, sustainable business, latest trends in sustainability reporting and recognising the sustainability context. Based on this study, the future of sustainability reporting seems promising. A robust framework for future sustainability reporting would be necessary to conquer some drawbacks in the current practice. Utmost attention ought to be placed on easing of the acceptability of report preparers, strengthening the contestability of reporting practitioners and removal of reporting biasness.

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