

Reporting on Sustainable Development Goals (SDGs): The Case of Fonterra

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

February 2024

Faculty of Business, Law, and Economics -
School of Business

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Abstract

This study examines Fonterra's reporting on Sustainable Development Goals (SDGs) over specific years to assess the extent of its disclosures, thematic content, and quality. Through quantitative analyses of Fonterra's sustainability reports from 2018 to 2022, this research investigates the company's commitment to transparency and sustainability within the industry. Quantitatively, the study evaluates the extent of SDG reporting by Fonterra by systematically reviewing its sustainability reports from the specified timeframe. The analysis involves counting the number of sentences and pages dedicated to SDGs and calculating the proportion of SDG-related content relative to the total content of each report. Qualitatively, thematic content analysis is conducted to identify recurring themes, topics, and issues discussed regarding SDGs within Fonterra's report of 2022 specifically. The analysis reveals a notable increase in the extent of SDG reporting over the years, with a particular emphasis on SDGs related to climate action and food security. Thematic content analysis elucidates Fonterra's dedication to addressing global challenges, notably emphasizing zero hunger and climate change themes.

Furthermore, the assessment of the quality of SDG reporting exposes varying levels of transparency and depth across different thematic areas, with notable strengths in SDGs about poverty, gender equality, and climate action. However, areas for improvement are identified, particularly in reporting related to life on land and life below water. Overall, this study provides valuable insights into Fonterra's sustainability practices, offering actionable recommendations for enhancing corporate sustainability reporting and impact in alignment with SDGs.

Keywords: Sustainability Reporting, Sustainable Development Goals (SDGs), Corporate Transparency, Thematic Content Analysis

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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 used artificial intelligence tools or generative artificial intelligence tools (unless it is clearly stated, and referenced, along with the purpose of use), 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.”

Priya Panwar (24/02/2024)

Acknowledgement

I would like to acknowledge my supervisor, Dr. Sabrina Chong, for her unwavering support and encouragement as I accomplish my research. Her constant communication and help in identifying resources have greatly facilitated the journey. I would additionally like to show heartfelt thanks to my parents, who constantly pushed me to pursue my goals and had faith in me. Finally, I express my gratitude to my friends for their understanding and encouragement during my research works. I am grateful for all of your assistance in seeing this dissertation through to completion.

Chapter One: Introduction

1.1 Background

In recent years, sustainable development has emerged as a pivotal focal point in the discourse surrounding societal progress and economic prosperity. Acknowledging the imperatives underscored by sustainable development, as elucidated by esteemed scholars such as Gore (2016) and Ozili (2022), society has come to recognize the profound significance of addressing concomitant social and environmental issues. The intricate interplay between these issues is incontrovertibly evident, with the growing spectra of climate change delineated by the Intergovernmental Panel on Climate Change (IPCC, 2014) bearing ominous implications for current and future generations. Concurrently, social concerns, as articulated by researchers like Sachs (2015) and Mensah (2019), exert an indelible influence on our collective well-being and the quality of life we aspire to attain.

Central to the tenets of sustainable development is the assertion that economic progress must harmoniously coexist with the amelioration of social and environmental predicaments (Stern, 2009; Gore, 2016). This concordance necessitates those corporate entities, in their relentless pursuit of economic prosperity, must assume a pivotal role in ensuring that the sacrosanct imperatives of social and environmental preservation are not forsaken, as expounded upon by Bebbington and Unerman (2018).

The salience of this paradigm shift toward sustainable development is conspicuous in the evolution of corporate reporting practices. Notably, the disclosure of social and environmental factors and financial information has assumed newfound prominence. This transformation in corporate

reporting can be attributed, in no small part, to the ascendancy of reporting frameworks championed by entities such as the Global Reporting Initiative (GRI) and, more recently, the International Integrated Reporting Council (IIRC). These frameworks proffer a compendium of guidelines and directives to corporations, facilitating the comprehensive dissemination of their social and environmental information. Nevertheless, these worthy endeavors, it is arguable, as posited by Sachs (2015) and Gore (2016), that critical sustainability concerns remain insufficiently addressed, with evidence suggesting a predilection among companies to prioritize economic facets and proffer social and environmental disclosures (Milne & Gray, 2012; Cho et al., 2015; and Bebbington and Unerman, 2018).

Sachs (2015) and Gore (2016) argue that despite the commendable efforts made by corporations in disclosing their sustainability initiatives, critical concerns need to be addressed. One of the central criticisms is that companies prioritize economic aspects over social and environmental concerns in their pursuit of legitimacy. In this context, corporations might engage in what some scholars call "greenwashing," a practice where a company exaggerates or falsely promotes its environmentally friendly initiatives to create a positive public image. This strategic use of sustainability disclosures primarily for reputation management rather than a genuine commitment to sustainable practices raises questions about the sincerity and effectiveness of these efforts.

Milne and Gray (2012), Cho et al. (2015), and Bebbington and Unerman (2018) contribute valuable insights by highlighting the phenomenon where corporations use social and environmental disclosures primarily to enhance their stakeholder legitimacy. Stakeholder legitimacy refers to the perception among stakeholders that a company's actions are appropriate,

desirable, and conform to societal norms. Corporations aim to portray themselves as responsible and accountable entities by emphasizing their social and environmental initiatives in disclosures. However, scholars Cho et al. (2015) and Bebbington and Unerman (2018) raised the concern that these efforts might sometimes be superficial, needing more substantial changes in business practices or genuine commitment to sustainable development goals.

While sustainability disclosures play a vital role in shaping corporate accountability and transparency, evaluating the authenticity of these efforts is essential. Scholars and stakeholders must continue scrutinizing corporate practices, urging companies to move beyond token gestures and embrace substantive, meaningful changes in their operations. Only through genuine commitment and transparent actions can corporations truly address the pressing sustainability concerns faced by our global society (Sachs, 2015; Gore, 2016).

The imperative for collective action toward sustainability is unequivocal, as global entities such as the United Nations (UN) underscored. The UN's formulation of the 2030 Agenda for Sustainable Development, encompassing 17 goals and 169 associated targets, stands as an exemplar of a concerted effort to galvanize society's multifarious sectors, including major corporations, in the pursuit of a sustainable world (UN, 2015). These Sustainable Development Goals (SDGs), as sanctioned by the entirety of the UN membership, encapsulate a comprehensive array of social and environmental exigencies, ranging from poverty alleviation to climate change mitigation. They afford corporations an unprecedented opportunity to contribute substantively to the global sustainability agenda (Bebbington & Unerman, 2018; 2020). In acknowledgment of their pivotal role, corporations have begun to embrace this responsibility, as evidenced by reports

from Pricewaterhousecoopers (Pwc, 2018), Globescan/SustainAbility (2017), and the American Institute of CPAs (AICPA, 2018).

Hence, considering this growing imperative, there exists an exigent need for a comprehensive inquiry into how corporations respond to the UN's SDGs. Such an investigation holds the potential to inform best practices and serves as a timely intervention, given the pressing urgency associated with pursuing these global goals. Through their reporting mechanisms, companies can manifest their unwavering commitment to the SDGs, thereby elucidating their governance structures and transparency vis-à-vis these paramount objectives, as articulated by Bebbington and Unerman (2018).

Lodhia et al., (2022) explored how the top 50 Australian corporations addressed the SDGs through their disclosure practices to determine whether these corporations' disclosures regarding their commitment to the SDGs are substantive or symbolic. The impetus behind this study is deeply rooted in the pressing global imperative for sustainable development, a concept underscored by influential scholars such as Gore (2016), Ozili (2022), Sachs (2015), and Mensah (2019). At its core, Lodhia et al., (2022) study addresses the critical issue of how corporations respond to the United Nations' SDGs. Despite the increasing prominence of the SDGs in the international sustainability agenda, a notable need exists for comprehensive analyses concerning the sincerity and effectiveness of corporate responses. The study conducted by Lodhia et al. (2022) on the disclosure practices of the top 50 Australian corporations regarding the United Nations' Sustainable Development Goals (SDGs) provides valuable insights into corporate behaviour. However, the study has notable limitations. Firstly, its limited sample size and geographical focus on Australian corporations restrict the generalizability of the findings to a global context. The

qualitative nature of the research introduces subjectivity and might not capture the depth of corporate responses.

Additionally, the study's temporal relevance might be compromised due to the rapidly changing nature of corporate practices. Furthermore, the analysis remains surface-level, needing more in-depth exploration of industry-specific challenges and regulatory influences on SDG-related disclosures. The proposed research paper addresses the limitations identified in Lodhia et al.'s (2022) study by comprehensively analyzing Fonterra's Sustainable Development Goals (SDGs) reporting practices over the past five years. This research takes a significant step beyond the confines of Lodhia et al.'s (2022) limited sample size and geographical focus on Australian corporations. By investigating the extent, thematic content, and quality of Fonterra's SDGs disclosures, the study seeks to offer a more holistic understanding of corporate engagement with the SDGs. Specifically, it aims to discern the depth of Fonterra's commitment to sustainability, surpassing the surface-level analysis conducted by Lodhia et al. (2022).

Furthermore, the research endeavors to identify specific SDGs and related targets emphasized in Fonterra's disclosures, shedding light on the company's strategic sustainability priorities. This detailed examination enhances the generalizability of the findings across different regions and industries and provides valuable insights into Fonterra's role in advancing sustainable development. The study's significance lies in its potential to inform diverse stakeholders, including investors, consumers, policymakers, and industry peers, about Fonterra's transparency, accountability, and commitment to sustainable practices. Moreover, the research findings and actionable recommendations generated through this study could be a valuable resource for Fonterra and similar organizations, guiding them in enhancing their sustainability reporting and

impact. In essence, this research contributes to bridging gaps in the existing literature, offering a more nuanced and detailed analysis of corporate responses to the SDGs, thereby advancing the discourse on sustainable development and corporate accountability on a global scale.

1.2 Research questions

The research question of the study includes:

- 1. What is the extent of reporting of SDGs by Fonterra for the past five years?*
- 2. What are the thematic contents of SDGs reported by Fonterra for the year 2022?*
- 3. What has been Fonterra's SDG reporting quality for the year 2022?*

1.3 Research Objectives

The research aims to examine Fonterra's reporting on the Sustainable Development Goals (SDGs) by assessing the breadth of its coverage over the past five years (2018-2022) and analyzing the content of Fonterra's SDGs disclosures specifically within the 2022 reporting period.

1.4 Significance of Study

The significance of this study lies in its ability to provide valuable insights into Fonterra's active engagement with Sustainable Development Goals (SDGs) and its broader dedication to sustainability within the dairy industry. The research inquiries and objectives outlined herein address pivotal facets of Fonterra's corporate reporting and sustainability practices, contributing to academic scholarship and practical application.

By carefully analyzing the scope and quality of Fonterra's SDG disclosure, this study aims to quantitatively evaluate the company's commitment to transparency and sustainability over five years. The focus extends beyond the mere extent of disclosure, recognizing that an exhaustive

presentation of SDGs does not inherently signify commitment. Instead, the study delves into the depth and quality of the information provided, illuminating Fonterra's willingness to be accountable for its actions and contributions to the SDGs. Through this nuanced analysis, the study seeks to discern the company's genuine commitment to sustainable practices and transparency in communicating these efforts.

Furthermore, by examining the thematic content of Fonterra's SDG reporting, this research seeks to uncover the specific SDGs and related targets given priority in the company's disclosures. This gives stakeholders insights into Fonterra's strategic sustainability priorities and alignment with global sustainability imperatives. Moreover, evaluating the quality of Fonterra's SDG reporting identifies areas that warrant enhancement and fosters heightened accountability within corporate sustainability reporting.

In summary, this study's significance lies in its potential to inform various stakeholders, including investors, consumers, policymakers, and industry peers, about Fonterra's pivotal role in advancing sustainable development and addressing critical environmental and social issues. The study's findings also offer actionable recommendations to Fonterra and similar organizations aiming to improve their sustainability reporting and impact, especially in an increasingly sustainability-conscious global landscape.

1.5 Summary

The study laid the groundwork in the initial chapter by presenting the background information and elucidating the research inquiries. Subsequently, the second chapter delved into an extensive review of the existing literature pertinent to the research topic. The upcoming chapter will meticulously explicate the research methodology, elucidating the comprehensive approach

employed to investigate the research questions. Following this, the fourth chapter will meticulously detail the outcomes derived from the study, offering an in-depth analysis of the findings. This will pave the way for an elaborate discussion in the subsequent section, where the results will be critically analyzed, contextualized, and correlated with the existing body of knowledge. Lastly, the fifth and final chapter will encapsulate the entirety of the study, summarizing the key findings, their implications, and potential avenues for future research. Through this structured framework, the study aims.

Chapter Two: Literature Review

2.1 Introduction

Global sustainability discourse has elevated the urgency to address the intricate interplay of human activities, natural ecosystems, and societal well-being. Present societies confront multifaceted challenges, including ecological degradation, resource depletion, climate variations, social inequalities, and economic instability. These concerns transcend boundaries, impacting the fabric of our biosphere and humanity (Lodhia et al., 2022). Ecological degradation, exemplified by deforestation, pollution, biodiversity loss, and habitat destruction, threatens ecosystems. Depletion of essential resources like clean water and fertile soil undermines well-being and economic progress. Intensifying climate impacts, such as rising temperatures and sea levels, amplify vulnerabilities, endangering vulnerable communities (Mendham et al., 2017).

Simultaneously, persistent social disparities hinder equitable education, healthcare, and clean water access. Economic instability, intertwined with unsustainable consumption and production, exacerbates challenges, compromising long-term stability (Büyüközkan et al., 2018). The imperative to address these sustainability challenges is evident on multiple fronts. It underscores environmental, social, and economic interconnectedness, necessitating holistic solutions (Pedersen, 2018). Urgency arises from nonlinear ecological processes and potentially irreversible changes. Sustainability issues are symptomatic of systemic governance, economic, and societal flaws, demanding transformative change to redefine human-nature relations, promote collaboration, and uphold justice (Hajer et al., 2015; Pedersen, 2018).

2.2 Sustainable Development and the Sustainable Development Goals

Initially conceptualized in 1987, sustainable development entails the pursuit of development that caters to present needs without compromising the prospects of future generations (Bansal, 2005). This multifaceted construct primarily addresses economic, environmental, and social dimensions, as illuminated by various standards (Bennett et al., 2020). The milestone of 25 September 2015 witnessed the culmination of a two-year worldwide consultation involving civil society organizations, scholars, scientists, and global citizens, resulting in the unveiling of the 2030 Agenda for Sustainable Development. This ambitious framework unveiled 17 Sustainable Development Goals (SDGs), 169 targets, and 231 indicators, signifying a comprehensive response to prevailing global challenges (Bebbington & Unerman, 2020). At its core, the 2030 Agenda embodies the principles of inclusivity, integration across social, environmental, and economic domains, and the aspiration for a world characterized by People, Planet, Prosperity, Peace, and Partnership (Adler et al., 2017). Anchoring itself in a more comprehensive follow-up and review protocol than its predecessor, the Millennium Development Goals, the 2030 Agenda underscores the significance of transparent, participatory, and integrated tracking mechanisms to facilitate SDG realization (Bennett et al., 2020; Biermann et al., 2017). The 2030 Agenda's effectiveness hinges upon robust monitoring, systematic reporting, and the discernment of SDG interlinkages, thus unveiling pathways for comprehensive policy intervention (Cho et al., 2015).

2.2.1. The evolution and development of the Sustainable Development Goals (SDGs)

The inception and subsequent evolution of the Sustainable Development Goals (SDGs) mark a defining moment in global governance and international cooperation history. Emerging from a complex tapestry of historical events, environmental crises, and socio-economic challenges,

the SDGs represent a shared commitment to forging a more sustainable and equitable future for humanity. Rooted in the legacy of previous global initiatives, such as the United Nations Conference on the Human Environment in 1972 and the Brundtland Commission's landmark report "Our Common Future" in 1987, the SDGs embody a collective recognition of the urgent need to address the interlinked issues of poverty, environmental degradation, and social inequality. The turn of the millennium saw the establishment of the Millennium Development Goals (MDGs), which set the stage for a more comprehensive and inclusive approach to global development.

- The First Development Goals: Millennium Development Goals

At the Millennium Summit in 2000, eight Millennium Development Goals (MDGs) were formulated with the goal of attaining them by the year 2015. Child mortality, maternal health, and severe poverty and hunger have been tackled by these MDGs. They constituted an unparalleled endeavor to address the requirements of the world's most impoverished nations. Nonetheless, criticism of the MDGs was levelled at (1) Their inadequate alignment "with human rights standards and principles; (2) Being formulated in a top-down process, only driven by international organizations, and developing country governments; (3) There were no accountability mechanisms in place, and inequality was left out of the list of crucial goals (International Human Rights Instruments, 2008; Fukuda-Parr, 2016, 2019). The MDGs were also criticized for their unsuccessful results in quite a few of crucial areas, including Africa (Easterly, 2009). Despite these criticisms, some progress was recognized by 2015, although not all targets had been achieved (United Nations, 2015a). For instance, "the number of people living in extreme poverty has declined by more than half since 1990, and the literacy rate among youth aged 15–24 has increased globally, from 83% in 1990 to 91% in 2015" (Ki-Moon, 2015).

- The Present: The Sustainable Development Goals

A 15-year plan referred to as Agenda 2030 (2015–2030) was established in 2012 at the Rio+20 Conference. Its objectives include social development, environmental protection, and sustainable economic growth (United Nations, 2015b). Consequently, Agenda 2030 defined 17 Sustainable Development Goals (SDGs) with a 2030 deadline. According to Fukuda-Parr and McNeill (2019), this agenda was established as a normative shift and has since been formalized as a policy paradigm (Siegel & Bastos Lima, 2020). The agenda includes 169 targets and numerous metrics for tracking their progress. People, planet, prosperity, peace, and partnership are the five essential areas (referred to as the 5 Ps) that these objectives address (United Nations, 2015b). The Sustainable Development Goals (SDGs) reframe development as the "universal aspiration for human progress that is inclusive and sustainable," whereas the Millennium Development Goals (MDGs) saw development as the North-South project to provide fundamental requirements to eradicate poverty (Fukuda-Parr & McNeill, 2019). In contrast to the MDGs, the SDGs place a greater emphasis on inclusivity and the relationships between various sustainability characteristics; this is reflected by their slogan, "No one left behind" (Siegel & Bastos Lima, 2020). SDGs practically go beyond MDGs in three areas: (1) Scope (new goals, for example); (2) Reach (both developed and developing countries); and (3) Involvement of a wider range of societal actors (citizen councils, for example) in both the formulation and execution of the goals (Fisher & Fukuda-Parr, 2019). Nevertheless, no particular procedures to ensure their national application have been agreed upon. One of the most significant concerns is that the Sustainable Development Goals (SDGs) are dependent on individual nations and the goodwill of their respective governments to seek and carry

out each objective. Siegel and Bastos (2020) have highlighted that the successful implementation of SDG-driven changes is contingent upon the political setting of each nation, namely on the interpretation and prioritization at the national level. Even while the SDGs are quite concretely formulated, these writers noted that there is still room for interpretation in the way they are conceptualized and, one could even argue, operationalized. Accordingly, certain nations' pursuit of goals over others is referred to as "cherry-picking," even if this practice is sometimes misunderstood as conformity with the agenda as a whole (Forestier & Kim, 2020). Nonetheless, the goal of Agenda 2030 and its realisation are essentially centered on the goals' integrative and indivisible nature (United Nations, 2015b); accordingly, "cherry-picking" ought not to be a permissible strategy, demonstrating the importance of keeping an eye on how each country is engaging with and implementing each SDG.

While instrumental in advancing specific development targets, the MDGs also revealed the interconnectedness of global challenges. As the 2015 deadline for the MDGs approached, world leaders convened at the United Nations Conference on Sustainable Development (Rio+20) in 2012 to take stock of progress and chart a course for the post-2015 development agenda. During this pivotal conference, the vision for a new set of universal and integrated goals was conceived to encompass all dimensions of sustainable development and address the root causes of poverty and inequality. The Open Working Group on Sustainable Development Goals (OWG), formed by the UN General Assembly in 2013, embarked on a consultative and inclusive process to shape the SDGs. Through extensive consultations with governments, civil society, academia, and private sector representatives, the OWG identified 17 goals and 169 targets that reflected the aspirations and priorities of people worldwide. The resulting goals encompassed many interconnected issues, recognizing that social, economic, and environmental challenges are inseparable and must be

tackled in unison. The UN General Assembly formally adopted the SDGs in September 2015, marking a new era of global commitment and ambition. Unlike their predecessors, the SDGs apply universally to all countries, recognizing that sustainable development is a shared responsibility that transcends borders. By targeting issues as diverse as poverty eradication, health and well-being, quality education, gender equality, clean water and sanitation, affordable and clean energy, and climate action, the SDGs offer a comprehensive framework for addressing the complexities of the modern world. At their core, the SDGs represent a powerful call for transformational change. They recognize that the current production, consumption, and governance patterns are unsustainable and must be reimaged. Governments, private sector organizations, civil society actors, and individuals alike are urged to embrace the SDGs as a collective responsibility and to take decisive action to drive progress.

Since their adoption, the SDGs have catalyzed remarkable efforts and achievements across the globe. Countries have integrated the goals into their national development plans and policies, with many institutions aligning their strategies and investments accordingly. The private sector has embraced its role in advancing sustainable business practices, while civil society has galvanized advocacy and social movements to hold decision-makers accountable. However, challenges persist, and the journey towards realizing the SDGs still needs to be completed. Persistent poverty and inequality, the ongoing climate crisis, and the recent global health pandemic have all underscored the need for accelerated action and innovation. As we move closer to the 2030 deadline, the urgency to build momentum and scale up efforts has never been greater. The SDGs are more than just a framework; they represent a shared vision of a world where prosperity is inclusive, environmental stewardship is paramount, and no one is left behind. Embracing the

SDGs as a common cause is a testament to the enduring spirit of human collaboration and the belief that we can forge a path towards a sustainable and thriving future for all.

2.3 Business's role in advancing the realization of sustainable development goals

Enterprises have progressively forged collaborations across diverse sectors to address challenges related to sustainability, thus assuming a pivotal role in realizing Sustainable Development Goals (SDGs) (Van Tulder & Lucht, 2019). With its access to cutting-edge technologies, global outreach, and capacity for large-scale solution development, the private sector assumes a crucial position in pursuing global sustainability objectives (Goel et al., 2021).

By fostering collaborations aligned with sustainability, businesses can transcend conventional practices, transitioning towards assuming public commitments to enhance societal conditions (Gupta & Jham, 2021). The Sustainable Development Goals offer a potential avenue for businesses to revert to their fundamental societal responsibilities and roles. This transcendence is not merely grounded in ethical considerations, market dynamics, and fundamental establishments (Singh et al., 2021).

Nevertheless, the trajectory towards realizing Sustainable Development Goals has encountered sluggish progress, with local businesses needing more engagement (Van Tulder & Lucht, 2019). The inherent complexities associated with the construct of sustainable development have presented formidable challenges for commercial entities in their endeavour to seamlessly imbue it within their strategic frameworks (Goel et al., 2021). Consequently, the prospective assimilation of the Sustainable Development Goals (SDGs) within commercial operations proffers a paradigmatic shift, proffering a methodical scaffold to align endeavours and strategies with discrete objectives (Singh et al., 2021).

SDGs, distinguished by their indivisibility and coalescence across economic, environmental, and social dimensions, encapsulate an intricate nexus of interdependencies. The realization of these objectives' pivots upon multifold governance and global affiliations (Singh et al., 2021). SDG16 accentuates the inexorable tether between tranquility, equilibrium, human rights, and effective governance vis-à-vis sustainable development. In contrast, SDG#17 postulates global partnership and collaboration as the pivotal linchpin for the materialization of SDGs. Correspondingly, urban sustainability derives potency through localized alliances, underscoring its potential to holistically contribute to the SDGs (Gupta & Jham, 2021). The profusion of localized sustainability alliances globally attests to this assertion (Van Tulder & Lucht, 2019).

Notwithstanding their inherent coherence, the SDGs evince inconsistencies and intricate monitoring exigencies (Van Tulder & Lucht, 2019). Implementation is an intricate endeavor, with certain quarters deeming the objectives unrealistic (Tewari et al., 2021). This incongruity is manifested in the paradox whereby economic expansion may ameliorate social quandaries such as poverty mitigation yet contradict the imperative to mitigate climate change and biodiversity depletion (Kaur & Bhardwaj, 2021).

The odyssey toward SDG fulfillment is undeniably a formidable undertaking wherein enterprises assume a cardinal role (Sachs, 2015). The SDGs furnish an arena for commercial entities to evince their contribution to sustainable development by attenuating deleterious impacts and amplifying constructive contributions to humanity and the environment. This scaffolding connects to cultivating strategic alliances and positioning (Khalique et al., 2021). Additionally, the SDGs furnish businesses with a navigational compass to steer investments, innovations, and

decision-making processes, potentially eliciting substantial economic gains through requisites for SDG actualization (Kaur & Bhardwaj, 2021). However, this engagement necessitates a departure from orthodox operational modalities (Tewari et al., 2021). Businesses must transcend a myopic perspective wherein SDGs are regarded purely as commercial opportunities and concurrently embrace their societal obligations to effect substantive transformative change (Khalique et al., 2021).

2.4 Sustainability/ SDGs reporting

Companies are crucial in advancing SDGs by integrating sustainable practices into their core operations, supply chains, and value-creation processes. Engaging in sustainable practices contributes to social and environmental well-being and aligns with long-term business success and the maintenance of a social license to operate (Pedersen, 2018). Reporting on SDG performance not only allows companies to demonstrate their commitment, transparency, and accountability towards sustainable development, but it is also a way to communicate their sustainability efforts and outcomes to the stakeholders. Such reporting enables stakeholders, including investors, customers, employees, and the wider public, to evaluate a company's sustainability practices and hold it accountable for its social and environmental impacts (Bebbington & Unerman, 2018). Moreover, SDG reporting enhances companies' reputations, attracts investors, fosters innovation, and contributes to the overall achievement of the SDGs globally (Montiel et al., 2021).

Sustainability reporting has undergone a transformative evolution over the years, transitioning from a niche practice to a mainstream phenomenon, with an increasing emphasis on reporting in alignment with the Sustainable Development Goals (SDGs) (Lai & Stacchezzini, 2021). This evolution has been driven by a growing recognition of the interconnectedness between

corporate activities and global sustainability challenges, as well as the heightened expectations of stakeholders for transparent and comprehensive reporting (Hahn & Kühnen, 2013).

Early literature on sustainability reporting highlighted its emergence as a response to heightened environmental and social concerns in the late 20th century (Hahn & Kühnen, 2013). Early adopters of sustainability reporting sought to communicate their environmental performance, social initiatives, and ethical practices to stakeholders beyond the conventional financial realm (Lai & Stacchezzini, 2021). Researchers such as Gray et al. (1987) emphasized the need for broader accountability encompassing economic, social, and environmental dimensions, leading to the concept of the "triple bottom line (Lai & Stacchezzini, 2021). As sustainability reporting gained momentum, researchers began examining its impact on organizational performance, reputation, and stakeholder engagement. Gray (2006) explored the motivations and benefits of sustainability reporting, including enhanced stakeholder trust, improved corporate image, and the potential to attract socially responsible investors. Such research underscored the relevance of sustainability reporting for organizations seeking to align their operations with societal expectations and values.

The advent of the SDGs marked a significant turning point in sustainability reporting. This development prompted a shift in sustainability reporting towards SDG reporting. This practice emphasizes how organizations' activities and strategies contribute to specific SDGs and align with the broader sustainable development agenda. Gray (2006) has investigated the integration of the SDGs into corporate sustainability strategies and reporting practices. Gray (2006) emphasizes that organizations are increasingly expected to go beyond tokenistic gestures and demonstrate tangible

contributions towards achieving specific SDGs. This integration necessitates precise alignment and the establishment of meaningful metrics, targets, and indicators to assess progress.

Furthermore, Lai and Stacchezzini (2021) have explored how organizations leverage the SDGs as a framework to guide their sustainability initiatives, investments, and decision-making processes. SDG reporting enables organizations to communicate their contributions to multiple stakeholders, showcasing their dedication to addressing global challenges. This evolution in reporting practices reflects a more holistic understanding of sustainability, encompassing environmental, social, and economic dimensions and aligning with the broader aspirations of global sustainable development (Lai & Stacchezzini, 2021). However, it is essential to acknowledge that the evolution of SDG reporting also presents challenges. Scholars have highlighted the complexity of monitoring and measuring SDG-related impacts and the need for standardized reporting frameworks (Kaur & Bhardwaj, 2021). The integration of the SDGs requires organizations to navigate through complex interlinkages and prioritize areas of impact that resonate with their business operations and stakeholders.

2.4.1 Importance of sustainability/SDG reporting to meet stakeholders' expectations – legitimacy and accountability purposes

The current discourse surrounding sustainability and the pursuit of Sustainable Development Goals (SDGs) is paramount in contemporary society (Wagner et al., 2023). This emergent concern has prompted organizations across diverse sectors to overtly acknowledge their pivotal role in addressing global challenges (Lee & Zhang, 2022). Concomitantly, as businesses increasingly come to terms with their profound responsibility towards environmental, social, and economic dimensions, the concomitant elevation of stakeholders' expectations about transparency,

legitimacy, and accountability has become palpable (Adams & Frost, 2008). In this intricate landscape, sustainability reporting, which encapsulates the divulgence of organizational endeavours in pursuit of sustainability objectives and alignment with the SDGs, has assumed a preeminent position of significance (Alsayegh et al., 2023).

Sustainability reporting is unequivocally a pivotal conduit through which organizations communicate their proactive sustainability initiatives, resultant impacts, and strides made towards progress to their spectrum of stakeholders (Wagner et al., 2023). This encompassing array of stakeholders comprises investors, customers, employees, regulators, and communities, all seeking to discern an organization's profound dedication to ethical conduct, judicious stewardship of resources, and promoting societal well-being. Within this context, the transparency facilitated by sustainability reporting serves as a beacon that enables stakeholders to make judicious and informed decisions (Donald & Way, 2016). Beyond the surface-level ramifications, such transparency cultivates trust, bolsters engagement, and nurtures enduring relationships over the long term (Wagner et al., 2023). Moreover, this practice of sustainability reporting, extending beyond its immediate manifestations, also wields substantial influence over establishing organizational legitimacy (García-Meca & Martínez-Ferrero, 2021). Legitimacy, a cornerstone of corporate reputation, hinges on the foundational principle of organizations' alignment with prevailing societal norms and values. In this regard, sustainability reporting functions as a dynamic conduit through which organizations conspicuously exhibit their congruence with these societal norms while simultaneously showcasing their active contribution to broader, overarching societal goals, a prime illustration of which is the SDGs (García-Meca & Martínez-Ferrero, 2021). Through the conspicuous presentation of their efforts to address ecological deterioration, social inequalities,

and economic disparities, organizations effectively fortify their claims to legitimacy and earnestly establish themselves as conscientious corporate entities committed to responsible stewardship (Wagner et al., 2023).

In equal measure, accountability—intertwined with sustainability reporting—prescribes an onus upon organizations to honor their commitments and responsibilities towards their stakeholders (Breuer & Leininger, 2021). Under the watchful gaze of the public and the diverse array of stakeholders, organizations face the ardent scrutiny of their social and environmental impacts (Lee & Zhang, 2022). Through such transparent discourse, organizations manifest their commitment to transparency, their willingness to traverse the path of continuous amelioration, and their readiness to embrace challenges and divulge their progress candidly (Donald & Way, 2016). However, the ramifications of sustainability reporting do not conclude with mere disclosure. Instead, it transcends the realm of transparency to assume the character of a transformative instrument (Miola & Schiltz, 2019). Organizations that ardently adopt sustainability reporting as a conduit to meet the multifarious expectations of stakeholders ascend beyond mere accountability (Breuer & Leininger, 2021). They embrace an ethos of adaptability, acknowledging the evolving and intricate global milieu. Within this paradigm, sustainability reporting advances organizational accountability and galvanizes organizational resilience in the ever-evolving global landscape (Breuer & Leininger, 2021). As the collective societal awareness burgeons and the intensity of scrutiny intensifies, sustainability reporting remains steadfast as an indispensable cornerstone—providing a navigational compass to organizations as they maneuver through the intricate nexus of stakeholder expectations, legitimacy, accountability, and the inexorable pursuit of sustainable development (Miola & Schiltz, 2019).

2.4.2 Challenges in sustainability/ SDGs reporting

The journey towards realizing Sustainable Development Goals (SDGs) is riddled with intricate challenges that demand skillful navigation from organizations, governments, and societies. Among these challenges is the inherent complexity of the SDGs themselves (Martens & Bui, 2023). These goals are characterized by a web of 17 interconnected objectives and 169 specific targets, each encompassing a diverse spectrum of sustainable development aspects (Martens & Bui, 2023). The intricate interdependencies among these goals create a formidable task when determining where to allocate resources and which priorities to emphasize (Noh, 2020). The wide-ranging diversity across global regions, economies, and contextual backgrounds adds to the complexity, necessitating tailored strategies to achieve the SDGs. This diversity poses a significant hurdle in identifying universally applicable solutions (Lodhia et al., 2022).

Furthermore, the audacious ambition of the SDGs, which aim to eliminate poverty, ensure environmental sustainability, and foster inclusive economic growth by 2030, aligns with the pressing need to address critical global issues such as climate change, inequality, and the depletion of vital resources (Lodhia et al., 2022). The urgency tied to this timeline underscores the necessity for prompt action and innovative approaches. Additionally, the substantial financial gap required for SDG achievement underscores the importance of forging alliances among governments, businesses, and civil society entities to pool the necessary resources (Peterson & Mitloehner, 2021).

Existing literature highlights several challenges and issues associated with sustainability/SDG reporting by companies. These challenges include the lack of standardized reporting frameworks and guidelines, the need for conceptual coherence in defining sustainable

development, the difficulty in operationalizing sustainability indicators, and region-specific factors influencing the prioritization of SDGs (Bebbington et al., 2017; Vargas et al., 2020). Past studies found that sustainability reporting by companies was often aligned with established sustainability reporting frameworks such as the Global Reporting Initiative (GRI) (Mihai & Aleca, 2023). Mendham et al. (2017) and Noh (2020) suggested that factors influencing the adoption of SDGs in sustainability reporting by companies include company size, intangible assets, board diversity, membership in sustainability reporting initiatives, and sector-specific considerations. However, Lodhia et al. (2022) commented that companies' involvement in SDG reporting may be more symbolic than substantive for legitimacy purposes, and aligning reported SDGs with national priorities may need to be revised.

In the context of SDG disclosure, research has also examined the legitimization strategies adopted by organizations. Silva (2021) focused on SDG disclosure by the Financial Times Stock Exchange (FTSE) 100 companies. She discovered that most of these companies were symbolically disclosing their SDGs without implementing changes to their business-as-usual approaches. The author emphasized the need for a transition to substantive disclosure to harness the potential of SDGs in transforming business practices. On the other hand, Garcia-Meca and Martinez-Ferrero (2021) explored the influence of SDG reporting on firm performance in European companies. They found that in general, SDGs disclosure provided a symbolic legitimization impact. However, when explicitly focusing on controversial and environmentally sensitive industries, the authors observed that SDG disclosure provided substantive legitimization of corporate performance, effectively serving as a value-enhancement tool for firms. Effectively tackling these intricate challenges necessitates a holistic understanding of the nuanced interactions among the diverse

goals and collaborative and pioneering methodologies that transcend conventional boundaries, embracing comprehensive frameworks for sustainable development (Mihai & Aleca, 2023).

2.5 Research Gap

Despite the growing prominence of sustainability reporting and its alignment with the Sustainable Development Goals (SDGs), a significant research gap exists in comprehensively investigating organizations' quality and strategic approach towards SDG reporting within specific industries. While existing studies have explored sustainability reporting's general trends and potential impacts, few studies have analyzed how organizations in New Zealand's companies address industry-specific sustainability challenges through SDG reporting (Lodhia et al., 2022). This research aims to bridge this gap by examining the case of Fonterra, a key player in the dairy industry in New Zealand. The research investigates how Fonterra's SDG reporting practices reflect its engagement with industry-specific sustainability issues, communication strategies, and stakeholder engagement mechanisms. By focusing on the dairy industry and employing a multifaceted evaluation framework encompassing SDG disclosure extent, quality assessment, and alignment with industry sustainability challenges, this study contributes to the limited literature on the intersection of SDG reporting, industry-specific issues, and organizational strategies for sustainability in New Zealand.

Moreover, the present research within the legitimacy lens seeks to address a significant gap in the existing academic literature concerning the interplay between sustainability reporting and organizational legitimacy (Lodhia et al., 2022; Lee & Zhang, 2022; Wagner et al., 2023). While prior research has extensively explored the motives behind organizations' engagement in sustainability reporting and the potential effects on their legitimacy perceptions, a nuanced

understanding of the intricate dynamics between the two still needs to be explored (Alsayegh et al., 2023). Despite the growing acknowledgment of sustainability reporting's pivotal role in enhancing organizational transparency and accountability, the precise mechanisms through which it contributes to bolstering or undermining legitimacy perceptions warrant deeper investigation. Furthermore, the evolving landscape of Sustainable Development Goals (SDGs) and their integration into reporting practices presents a contemporary and critical context that merits empirical inquiry (Lodhia et al., 2022; Lee & Zhang, 2022; Wagner et al., 2023). By delving into this research gap, the study aims to illuminate how organizations strategically employ sustainability reporting, particularly within the context of SDGs, to shape their legitimacy perceptions among stakeholders.

This research enriches our understanding of how SDG reporting operates within the dairy sector and provides insights that can guide other industries in enhancing their SDG reporting practices and addressing specific sustainability challenges. This research is poised to contribute valuable insights to academia and practitioners, shedding light on the strategies organizations employ to navigate the complex terrain of legitimacy through their sustainability reporting practices in an increasingly interconnected and sustainability-conscious environment.

2.6 Theoretical Framework – Legitimacy Theory

Legitimacy theory is a sociological and organizational theory that explains how organizations gain and maintain legitimacy in the eyes of various stakeholders, such as the public, customers, employees, investors, and government entities (Archel et al., 2009). The concept of legitimacy refers to the perceived acceptance, appropriateness, and rightness of an organization's actions, behaviours, and operations within the broader social and cultural context (Campbell,

2003). The theory proposes that organizations constantly seek to demonstrate that their actions align with societal norms, values, and expectations (Lodhia et al., 2022). By doing so, they aim to gain and sustain public approval and support, which are crucial for their continued existence and success. In other words, organizations strive to be seen as "legitimate" entities in the eyes of their stakeholders, as this legitimacy enhances their reputation, trustworthiness, and overall credibility (Lodhia et al., 2022).

More transparency and openness are supported by institutions and civil society. Public disclosures of information are expected to yield more advantages for all parties involved, since increased openness has been shown to bolster the credibility of an organisation (Martens & Bui, 2023). The body of existing research also confirms that when social or environmental crises arise, organizations need to be transparent about their operations to maintain their legitimacy (Scheyvens et al., 2016). Despite this support, there needs to be more research on whether disseminating this information affects the organization's legitimacy as seen by society (Vargas et al., 2020). Research on how organisations respond to disclosure when events threaten their legitimacy is already obtainable, but more needs to be learned about how disclosure helps organisations maintain or restore their legitimacy and how information is shared amongst them (Shayan et al., 2022).

As per the legitimacy theory, the capability of a business to function and get resources is conferred upon it by the society in which it works (Archel et al., 2009). Being seen as responsible, dependable, and trustworthy is an outcome of establishing legitimacy. Individuals and society benefit from the enhanced company reputation and image gained via social legitimacy. According to Archel et al. (2009), an organization's capacity to function in a society may be revoked if it fails

to conduct business in a way which the community at large deems appropriate. This is because legitimacy is dependent on how observers of the organisation react and how its actions align with the common goals of the community. Because cultural norms change over time, anything that is deemed legitimate presently could not be in future periods. This is why legitimacy is time dependent. In essence, organizations must constantly adjust to the demands of society (Stern, 2009).

The theory posits that organizations must demonstrate that their actions and behaviours align with societal norms, values, and expectations to be considered legitimate and accepted by their stakeholders (Martens & Bui, 2023). Similarly, Kroll et al. (2019) argued that legitimacy theory's core is the idea of a "social contract" between organizations and society. According to this contract, organizations must contribute positively while adhering to ethical, legal, and social norms. In return, society grants organizations the right to operate and prosper. This reciprocal relationship implies that organizations must be responsible and accountable for their actions and impact on society. Legitimacy is not an inherent trait, but a perception shaped by stakeholders' judgments and assessments of an organization's actions (Pizzi et al., 2020). Various factors influence the perception of legitimacy, including the organization's transparency, communication, reputation, and the degree of alignment between its activities and societal expectations (Pradhan et al., 2017).

Organizations often employ legitimacy maintenance strategies to uphold their legitimacy. These strategies may include public relations efforts, corporate social responsibility initiatives, sustainability reporting, and engaging stakeholders to understand and respond to their concerns (Sachs, 2015). By doing so, organizations aim to build and maintain trust and positive perceptions among their stakeholders. However, legitimacy theory also acknowledges organizations' potential challenges and risks in pursuing legitimacy (Sachs, 2012). Organizations may face legitimacy

crises when their actions are perceived as not aligning with societal expectations. These crises can arise from various events, such as ethical violations, environmental disasters, labour controversies, or financial misconduct (Peterson & Mitloehner, 2021). Legitimacy crises can have severe consequences, including reputational damage, loss of stakeholder trust, and regulatory scrutiny (Weitz et al., 2014).

Moreover, the concept of legitimacy extends beyond the individual organization. Industries and sectors can also face legitimacy challenges, mainly when negative perceptions of one organization spread to others within the same industry (Noh, 2020). Such spillover effects can lead to broader debates about the legitimacy of certain business practices or industries. Legitimacy theory has significant implications for the practice of organizational management and governance. It highlights the importance of understanding and responding to stakeholders' concerns and expectations (Sachs, 2012).

Organizations seeking to build and maintain legitimacy through responsible and ethical practices will likely enjoy long-term success and sustainability. Legitimacy theory has been widely applied in various contexts, including corporate social responsibility, environmental reporting, non-profit organizations, and government agencies (Scheyvens et al., 2016). Shayan et al. (2022) stated that by understanding and responding to stakeholders' expectations and circumstances, organizations can navigate the complex dynamics of legitimacy and contribute to a more sustainable and harmonious relationship with society. However, it is essential to recognize that the pursuit of legitimacy should not be merely a public relations exercise but a genuine commitment to responsible and ethical practices that benefit the organization and society.

2.6.1 Symbolic vs. Substantive

Legitimacy theory, proposed by Dowling and Pfeffer (1975), Lindblom (1993), and Suchman (1995), forms the theoretical foundation for this study (Lodhia et al., 2022). This theory revolves around organizational legitimacy, which refers to an entity's alignment with the value system of its more extensive social system. When a disparity exists between an organization's actions and societal expectations, a legitimacy gap arises, necessitating the organization's response to address this gap, a process known as legitimation (Dowling & Pfeffer, 1975; Lindblom, 1993). Similarly, Burlea and Popa (2013) define *legitimacy* as the generalized perception or assumption that an entity's actions are desirable, proper, or appropriate within the socially constructed system of norms, values, beliefs, and definitions.

From a sustainability perspective, organizations must conduct their operations harmoniously with the environment and society. When their activities deviate from societal expectations, a legitimacy gap emerges, which may also result from changes in societal expectations? Since adopting Sustainable Development Goals (SDGs), companies have faced renewed pressure from stakeholders, including governments, the media, not-for-profit organizations, and professional agencies, to support and contribute to the 17 goals (Hamad et al., 2022). Consequently, organizations must undertake activities to reduce this legitimacy gap. Social and environmental accounting literature suggests that organizations often disclose social and environmental issues through various media to legitimize their existence in society (Deegan, 2002). Extensive accounting literature over time supports legitimacy theory's fundamental premises, as demonstrated by Adler et al. (2017) studies. Additionally, prior literature highlights that specific industry, particularly those that are socially and environmentally sensitive, are more

likely to experience legitimacy gaps and face pressure from stakeholders to respond to these gaps (Silva, 2021).

Organisations can classify their use of legitimacy tactics into two categories: symbolic and substantive (Ashforth & Gibbs, 1990; Savage et al., 2004). Organisations using a symbolic strategy seek to control perceptions without making significant, long-term adjustments to their operations. On the other hand, putting into practice targeted and practical adjustments to the day to day operations of the organisation defines substantive legitimation. Symbolic legitimation in social and environmental accounting refers to the process of just disclosing information to shift views without specifically altering current internal management procedures and systems. However, as noted by Kuruppu et al. (2019), substantive legitimation also includes transparency about sustainability along with targeted modifications to internal management systems and a focus on objectives and policies related to sustainable performance.

Previous research on the notion of legitimacy has revealed that organisations primarily focus on symbolic legitimation (Deegan, 2002). Nonetheless, recent studies have looked at how organisations employ both substantive and symbolic legitimation. For instance, Lodhia et al. (2020) found evidence of symbolic legitimation in the social and environmental disclosure made by Australian businesses via social media. In contrast, Ali et al. (2021) discovered that Fonterra, a dairy firm in New Zealand, used visual media for sustainability disclosure as part of a shift from symbolic to substantive legitimation.

Legitimacy theory, thus, offers a valuable framework for this study, with a particular focus on determining whether Fonterra's SDG disclosure is substantive or symbolic. The study aims to establish evidence of disclosure leading to potential organizational changes, thereby ascertaining

SDGs' potential in transforming Fonterra's sustainability performance. Unlike prior studies that have addressed the substantivizes of disclosure in an ad-hoc manner, this study seeks to link a specific conceptual tool to legitimacy theory to effectively assess whether the disclosure of SDGs by selected companies (Fonterra) leans towards symbolism or substantivizes. While there is some existing literature on SDG reporting and sustainability practices in corporate contexts, there needs to be more research focusing on the communication of SDG-related efforts and achievements in corporate sustainability reports by New Zealand companies and the motivations and drivers behind their SDG reporting practices. The study aims to fill this research gap by examining Fonterra's SDG reporting practices. Specifically, it examines the extent and thematic content of SDGs reporting in the sustainability reports of Fonterra from 2018 to 2022. The study also assesses their commitment to addressing the SDGs by discerning whether the disclosed information is substantive or symbolic. By addressing these gaps, the study aims to contribute to a better understanding of SDG reporting practices and identify opportunities for improvement in SDG reporting within the New Zealand context.

2.7 Summary

Chapter 2 presents a comprehensive literature review on Sustainable Development Goals (SDGs) and corporate sustainability reporting within the dairy industry. The chapter synthesizes existing scholarly works concerning SDG reporting practices, transparency, and sustainability in this sector. This chapter has also explained the theoretical frameworks and research methodologies utilized in prior investigations, discerning gaps in knowledge and avenues for further exploration. Furthermore, the chapter contextualizes SDGs' significance within corporate social responsibility and sustainable development. By providing a rigorous academic analysis, Chapter 2 furnishes the

theoretical and empirical groundwork for comprehending and evaluating Fonterra's SDG reporting practices.

Chapter Three: Research Methodology

The third chapter of the study focuses on the research methodology adopted by the researcher in the dissertation.

3.1 Research approach and design

The present study will adopt a mixed-method approach, incorporating qualitative content analysis and quantitative assessment. This methodological design is chosen to afford comprehensive insights into Fonterra's reporting of sustainable development goals (SDG's) information over five years. Within academic discourse, sustainable development delineates a multifaceted approach aimed at fostering societal advancement and economic expansion while concurrently safeguarding environmental integrity, promoting social equity, and ensuring the sustained availability of resources for forthcoming generations.

3.1.1 Research Question one

The first research question for this study:

What is the extent of reporting of SDGs by Fonterra for the past five years?

The study employed a comprehensive methodology to assess the extent of reporting of Sustainable Development Goals (SDGs) by Fonterra over the past five years. The research methodology involves collecting pertinent data from Fonterra's 2018, 2019, 2020, 2021 and 2022 Sustainability reports on sustainable development goals (SDGs). These documents were systematically reviewed to identify specific mentions, sentences, and pages dedicated to SDGs. The analysis involved counting the number of sentences and pages in each report devoted to SDGs.

This quantitative approach provided a tangible measure of the extent to which Fonterra addressed SDGs in its sustainability reports.

Additionally, the researchers utilized a proportional analysis, calculating the proportion of SDG-related content concerning the total content of each report. This method allowed for a comparative evaluation of the significance of SDGs within Fonterra's overall reporting context. By analyzing both the absolute counts and the proportional representation, the study provided a nuanced understanding of the depth and breadth of SDG reporting by Fonterra over the specified five-year period.

3.1.2 Research Question two

The second research question for this study:

What are the thematic contents of SDGs reported by Fonterra for the year 2022?

This study adopts a qualitative content analysis approach to address Research Question 2 concerning the thematic content of sustainable development goals (SDGs) reported by Fonterra in 2022. Qualitative content analysis is a systematic and interpretive method that aims to identify patterns, themes, and meanings within textual data. In this case, the textual data under scrutiny are the SDG disclosures in the sustainability reports published by Fonterra during the specified period.

The qualitative content analysis involves identifying recurring themes, topics, and issues discussed about SDGs. These themes were categorised based on the content of the discussions, potentially including specific goals, targets, initiatives, challenges, and achievements related to SDGs. To discern the emphasis on specific SDGs, the frequency, depth, and context in which each goal is discussed within the reports were considered. It includes investigating the reasons behind

the emphasis on certain SDGs over others and potentially exploring corporate motives, societal relevance, or strategic priorities that drive the focus on specific goals.

3.1.3 Research Question three

The third research question for this study:

What has been Fonterra's SDG reporting quality for the year 2022?

To evaluate the quality of sustainable development goals (SDGs) reporting by Fonterra over the past five years, this study draws on a methodology inspired by Hooks and Staden (2011). The study begins by reading and evaluating every sentence related to SDGs in Fonterra's sustainability reports for the specified period. Each disclosure is scored using a 5-point scale, where 0 indicates no disclosure; 1 signifies minimum coverage with little detail, purely descriptive; 2 represents detailed qualitative information with no measurable elements; 3 denotes quantitative and qualitative disclosure with information of resources, activities, and outputs; 4 indicates quantitative and qualitative disclosure including information of resources, activities outputs and impact; 5 indicates the inclusion of every aspect. This scoring system distinguishes between poor and excellent disclosures, providing a detailed insight into the depth and quality of Fonterra's reporting on SDGs.

By tailoring the scoring scales to specific disclosure items, the nuances of each type of information presented in the reports could be captured. This approach prevents potential ambiguity in scoring and allows for a more precise evaluation of the quality of disclosures. Consistency in scoring methodology is crucial to maintaining the reliability of the assessment process and these

explicit guidelines help achieve uniformity and reliability in evaluating diverse aspects of the company's reporting practices (Sekaran, 2019).

By employing this transparent and replicable framework, the study aims to provide a robust evaluation of the quality of SDGs reporting by Fonterra over the past five years. The methodology ensures a systematic and rigorous analysis, enabling a comprehensive understanding of the extent and quality of Fonterra's engagement with SDGs in its sustainability reports.

3.2 Sample Selection

The study's sample encompasses five years of sustainability reports from 2018 to 2022 for Fonterra. Sustainability reports from the past five years (2018 to 2022) were collected to evaluate Fonterra's coverage of the Sustainable Development Goals (SDGs). However, Fonterra's 2022 sustainability report was specifically chosen as the sample for in-depth thematic content analysis and assessment of SDG reporting quality. The selection of Fonterra is based on its prominence and influence in the New Zealand business landscape, particularly within the dairy sector. This targeted sample allows for a comprehensive analysis of Fonterra's SDG reporting practices.

The selection of Fonterra as the sole subject of analysis in this study is strategically grounded in its renowned position within the New Zealand business landscape, particularly in the dairy sector. Fonterra's leadership, substantial market presence, and influential standing make it a paramount entity, shaping industry dynamics and sustainability discourse. By focusing exclusively on Fonterra, the study gains unique access to the challenges, strategies, and initiatives in the dairy sector, enhancing the depth of understanding. Fonterra serves as a representative of sector dynamics, offering insights into industry-wide sustainability efforts. Additionally, Fonterra's role as an exemplar of sustainable practices and its comprehensive sustainability disclosures provides

a rich data source for the study. The five-year timeframe facilitates a longitudinal analysis, allowing for exploring evolving trends and patterns in Fonterra's SDG reporting practices. This focused approach ensures a meticulous examination of Fonterra's sustained commitment to SDGs, contributing significantly to the scholarly discourse on corporate sustainability reporting and practices.

3.3 Summary

Chapter three clarifies the detailed research methodology employed to investigate the Fonterra's sustainable development goals (SDGs) reporting over five years. This study employs a mixed-method approach, integrated qualitative content analysis, and quantitative assessment. Research Question one quantified SDG reporting by systematically reviewing documents, counting relevant sentences and pages, and conducting proportional analysis over five years. Research Question two utilized qualitative content analysis to identify recurring themes, goals, initiatives, and challenges within Fonterra's report of 2022. This analysis delved into unconventional SDG reporting and applied legitimacy theory for interpretation. Research Question three assessed SDGs reporting quality using a 5-point Likert Scale within Fonterra's report of 2022. Quantitative analysis included sentence and page counts, complemented by qualitative techniques for theme identification. Therefore, employing legitimacy theory, the study comprehensively explored Fonterra's SDG reporting practices, yielding valuable insights.

Chapter Four: Findings

4.0 Introduction

This chapter delves into an in-depth interpretation of the content analyses conducted on critical areas of investigation, as outlined in Chapter Three. The findings from Table 1, Table 2, and Table 3 are incorporated to provide a comprehensive understanding of Fonterra's sustainability reporting practices. The chapter is structured into three sections to address the research questions systematically. The first section examines the extent of Fonterra's reporting on Sustainable Development Goals (SDGs) from 2018 to 2022. The second section explores the thematic content analysis for SDGs in Fonterra's 2022 SDGs report, highlighting key themes and trends in Fonterra's sustainability reporting. The third section uses a qualitative evaluation approach to assess the quality of SDG disclosures in Fonterra's 2022 SDGs Report.. This chapter offers a detailed insight into Fonterra's sustainability reporting approach and contributes to the scholarly discourse on corporate sustainability practices.

4.1 Extent of reporting of SDGs by Fonterra

Table 1 provides a detailed examination of word counts in the annual SDG reports from 2018 to 2022, offering a comprehensive overview of the extent of disclosures related to each Sustainable Development Goal (SDG). The total word counts serve as quantitative metrics and offer valuable insights into the trends and potential influences shaping sustainability reporting over this five-year period.

Table 1: Extend of reporting of SDGs by Fonterra from 2018 to 2022

	<u>SDG Reports</u>					
Year	2018	2019	2020	2021	2022	Total
SDGs	No. of words	No. of words	No. of words	No. of words	No. of words	No. of words
SDG1	347	650	1722	852	648	4219
SDG2	1621	1827	2835	3678	4060	14021
SDG3	1784	2874	1274	1532	3688	11152
SDG5	1242	1091	1232	2648	1328	7541
SDG6	1621	1654	2257	2631	2727	10890
SDG8	1078	934	1270	1450	1786	6518
SDG12	1054	1674	2644	2449	2141	9962
SDG13	2279	1932	2648	3757	4773	15389
SDG14	339	471	788	600	722	2920
SDG15	408	302	1072	1260	1429	4471
Total	11773	13409	17742	20857	23302	

4.1.1. Trends in Sustainable Development Goals (SDGs) Disclosures: A Five-Year Analysis

An examination of the overall trend across all ten SDGs in Table 1 reveals an upward trajectory in total word counts, indicative of a significant increase in the extent of information provided in the SDGs reported by Fonterra. In 2018, the total word count stood at 11,773, but the total word count experienced a notable surge to 23,302 words in 2022. This substantial increase suggests a heightened emphasis on sustainability reporting, likely influenced by growing awareness and a pronounced focus on achieving the SDGs. However, it is crucial to contextualize this trend by

considering external factors, such as the impact of the COVID-19 pandemic on the volume of disclosure (Martín-Blanco C et al., 2022).

The impact of the COVID-19 pandemic is evident in the specific Sustainable Development Goal, i.e. SDG 3, good health and well-being., which experienced a decline in word count in 2020 (1274 words) and 2021 (1,532 words), as compared to the word count for disclosure in 2019 (2,874 words). The diminished disclosure of SDG 3 during the early stages of the COVID-19 pandemic can be attributed to various challenges, such as operational disruptions, fiscal constraints, and a strategic shift in priorities that led organizations such as Fonterra to redirect resources. These challenges could temporarily reduce the organization's emphasis on reporting SDG3. Nevertheless, the subsequent rebound in the volume of disclosure for SDG 3 in 2022 (3,688 words) could signify Fonterra's ability to recover and adapt to these challenges posed by the COVID-19 pandemic and reaffirms their on-going commitment to promoting good health and well-being of their stakeholders through SDG disclosure. Apart from that, the overall trend of the remaining nine SDGs shows a consistent increase in total word count over the years.

4.1.2 Specific SDG Analysis

SDG 13 (Climate Action) emerged as a notable standout, with the largest total word count over five years (Filho et al., 2023). SDG 13 witnessed substantial growth, from 2,279 words in 2018 to 4,773 words in 2022. Fonterra could recognize the urgency of climate-related matters and provide more detailed disclosures to convey their commitment and actions. This surge in word counts may indicate a deepening commitment within Fonterra towards climate-related matters. The urgency associated with climate action has become increasingly salient, driven by factors such as the intensification of extreme weather events, the global momentum behind climate change

mitigation, and evolving regulatory landscapes. Fonterra, cognizant of its pivotal role in contributing to environmental stewardship, could be responding by amplifying its performance and contributions to climate action to reflect its commitment to addressing the multifaceted challenges of climate change.

SDG 2 (Zero Hunger) has the second largest disclosure regarding the total number of words in Fonterra's SDGs reports from 2018 to 2022. The scrutiny of word counts over this period unravels a narrative of substantial growth, underscoring an amplified commitment to addressing the intricate dimensions of food security and sustainability farming. SDG 2 disclosures exhibited a noteworthy ascent, progressing from 1,621 words in 2018 to a commendable 4,060 words in 2022. This surge in word counts could be emblematic of a deepening corporate engagement with the imperatives outlined within SDG 2, signifying a commitment to proactively contribute to the global agenda of eradicating Hunger and ensuring food security. The significant expansion of discourse on Zero Hunger may be attributed to the escalating global focus on sustainable agriculture, food security, and the impact of the COVID-19 pandemic on global food systems. Organizations such as Fonterra appeared to recognize the interconnectedness of these issues and are consequently expanding their disclosures to address the multifaceted challenges within Zero Hunger.

As shown in Table 1, SDG 14 (Life Below Water) had the least disclosure regarding the total number of words in Fonterra's annual SDG reports spanning from 2018 to 2022, registering a mere word count of 2920 for the five years. This signals a potential gap in attention and reporting concerning marine conservation and the sustainable use of oceans. The observed trend reveals a slight ascent in word counts, commencing at 339 words in 2018 and marginally progressing to 722

words in 2022. This marginal increase, in stark contrast to the substantial growth witnessed in other SDGs, may suggest a relatively lower priority assigned to SDG 14 during this specific reporting period. One plausible explanation for the minimal increase in word counts for SDG 14 lies in the broader context of sustainability priorities. In recent years, the global disclosure on sustainability has been heavily influenced by prominent challenges such as climate change, social equity, and food security (Lodhia et al., 2022). The comparatively limited growth in word counts for SDG 14 may reflect prioritizing these pressing issues over marine conservation in corporate sustainability reporting.

Furthermore, the intricacies of marine conservation and sustainable ocean use might contribute to the observed trend. Unlike other SDGs that may align more closely with immediate and tangible corporate actions, addressing ocean challenges often involves complex and interconnected issues. These challenges include biodiversity preservation, sustainable fisheries management, and mitigating the impact of plastic pollution. The multifaceted nature of SDG 14 issues may need help in articulating specific actions and strategies within the constraints of a standard sustainability report.

In conclusion, the upward trend in total word counts could indicate a commendable commitment to sustainability reporting by Fonterra, possibly reflecting the increasing significance of corporate transparency and accountability. The notable increases in word counts for SDG 13 and SDG 2 underscore the urgency and relevance of climate action and food security. However, the minimal increase for SDG 14 calls attention to the need for greater emphasis on marine conservation in corporate sustainability reporting. As organizations navigate global challenges and

societal expectations, sustained efforts toward comprehensive SDG disclosures remain crucial for advancing SDGs and fostering a more resilient and responsible corporate landscape.

4.2 Thematic content of SDGs disclosure by Fonterra(2022)

Table 2 presents the results of Fonterra's thematic content analysis of SDGs disclosure in its 2022 SDGs report. Twenty common themes were derived by reading and coding the ten SDGs' disclosures. Table 2 shows the common themes for each SDG and their respective explanations. The most common themes found in the reporting are themes under SDG 2 (Zero Hunger) and SDG 13 (Climate Change). These are the two SDGs with the most extensively disclosed information.

Table 2: Thematic Content Analysis

SDGs	Themes	Explanations
SDG 1: No Poverty	(1) Positive employment opportunities	Disclosure providing information about delivering sustainable returns to farmers; supporting livelihood of employees and providing more jobs to local industry.
SDG 2: Zero Hunger	(2) Access to safe, affordable nutrition	Disclosure providing information about ensuring availability and affordability of nutritious food; promoting access to a diverse range of safe and healthy food options; and addressing barriers to accessing nutrition, especially for vulnerable populations.
	(3) Address malnutrition	Disclosure providing information about combating under nutrition and micronutrient deficiencies; implementing strategies to address over nutrition and obesity; and focusing on nutrition education and awareness.
	(4) Lift dairy productivity	Disclosure providing information about enhancing efficiency and output in dairy production; improving farming practices for sustainable and increased dairy yields; and

		supporting dairy farmers for economic empowerment and livelihood improvement.
SDG 3: Good Health and Wellbeing	(5) Provide products to support wellbeing of mothers and infants.	Disclosure providing information about maternal health products; infant nutrition; and Breastfeeding Support.
	(6) Improve the nutritional profile of products.	Disclosure providing information about nutrient enhancement; reducing additives; and compliance with guidelines to ensure product quality.
	(7) Promote healthy and informed consumer choices.	Disclosure providing information about responsible marketing; educational initiatives; and compliance with codes.
	(8) Safe working environment	Disclosure providing information about occupational health and safety; wellness programs; and regulatory compliance.
SDG 5: Gender Equality	(9) Ensure equal participation and opportunities for women in the workforce.	Disclosure providing information about Diversity and Inclusion, Gender Pay Gap ,Parental Leave and Support, Workplace Culture , Leadership Development and Training
SDG 6 : Clean water and Sanitation	(10) Reduce the impact of farming and manufacturing on water quality and ecosystems.	Disclosure outlines measures to minimize the impact of farming and manufacturing on water quality and ecosystems under SDG 6, focusing on pollution reduction, water conservation, and sustainable practices.
SDG 8 : Decent work and economic growth	(11) Provide positive and inclusive employment for all groups.	Information is provided about organizational efforts to create a work environment that promotes positivity and inclusivity, ensuring equal opportunities for all demographic groups.
	(12) Address labour and human rights issues in our supply chain.	The disclosure covers actions taken to address labor and human rights issues within the supply chain. This may include initiatives to ensure fair labor practices, prevent exploitation, and uphold human rights standards. The disclosure outlines measures implemented to establish a work environment

	(13) Provide a safe and secure working environment.	that prioritizes safety and security for all employees. This includes adherence to occupational health and safety standards, implementation of safety protocols, and creating a conducive workplace for the well-being of workers.
SDG 12 : Responsible Consumption and Production	(14) Manage and use natural resources efficiently. (15) Reduce food waste throughout our supply chain. (16) Reduce waste generation through our operations and product packaging.	This disclosure covers water quality management, ecosystem conservation and protection, sustainable agriculture practices, and research and innovation. The disclosure outlines strategies to reduce food waste in the supply chain, including implementing efficient production and distribution practices to minimize food loss. The disclosure discusses the reduction of waste in operations and packaging through the implementation of sustainable packaging solutions, enhancing the recyclability of packaging materials and reducing reliance on non-recyclable options.
SDG 13 : Climate Change	(17) Support farmers to build resilience to climate change. (18) Reduce emissions across our supply chain.	Disclosure providing information about farm-specific GHG Reports, He Waka Eke Noa partnership, Farm Environment Planning (FEP) , science-based targets for On-Farm Emissions. Disclosure providing information about carbon lifecycle assessments, manufacturing operations emission reduction, distribution and transportation.
SDG 14 : Life Below Water	(19) Increase water efficiency in areas of constrained supply	Disclosure providing information relating to Water Efficiency and Conservation, Marine Ecosystem Protection and Conservation, and Ocean Governance and Regulation.
SDG 15: Life on Land	(20) Protect and restore freshwater ecosystems	Disclosure providing information about Freshwater Ecosystem Restoration, Biodiversity Conservation, and Sustainable Agriculture Practices.

Commencing with SDG 2, which centres on Zero Hunger, the thematic analysis discerns the company's dedicated efforts toward addressing food security and sustainable agriculture practices. Thematic content consistently emphasizes ensuring access to safe and affordable nutrition, combating malnutrition and over nutrition, and supporting dairy farmers with initiatives such as promoting diverse and nutritious food options, implementing nutrition education programs, and uplifting dairy productivity. Interestingly, Fonterra has consistently reported on these themes under SGD 2 over the past five years, reflecting the company's commitment to addressing global hunger-related challenges.

The disclosures emphasize Fonterra's commitment to addressing malnutrition and lifting dairy productivity. This aligns with the broader SDG 2 objectives of eradicating Hunger and ensuring food security.

"The corporation has undertaken proactive measures to mitigate malnutrition by instituting comprehensive nutrition education and awareness programs. These initiatives are designed to heighten awareness regarding wholesome dietary practices, address nutritional deficiencies, and endow communities with the capacity to make judicious choices about their dietary habits." (Fonterra 2022 SDG Report, p. 14).

"In adherence to sustainable agriculture principles, the enterprise actively endeavours to augment dairy productivity. Through active support for economic empowerment and the amelioration of the socio-economic conditions of dairy farmers, the company assumes a central role in cultivating a robust and sustainable dairy sector. These endeavours underscore the corporation's steadfast commitment to fostering salutary social and economic outcomes within agricultural pursuits." (Fonterra 2022 SDG Report, p. 47).

The common themes for SDG 13, Climate Change, include supporting farmers to build resilience against climate impacts and reduce emissions across the supply chain. The company operationalizes these themes through initiatives like producing farm-specific greenhouse gas reports, collaborative partnerships like the He Waka Eke Noa Partnership, and comprehensive carbon lifecycle assessments. The thematic analysis also unveils responsiveness to evolving global priorities and sustainability paradigms, showcasing the company's adaptability in addressing climate-related challenges.

The following are examples of disclosures emphasizing Fonterra's commitment to addressing climate change impact:

"The company, in demonstrating a proactive stance, actively addresses the consequential impacts of climate change on the agricultural sector through its affiliation with the He Waka Eke Noa Partnership. This collaborative initiative serves as a tangible manifestation of the company's unwavering commitment to establishing cooperative engagements with diverse stakeholders, with the collective aim of effectively addressing the multifaceted challenges precipitated by climate change. By fervently engaging in multi-stakeholder endeavours, the company underscores its dedication to mitigating and adapting to the dynamic climate conditions that influence agricultural practices." (Fonterra 2022 SDG Report, p. 32).

Interestingly, despite registering comparatively lesser disclosure in terms of the total number of words for SDG 14, Life below Water, the content analysis indicates this particular SDG has three distinctive disclosure themes: water efficiency and conservation, marine ecosystem protection, and sustainable fisheries management. The following are examples of disclosures emphasizing Fonterra's commitment to responsible water management through water efficiency and conservation:

"The company, in its commitment to Sustainable Development Goal 14 (SDG 14) - Life Below Water, demonstrates a proactive approach toward enhancing water efficiency in regions facing supply constraints. The disclosure outlines comprehensive initiatives encompassing Water Efficiency and Conservation, emphasizing sustainable practices to optimize water usage. Additionally, the company emphasizes Marine Ecosystem Protection and Conservation, indicating a dedication to preserving aquatic environments. The disclosure extends to Ocean Governance and Regulation, showcasing the company's commitment to adhering to and supporting regulations that contribute to the sustainable management of ocean resources. This holistic approach underscores the company's multifaceted efforts to promote responsible practices and contribute to the well-being of life below water." (Fonterra 2022 SDG Report, 26).

Fonterra's thematic content analysis of its SDGs disclosure in the 2022 report underscores a commendable commitment to addressing critical global challenges, emphasizing SDGs 2 (Zero Hunger) and 13 (Climate Change). The company's consistent reporting on themes related to Zero Hunger highlights proactive measures to ensure access to safe and affordable nutrition, combat malnutrition, and support dairy farmers for sustainable and increased yields. Fonterra's dedication to nutrition education programs and economic empowerment aligns with the broader SDG 2 objectives, showcasing a long-term commitment to eradicating Hunger and fostering food security. Similarly, the extensive disclosure under SDG 13 reflects Fonterra's strategic approach to climate change challenges, emphasizing collaborative partnerships, farm-specific greenhouse gas reports, and comprehensive carbon lifecycle assessments. As demonstrated through initiatives like the He Waka Eke Noa Partnership, the company's adaptability to evolving sustainability paradigms underscores a commitment to mitigating and adapting to dynamic climate conditions affecting agricultural practices.

4.3 Quality of SDG reporting by Fonterra in 2022

The analysis of Table 3, focusing on the assessment of the quality of SDG Disclosures, provides valuable insights into the company's approach to reporting across diverse SDGs. The evaluation reveals a discernible pattern, showcasing varying levels of transparency and depth within the company's disclosures. Themes with a score of 4 indicate high-quality disclosure practices characterized by comprehensive reporting. Conversely, lower scores in specific themes highlight areas that may benefit from improvements in disclosure practices. The distribution of scores across SDGs implies that extensively disclosed information for certain SDGs only sometimes translates to higher quality scores, emphasizing the necessity of scrutinizing the specifics of each thematic area within an SDG.

Table 3: Quality of SDG Disclosures

SDGs	Themes	Overall Disclosure Quality Scores
SDG 1: No Poverty	(1) Positive employment opportunities	4
SDG 2: Zero Hunger	(2) Access to safe, affordable nutrition.	3
	(3) Address malnutrition.	3
	(4) Lift dairy productivity	3
SDG 3: Good Health and Wellbeing	(5) Provide products to support wellbeing of mothers and infants.	3
	(6) Improve the nutritional profile of products.	3
	(7) Promote healthy and informed consumer choices.	3
	(8) Safe working environment	4
SDG 5: Gender Equality	(9) Ensure equal participation and opportunities for women in the workforce.	4

Reporting on Sustainable Development Goals (SDGs): The Case of Fonterra

SDG 6 : Clean water and Sanitation	(10) Reduce the impact of farming and manufacturing on water quality and ecosystems.	3
SDG 8 : Decent work and economic growth	(11) Provide positive and inclusive employment for all groups. (12) Address labour and human rights issues in our supply chain. (13) Provide a safe and secure working environment.	3 3 3
SDG 12 : Responsible Consumption and Production	(14) Manage and use natural resources efficiently. (15) Reduce food waste throughout our supply chain. (16) Reduce waste generation through our operations and product packaging.	3 3 3
SDG 13: Climate Change	(17) Support farmers to build resilience to climate change. (18) Reduce emissions across our supply chain.	4 4
SDG 14 : Life Below Water	(19) Increase water efficiency in areas of constrained supply.	3
SDG 15: Life on Land	(20) Protect and restore freshwater ecosystems.	2

Among the SDGs, SDG 1 (No Poverty), SDG 5 (Gender Equality), and SDG 13 (Climate Change) emerge as noteworthy, with themes scoring 4, demonstrating the company's commitment to transparent and robust reporting in these critical domains. For example, in SDG 1, the Positive Employment Opportunities theme attains a score of 4, driven by the company's meticulous documentation of quantitative metrics, qualitative impact assessments, and comprehensive reporting on skill development initiatives. Similarly, the commitment to addressing climate change in SDG 13 is evident in themes such as Supporting Farmers to Build Resilience and Reducing Emissions across the Supply Chain, scoring (4) four due to detailed quantitative and qualitative information on resources, activities, outputs, and impact. SDG 14 (Life below water) attains a

score of 3 by explaining the limited information on qualitative and quantitative details. However, the SDG with the theme(s) that attains the lowest score is SDG 15, life on Land, which only registered a score of 2. Its disclosure on providing and restoring freshwater systems was purely qualitative, with no quantitative information to support the explanation.

The following are three typical SDG disclosures that attain a score of 4, 3 and 2, respectively. SDG 1 No Poverty; SDG 14 Life below Water; and SDG 15 Life on Land.

SDG 1, with disclosure on positive employment opportunities, has a quality score of 4. This example reflects Fonterra's multifaceted approach to SDG 1, which supports economic development, provides sustainable returns and creates employment opportunities within its operating regions. This example also illustrates how Fonterra allocates resources, engages in activities, produces outputs, and generates impact in line with SDG 1.

Example: Employment and Income Creation in Alignment with SDG 1

Qualitative Information:

As a farmer-owned cooperative, Fonterra is deeply committed to supporting the livelihoods of tens of thousands of individuals, including its farmer-owners, employees, and the vendors within its supply chain. The company recognizes that delivering sustainable returns to its farmer owners is at the core of its purpose and plays a significant role in contributing to regional economic development. Fonterra's commitment is evident in the more than \$13.7 billion returned to regional New Zealand through the milk price in the reported year. With a global workforce of 19,608 people, Fonterra emphasizes supporting its employees. The Cooperative provides direct employment opportunities and strives to impact the broader economy positively. Over 60% of

Fonterra's workforce is based in New Zealand, contributing to local employment, and reinforcing its role as a regional major employer.

Quantitative Information:

Fonterra's commitment to economic value distribution is transparently presented in the economic performance data for FY22. The company paid \$13,722 million to suppliers (farmers) for New Zealand-sourced milk, with a Farmgate Milk Price of \$9.30 per kgMS. This financial distribution reflects the company's efforts to ensure that the benefits reach its farmer-owners, contributing to the economic well-being of regional New Zealand. The employment-related figures also showcase the Cooperative's commitment to providing job opportunities. With 19,608 full-time equivalent (FTE) employees, Fonterra is a significant contributor to employment, highlighting that its remuneration framework aligns with best practices globally. Benchmarking against comparable companies and industry data, Fonterra ensures its employees are rewarded equitably. Fonterra acknowledges the unique nature of the New Zealand dairy sector; where around 95% of milk production is exported, emphasizing the company's responsibility in setting a Farmgate Milk Price as a benchmark. The Cooperative's commitment to maintaining a robust national dairy cooperative is reiterated, supporting all dairy farmers in New Zealand (*Fonterra 2022 SDG Report, 56*).

Our performance		
ECONOMIC VALUE DISTRIBUTED	FY21	FY22
Payment to suppliers (farmers) for NZ-sourced milk	\$11,660 million	\$13,722 million
New Zealand Farmgate Milk Price	\$7.54 per kgMS	\$9.30 per kgMS
Payment to suppliers (farmers) for non-NZ sourced milk	\$994 million	\$1,113 million
Profit after tax attributable to equity holders of the Co-operative	\$578 million profit – (earnings of \$0.36 per share)	\$584 million profit – (earnings of \$0.36 per share)
Dividend payment to equity holders of the Co-operative	20 cents total dividend	20 cents total dividend.
Employees (FTE)	19,354	19,608

Detailed commentary on our financial performance is included in our Annual Review, see www.fonterra.com/annualreview2022 and our detailed Financial Statements, see www.fonterra.com/financialstatements2022

Figure 1: SDG 1 Performance

Source: (Fonterra Sustainability Report ,2022)

Financial Resources: Fonterra allocates significant financial resources to support the livelihoods of farmers and employees. The Cooperative returned more than \$13.7 billion to regional New Zealand through the milk price, contributing to economic well-being. Human Resources: With a global workforce of 19,608 employees, Fonterra leverages its human resources to operate and manage its diverse operations.

Activities: Farmgate Milk Price Calculation: Fonterra engages in a robust and transparent process to calculate the Farmgate Milk Price, ensuring fair returns to farmers. This involves an independently approved methodology, emphasizing the Cooperative's commitment to supporting its farmer-owners.

Output:

Economic Value Distribution: The Cooperative disburses financial returns to farmers through the Farmgate Milk Price, with a notable increase from \$11,660 million in FY21 to \$13,722 million in

FY22. This reflects Fonterra's commitment to delivering sustainable returns and reducing economic disparities.

Employee Compensation: Fonterra provides details on the compensation structure for employees, encompassing base salary, benefits, and variable remuneration. The average dairy processing wage in New Zealand exceeds industry standards, indicating the Cooperative's efforts to provide competitive and fair compensation.

Impact:

Regional Economic Development: Fonterra's activities directly impact regional economic development, especially in New Zealand. The \$13.7 billion returned to regional New Zealand contributes significantly to poverty reduction and economic prosperity.

Employment Impact: Fonterra's employment initiatives, with over 60% of its workforce based in New Zealand, positively impact local communities by providing job opportunities and fostering economic stability.

Sustainable Livelihoods: The overall impact is reflected in the sustainable livelihoods of thousands of individuals, including farmer-owners, employees, and vendors connected to Fonterra's supply chain.

While *SDG 14 (Life below Water)* receives a moderate score of 3 overall in Table 3, the specific theme of Increasing Water Efficiency in Areas of Constrained Supply implies an opportunity to improve disclosure practices related to responsible water and marine resource management. Although the scores are moderate, there is room for refinement and greater specificity in disclosing the company's endeavours to enhance water efficiency and sustain marine resource management. Identifying this theme as having potential for improvement suggests that the company could enhance its reporting by providing more detailed insights into initiatives,

strategies, and outcomes related to increasing water efficiency in areas facing constraints, as well as its broader efforts in marine resource management. The disclosed information is thorough, covering both qualitative and quantitative aspects. However, the lack of specific details on how Fonterra allocates resources, conducts activities, and generates impact in alignment with SDG 14 led to the assignment of a score of 3.

Example: Improving Water Stewardship at Fonterra Manufacturing Sites

This example summarizes Fonterra's robust approach to water management, seamlessly integrating qualitative commitments with quantifiable targets and outcomes. Fonterra, in alignment with Sustainable Development Goal 14 (SDG 14), has articulated a comprehensive water management and conservation strategy in its 2022 report. This disclosure reflects qualitative and quantitative dimensions but needs more information on how Fonterra allocates resources, engages in activities, produces outputs, and generates impact in line with SDG 14 (Fonterra 2022 SDG Report, 26).

Qualitative disclosure:

The company underscores the importance of adequate water stewardship, incorporating kaitiakitanga (environmental care) principles throughout its global value chain. Fonterra's collaborative planning approach involves working proactively with local stakeholders to develop catchment-wide solutions, acknowledging the shared responsibility in safeguarding the environment for future generations. The commitment to embedding a regenerative mindset in its operations is evident. Fonterra envisions resilient, efficient, and unconstrained manufacturing sites that concurrently maintain water security for associated communities. This mindset is further extended by establishing bespoke water improvement plans for manufacturing sites by the end of FY24 (Fonterra 2022 SDG Report, 26).

Quantitative disclosure:

Fonterra's financial commitment to water stewardship is quantified at approximately \$600 million over the next eight years, affirming the seriousness with which the company addresses this critical issue. The report indicates a commendable 6.6% absolute reduction in water use against the 2018 baseline, translating to a reduction of about 950 million liters in water-constrained regions. Specific initiatives contributing to this reduction include optimizing water flow, implementing natural wetland processes, and resolving underground leaks, each contributing to enhanced water efficiency. Ambitious targets have been set to underscore Fonterra's commitment further. Aiming for a 15% absolute reduction in water use across manufacturing sites by 2030 (from the 2018 baseline) signifies the company's dedication to achieving tangible outcomes.

Moreover, Fonterra has a targeted wastewater treatment standard, aiming at least 80% of manufacturing sites to meet leading standards by 2030. The company's dedication to transparency is evident in the detailed account of upgrades and improvements in wastewater treatment facilities. Specific measures, such as the implementation of dissolved air flotation (DAF) systems, are outlined, and their effectiveness in reducing chemical oxygen demand (COD) in wastewater is presented (Fonterra 2022 SDG Report, 26).



Figure 2: Treatment facilities at Te Awamutu

Source: (Fonterra Sustainability Report ,2022)

The theme under SDG 15, Life on Land, Protect and Restore Freshwater Ecosystems, received a score of 2, indicating a comparatively lower level of disclosure quality. The company's reporting must provide more detailed qualitative and quantitative information concerning specific initiatives to protect and restore freshwater ecosystems. This deficiency implies potential areas for improvement, suggesting the company needs to enhance its disclosure practices within the ambit of SDG 15. The discerned shortcomings underscore the company's need to furnish more comprehensive details about its strategies and actions related to freshwater ecosystem conservation and restoration. In the evaluation of SDG 15, precisely the theme addressing the protection and restoration of freshwater ecosystems, Fonterra received a score of 2, indicating a relatively lower level of disclosure quality. A deficiency marks the company's reporting in this context. There is a need for more detailed qualitative and quantitative information regarding specific initiatives aimed

at safeguarding and rejuvenating freshwater ecosystems. The disclosure needs to include more comprehensive details about the strategies and actions implemented by the company in the conservation and restoration of freshwater ecosystems. While the company may acknowledge its engagement in activities related to SDG 15, the lack of specificity implies a gap in the transparency and depth of reporting.

Example: Sustainable Catchments Partnership and Local Initiatives:

Fonterra, a farmer-owned cooperative, acknowledges the critical importance of protecting and restoring freshwater ecosystems in alignment with SDG 15. The cooperative actively participates in a Sustainable Catchments Partnership, aiming to contribute to sustainable water catchments and mitigate the decline of New Zealand's natural resources. One significant initiative within this partnership is the "Living Water" collaboration with the New Zealand Department of Conservation, initiated in 2013. The partnership involves joint efforts with farmers, scientists, local councils, mana whenua (indigenous people), and communities across five catchments covering 35,000 hectares.

Beyond the initial five catchments, Fonterra supports farmer and community action in various catchments across New Zealand. Collaborating with regional councils, the Department of Conservation, iwi, farming leaders, scientists, and other industry members, Fonterra aims to bolster existing community efforts, aligning with the national movement on catchment restoration. The commitment extends to localized initiatives in different regions, such as the Bay of Plenty, Hawkes Bay, Taranaki, Canterbury, and Otago. In the Bay of Plenty, Fonterra provides funding and employee assistance for environmental projects on public Land in the Waiotaha catchment. In Hawkes Bay, Fonterra supports the planning of wetlands in the Tukituki area. In Taranaki, the

cooperative contributes to the restoration of the Rawhitiroa Wetland in collaboration with local communities. (Fonterra 2022 SDG Report, p. 27)

While Fonterra's engagement in collaborative partnerships and local initiatives is commendable, a score of 2 indicates a need for more detailed quantitative information. Enhancing transparency and specificity in reporting initiatives, strategies, and measurable impacts related to protecting and restoring freshwater ecosystems is essential for a higher disclosure quality score.

We are also supporting several catchment level and national initiatives intended to deliver transformational change. This year, we signed a memorandum of understanding with Te Taumutu Rūnanga for Living Water to support capacity and capability building for their freshwater and environmental mahi (work).

Sustainable Catchments Partnerships – Examples

National – Kaipapa Māori Cultural Health Assessments

Freshwater ecosystems are significant to Māori and are integral to Māori cultural identity. Kaipapa Māori Cultural Health Assessments is an assessment approach derived from the Māori world. We are investigating how these assessments might fit alongside traditional data-based approaches and help with our mahi around water quality and biodiversity. This year we have started supporting Kaipapa Māori Cultural Health Assessments for sub-catchments in both the Waikato and Taranaki regions.

Northland

We have supported the Mountains to Sea Conservation Trust to extend their work identifying and protecting whitebait habitat with local farmers and communities. We also supported an application to expand this work across further catchments in Northland and this year, the Ministry for the Environment have announced new funding of \$1 million for the Whitebait Connection.

Waikato – Mangapiko Stream

In the Waikato, we have extended our support of the Mangapiko Streamcare Group to help them with riparian planting along the Mangapiko Stream with the aim of establishing an ecological corridor from Maungatautari to Pirongia.



Figure 3: Sustainable Catchments partnerships

Source: (Fonterra Sustainability Report ,2022)

4.4 Summary

Chapter four provides an extensive interpretation of the content analyses conducted on critical areas of investigation, as outlined in Chapter Three. By incorporating findings from table 1, table 2, and table 3, this chapter aims to provide a comprehensive understanding of Fonterra's sustainability reporting practices. It is organized into three sections, systematically addressing the research questions. The first section examines the extent of Fonterra's reporting on Sustainable Development Goals (SDGs) from 2018 to 2022. The second section explores thematic content analysis for SDGs in Fonterra's 2022 SDGs report, highlighting key themes and trends in sustainability reporting. The third section employs a qualitative evaluation approach to assess the quality of SDG disclosures in Fonterra's 2022 SDGs Report. This chapter offers detailed insights into Fonterra's sustainability reporting approach and contributes to scholarly discourse on corporate sustainability practices.

Chapter Five: Discussion and Conclusion

5.1 Discussion of Findings

The preceding chapters have comprehensively explored Fonterra's sustainability reporting practices, focusing on Sustainable Development Goals (SDGs) disclosure, thematic content analysis, and the quality assessment of such disclosures. This chapter synthesizes the essential findings and contributes insights into the broader context of corporate sustainability reporting through the legitimacy perspective. Legitimacy theory is a fundamental framework for analyzing corporate behaviour in response to societal expectations, particularly concerning sustainability practices (Lodhia et al., 2021). This study evaluates Fonterra's Sustainable Development Goals (SDG) reporting using the lens of legitimacy, considering both the substantive and symbolic dimensions.

The theoretical framework of the present study relies on Legitimacy theory to explain how organizations establish and maintain legitimacy in the eyes of stakeholders. Legitimacy, in this context, is about organizations showing that their actions align with societal norms and values to gain public support (Dowling & Pfeffer, 1975; Lindblom, 1993). Openness and transparency, endorsed by institutions and civil society, are crucial, especially during social or environmental

challenges. The "social contract" concept underscores that organizations are expected to contribute positively to society in return for the right to operate. Legitimacy, shaped by stakeholder judgments, significantly impacts organizational success and avoiding crises (Silva, 2021). The framework also introduces symbolic and substantive legitimation, showing how organizations strategically respond to legitimacy gaps (Ashforth & Gibbs, 1990; Savage et al., 2004). Applied to Fonterra's SDG disclosure, legitimacy theory guides the assessment of SDGs' transformative potential. The term "SDG's transformative potential" denotes the capability of Sustainable Development Goals (SDGs) to instigate substantial positive alterations and enhancements across diverse facets of society, the economy, and the environment. (Rossi & Nicolò, 2022). The study extends this framework by examining Fonterra's SDG reporting practices, contributing to understanding SDG reporting in New Zealand.

A comprehensive examination of Fonterra's SDG reports from 2018 to 2022 reveals a noticeable increase in the disclosed information. Specifically, the overall word count has substantially grown over these five years, indicating a strengthened commitment to transparency and accountability in sustainability reporting. This surge in disclosure aligns with the heightened global emphasis on corporate responsibility and sustainable practices (Lodhia et al., 2021). However, it is crucial to interpret this upward trend in the context of external factors, especially the disruptive impact of the COVID-19 pandemic on reporting volume. The challenges induced by the pandemic are particularly evident in the reporting on SDG 3 (Good Health and Wellbeing). A temporary decline in word count during 2020 and 2021 can be attributed to operational disruptions, fiscal constraints, and strategic realignment. The subsequent rebound in 2022 indicates the organization's ability to recalibrate priorities and reassert its commitment to SDG 3,

representing a broader recovery within the post-pandemic operational landscape (Fonterra report, 2022).

While the increased word count suggests a substantive commitment to sustainability reporting, the temporary dip during the pandemic introduces symbolic dimensions. This dip in disclosure of SDG 3 may be a symbolic gesture to showcase Fonterra's commitment towards this SDG to appease the stakeholders. The subsequent rebound of disclosure for SDG 3 could be to reaffirm its commitment towards good health and well-being once again. This dual interplay of substantive and symbolic elements contributes to Fonterra's legitimacy in sustainability reporting. The augmented word count is a quantitative increase and a complex interaction of substantive and symbolic aspects, reinforcing Fonterra's legitimacy in sustainability reporting (Lodhia et al., 2021).

The combination of substantive and symbolic disclosure methods plays a role in strengthening the corporation's legitimacy; therefore, explaining this interplay in detail is essential. The increase in the company's commitment to transparency, demonstrated by a higher word count in Sustainable Development Goals (SDGs) reporting, indicates a genuine dedication to meeting societal expectations and ethical standards. This increase in quantity is a concrete effort to comply with international norms of corporate responsibility (García-Meca & Martínez-Ferrero, 2021). At the same time, acknowledging a temporary decrease in disclosure during the disruptive phase of the COVID-19 pandemic adds symbolic aspects to the reporting structure. This symbolic act, seen in the reduced word count, is a strategic response to external challenges, showcasing adaptability and resilience (Rossi & Nicolò, 2022). The subsequent rise in reporting activities, especially regarding SDG 3 (Good Health and Wellbeing), contributes to the symbolic representation of corporate commitment amid difficulties. Therefore, the dual presence of substantive and symbolic

disclosure elements, as reflected in the quantitative trends of reporting metrics, collectively strengthens the corporation's legitimacy (Galeazzo et al., 2023). This intricate interplay signifies strategic coordination that aligns with societal expectations, enhancing the company's position in corporate legitimacy. The findings of this study are based on the preceding research in the literature, as exemplified by Hooks and van Staden (2011).

The in-depth thematic content analysis centered on SDG 13 (Climate Action) unravels Fonterra's robust dedication to addressing climate-related challenges. SDG 13 emerges prominently, substantiated by substantial word counts and thematic richness that signify a detailed exploration of climate-related concerns. This thematic emphasis on Climate Action is particularly evident through a consistent increase in total word counts spanning 2018 to 2022, showcasing Fonterra's evolving commitment and engagement with this critical sustainability goal. The commitment to climate-related matters is not merely semantic but is deeply substantiated through articulating detailed disclosures (Lodhia et al., 2021). Fonterra exhibits a thorough approach by providing farm-specific greenhouse gas reports, engaging in collaborative partnerships, and conducting comprehensive carbon lifecycle assessments. This granularity in disclosure seems to indicate Fonterra's commitment to transparency and demonstrates Fonterra's strategic alignment with global imperatives related to climate change mitigation. The comprehensive approach to carbon impact assessment and reporting reflects a conscientious response to the ever-evolving environmental landscape, positioning Fonterra as a proactive contributor to climate action.

Conversely, the analysis reveals a contrasting scenario with SDG 14 (Life Below Water), characterized by comparatively lower word counts. This discrepancy hints at a potential gap in attention and reporting concerning marine conservation within Fonterra's sustainability discourse

(Galeazzo et al., 2023). The findings suggest that sustainability priorities dominate the corporate narrative, notably climate change, social equity, and food security. This observed trend underscores the intricate and interconnected nature of challenges associated with marine conservation, which may contribute to the relatively lower emphasis on SDG 14 (Lodhia et al., 2021).

From the lens of legitimacy theory, Fonterra's thematic content analysis showcases elements of both substantive and symbolic legitimacy (Lodhia et al., 2021). The substantial word counts and detailed disclosures on SDG 13 demonstrate a substantive commitment to climate action. Fonterra acknowledges the global imperative and takes specific, measurable actions, such as farm-specific greenhouse gas reporting and collaborative partnerships. This substantive approach aligns the company's operations with the broader societal expectations and environmental concerns, bridging any legitimacy gap that may arise due to climate-related challenges. On the other hand, the comparatively lower word counts on SDG 14 may reflect a symbolic legitimacy approach. While Fonterra acknowledges the importance of marine conservation, the reduced emphasis suggests that, in terms of disclosure, the company may need to be more deeply engaged and committed to this specific goal. This symbolic aspect could be an attempt to manage perceptions without necessarily making substantial changes to internal management systems or practices regarding marine conservation (Adler et al., 2017). Therefore, Fonterra's thematic content analysis illuminates a detailed approach to legitimacy in its sustainability reporting. The emphasis on climate action aligns with substantive legitimacy, showcasing tangible efforts and aligning with global imperatives. However, the variation in attention towards different SDGs hints at potential symbolic legitimacy, emphasizing the need for

a holistic interpretation considering the interconnected nature of sustainability challenges and priorities (Lodhia et al., 2021; Galeazzo et al., 2023).

The findings reveal that Fonterra exhibits substantive legitimacy in its reporting on certain SDGs, such as SDG 1 (No Poverty), SDG 5 (Gender Equality), and SDG 13 (Climate Change). In these instances, the company's disclosures go beyond symbolic gestures, demonstrating a commitment to concrete and impactful actions. For example, the detailed documentation of positive employment opportunities under SDG 1 reflects Fonterra's tangible contributions to regional economic development, aligning its activities with the goal of poverty reduction. Similarly, the emphasis on addressing climate change in SDG 13 involves specific and measurable actions, such as supporting farmers and reducing emissions across the supply chain. These instances highlight Fonterra's substantive efforts to address societal challenges (Fonterra report, 2022).

While Fonterra showcases substantive legitimacy in certain areas, the findings indicate the organization's attempt to achieve symbolic legitimacy, particularly in SDG 14 (Life below water) and SDG 15 (Life on land). Despite moderate overall scores, the specific theme of Increasing Water Efficiency in Areas of Constrained Supply under SDG 14 suggests a need for improvement in the quality of disclosure. The disclosure emphasizes effective water stewardship but lacks specificity, such as detailed insights into resource allocation and impact alignment with SDG 14. Similarly, SDG 15, focusing on Protecting and Restoring Freshwater Ecosystems, receives a lower quality score, indicating a deficiency in qualitative and quantitative information. Fonterra's engagement in collaborative partnerships is commendable, yet the lack of detailed quantitative information underscores the potential gap in reporting high-quality disclosure (Fonterra report,

2022). The assertion that Fonterra may be strategically pursuing symbolic legitimacy, as suggested by Kuruppu et al. (2019), implies an intentional adoption of a reporting strategy characterized by comprehensive but non-specific information. This approach appears to shape stakeholders' perceptions positively, emphasizing the company's desire for a favorable image without necessarily implementing substantive changes. Such strategic reporting aligns with the symbolic legitimacy paradigm, emphasizing the management of stakeholder perceptions. The observation that Fonterra provides extensive, yet non-specific information could represent a deliberate effort to enhance its corporate image, as discussed by Kuruppu et al. (2019). This interpretation contributes a detailed perspective to the analysis of Fonterra's reporting practices, acknowledging the potential symbolic dimensions inherent in the company's information disclosure strategy.

The evaluation of Fonterra's Sustainable Development Goals (SDG) reporting highlights the crucial interplay between substantive and symbolic legitimacy, substantiating the theoretical framework outlined by Hooks and van Staden (2011). The company's demonstrated commitment to concrete actions in specific SDGs corresponds to substantive legitimacy, portraying tangible contributions to societal well-being, as postulated by Legitimacy Theory (Hamad et al., 2022). This aligns with the foundational principle that organizations must conform to societal expectations to maintain legitimacy (Scheyvens et al., 2016). Furthermore, identifying areas for improvement, in line with the observations of Lodhia et al. (2021), underscores the imperative of enhancing symbolic legitimacy through more detailed and transparent reporting. This detailed analysis, rooted in legitimacy theory, elucidates the intricate dynamics between substantive and symbolic legitimacy within the context of Fonterra's SDG reporting, reinforcing the importance of a balanced approach that integrates both aspects to fortify corporate legitimacy in the eyes of

stakeholders (Shayan et al., 2022). Examining Fonterra's SDG reporting underscores the significance of integrating substantive and symbolic legitimacy to enhance corporate legitimacy (Hooks & Staden, 2011). A balanced approach, where comprehensive and specific disclosures complement substantive actions, can strengthen Fonterra's overall legitimacy in the eyes of stakeholders (Lodhia et al., 2021).

5.2 Conclusion

In conclusion, this study has thoroughly investigated Fonterra's Sustainable Development Goals (SDGs) reporting practices spanning the past five years. The research methodology facilitated a comprehensive examination of the extent, thematic content, and quality of Fonterra's engagement with SDGs by employing a mixed-method approach encompassing qualitative content analysis and quantitative assessment. The findings revealed a discernible increase in the company's commitment to sustainability, evidenced by a growth in word counts within its sustainability reports. Notably, SDG 13 (Climate Action) and SDG 2 (Zero Hunger) emerged as focal points, reflecting Fonterra's acknowledgment of climate-related challenges and dedication to addressing global hunger issues. The thematic content analysis demonstrated consistent reporting on SDG 2, emphasizing access to nutrition, combating malnutrition, and supporting dairy productivity. SDG 13, focused on climate change, showcased strategic initiatives through partnerships, emissions reduction, and farm-specific actions. Despite a modest increase in word counts, SDG 14 (Life below Water) revealed water efficiency and conservation themes, indicating Fonterra's commitment to responsible water management. The Likert Scale approach employed for evaluating reporting quality yielded positive outcomes in SDGs related to poverty (SDG 1), gender equality (SDG 5), and climate action (SDG 13), underscoring Fonterra's dedication to transparency

and responsible corporate practices. The implications extend beyond Fonterra, offering valuable insights for corporate sustainability reporting practices and acting as a benchmark for organizations aspiring to enhance their SDG reporting. Despite limitations, such as focusing on a single company, this study contributes to the academic discourse on corporate sustainability reporting. It offers practical guidance for organizations aligning their practices with global sustainability goals.

5.3 Implications

The present study has the following theoretical and business implications.

The theoretical implications of this study contribute to existing knowledge in corporate sustainability reporting, sustainable development, and accountability. The mixed-method approach employed here, combining qualitative content analysis and quantitative assessment, provides a nuanced understanding of how companies like Fonterra engage with Sustainable Development Goals (SDGs) (Lee & Zhang, 2022; Wagner et al., 2023). The study emphasizes the importance of a comprehensive analysis considering the depth and breadth of SDG reporting, offering a thorough view of corporate sustainability practices. The application of legitimacy theory helps interpret Fonterra's focus on specific SDGs, shedding light on the strategic considerations and societal expectations influencing companies' reporting efforts (Hooks & Staden, 2011). Additionally, the Likert Scale approach for evaluating the quality of SDG reporting introduces a structured and transparent framework that can be applied in future research to assess sustainability disclosures' robustness. This study extends theoretical perspectives on corporate sustainability reporting, contributing insights for further academic exploration.

The study contributes to the ongoing development of legitimacy theory by applying it to the context of Sustainable Development Goals (SDGs) reporting. The detailed examination of substantive and symbolic legitimacy within the SDG reporting framework enhances our understanding of how organizations navigate societal expectations in sustainability (Lodhia et al., 2021). Therefore, the study underscores the importance of integrating substantive and symbolic legitimacy in evaluating corporate sustainability disclosures. This integrated approach provides a more nuanced understanding of how companies engage in tangible actions and communicate these actions to stakeholders. Future research in legitimacy theory can further explore the dynamics of this integration across diverse industries and contexts (Hooks & Staden, 2011).

From a business standpoint, the implications are significant for Fonterra and other organizations committed to sustainability. The identified focus on SDGs 13 (Climate Action) and 2 (Zero Hunger) suggests growing recognition among businesses of the need to address climate-related challenges and contribute to global efforts to eradicate Hunger. Fonterra's strategic initiatives, such as partnerships and emissions reduction, provide practical examples for other companies aligning their operations with climate action goals (Vargas et al., 2020; Scheyvens et al., 2016). The thematic content analysis underscores the importance of consistent reporting on specific SDGs, such as SDG 2, to demonstrate a long-term commitment to addressing global challenges. The positive quality scores in specific themes (e.g., SDG 1, No Poverty; SDG 5, Gender Equality) highlight areas of strength in Fonterra's reporting practices, serving as a benchmark for other companies aiming to enhance transparency and quality in their SDG disclosures. The study encourages businesses to adopt a structured approach to SDG reporting, using clear evaluation frameworks for comprehensive assessments beyond mere word counts. Overall, the insights gained

from this study offer practical guidance for companies aiming to enhance their sustainability reporting practices and contribute meaningfully to achieving SDGs.

5.4 Limitations

Limitations encompass external factors beyond the researcher's control, affecting the study's scope and generalizability (Sachs, 2015).

The study primarily relies on data extracted from Fonterra's sustainability reports, which may only capture some of the company's sustainability practices (Adler et al., 2017). Future research could consider incorporating additional data sources, including interviews, surveys, and external audits, for a more comprehensive understanding.

In addition, the exclusive focus on Fonterra may limit the generalizability of findings to other industries or regions. A broader study encompassing multiple companies within the dairy sector or diverse industries could offer a more comparative perspective (Bebbington & Unerman, 2020). Furthermore, qualitative content analysis inherently involves interpretation, and different researchers may interpret the same information differently. While efforts were made to minimize subjectivity, future studies could employ inter-rater reliability tests or involve multiple researchers for increased objectivity (Lodhia et al., 2022; Wagner et al., 2023).

5.5 Recommendations

To enhance generalizability, future researchers could conduct cross-industry comparative studies, analyzing sustainability reporting practices across various sectors. This would facilitate a broader understanding of how different industries engage with and prioritize SDGs (Martens & Bui, 2023). Extending the study's timeframe or conducting periodic assessments would enable

researchers to track changes and trends in sustainability reporting practices over an extended period. This longitudinal approach could reveal the evolution of corporate engagement with SDGs (Shayan et al., 2022). In addition, incorporating the perspectives of stakeholders, such as consumers, investors, or NGOs, would provide a more holistic evaluation of the impact and relevance of sustainability disclosures. Understanding stakeholder expectations and reactions could offer valuable insights for companies seeking to enhance their sustainability practices (Archel et al., 2009).

Future studies could explore the effectiveness and impact of different reporting frameworks used by companies. Comparing the outcomes of frameworks such as GRI, SASB, or TCFD may help identify best practices in SDG reporting (Pradhan et al., 2017; Pizzi et al., 2020). Building on the concept of "counter accounting," future research could delve deeper into unconventional or innovative reporting practices that go beyond conventional accounting norms (Peterson & Mitloehner, 2021). This could include exploring how companies address SDGs in creative ways that contribute to transparency and accountability.

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Appendix

- a. Sustainability report of Fonterra (2022)



Source: <https://view.publitas.com/fonterra/2022-sustainability-report/page/1>