Jones, Peter and Comfort, Daphne and Hillier, David (2016). ***Materiality in corporate sustainability reporting within UK retailing.*** **Journal of Public Affairs, 16 (1), 81-90. ISSN 14723891**

Published in Journal of Public Affairs, and available online at:

http://onlinelibrary.wiley.com/doi/10.1002/pa.1570/abstract;jsessionid=6C7D6D2D23C8403470AE685A7197FC76.f02t03

We recommend you cite the published (post-print) version.

The URL for the published version is http://dx.doi.org/10.1002/pa.1570

MATERIALITY IN CORPORATE SUSTAINABILITY REPORTING WITHIN UK RETAILING

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'Over the past decade the pace of corporate disclosure and reporting of an organizations sustainability journey has dramatically accelerated'

(Governance &Accountability institute Inc.2014)

Abstract

The concept of materiality is attracting increasing attention in corporate sustainability reporting. This paper offers a preliminary examination of the extent to which the UK's leading retailers are currently addressing materiality in the sustainability reports and offers some wider reflections on the ways retailers are embracing materiality. The paper begins with a short discussion of the concept of materiality and on its determination and the paper draws its empirical material from the most recent sustainability reports posted on the Internet by the UK's top ten retailers. The findings reveal that there are marked variations in the extent to which the UK's leading retailers are embracing materiality and that there is no evidence of a sector specific approach to materiality within the UK retail community. More generally the authors argue that methods currently being used to determine materiality are flawed and that retailers seem likely to continue to face challenges in looking to reconcile the relationships between executive management teams, investors and a wide range of stakeholders in operationalising the concept of materiality. The paper provides an accessible review of the extent to which the UK's leading retailers are currently embracing materiality as part of their sustainability reporting process and as such it will interest academics, students and practitioners interested in retailing and corporate sustainability.

Keywords-Materiality; Sustainability; UK retailers

Introduction

Sustainability continues to grow in importance inside companies around the world. A survey of business managers and executives undertaken by MIT Sloan Management Review and The Boston Consulting Group (2012) suggested that *'70% of companies have placed sustainability permanently on management agendas'* and Carroll and Buchholtz (2012), suggested that *'sustainability has become one of business' most recent and urgent mandates.'* At the same time effective sustainability reporting is increasingly seen as a vital element in communicating with stakeholders about how companies are performing against strategic environmental and social goals. Sustainability reporting can include a wide and varied range of issues and reporting practices are constantly evolving but Ernst and Young (2014) argued that while *'today's non-financial reporting environment can seem complex but there is one commonality amongst the various reporting initiatives- materiality.'* In a similar vein GreenBiz (2014) identified that a focus on materiality as one of the top four sustainability reporting trends in 2014 and argued that the *'focus is increasing in the sustainability world on the principle of materiality as the essential filter for determining which environmental, social and governance information will be useful to key decision makers.'* In simple terms within sustainability reporting, materiality is concerned with identifying those environmental, social and economic issues that matter most to a company and its stakeholders. While all companies have a role to play in promoting the transition to a more sustainable future within modern capitalist societies retailing is arguably the most important interface between manufacturers and primary producers on the one hand and consumers on the other. As such retailers have a crucial role to play in addressing the world's mounting environmental and social challenges and in moving towards a more sustainable future. With this in mind this paper offers a preliminary examination of how the UK's leading retailers are embracing materiality as part of their corporate sustainability reporting processes. The paper includes an outline of the concept of materiality, a review of the extent to which the UK's top ten retailers address materiality in their current sustainability reports and offers some reflections on materiality in retailers' sustainability reporting.

The Concept of Materiality

The concept of materiality has predominantly been associated with the financial world and more specifically with the auditing and accounting processes of financial reporting. Here an issue *'is considered material to the company if its omission or misstatement influences the economic decision of users* (PGS 2013). However the concept has become increasingly important in sustainability and corporate social responsibility reporting but *'compared to financial reporting, sustainability considers a broader scope of action and covers a multitude of issues: environmental, social, economic and more'* and *'requires a more comprehensive definition of materiality*' (PGS 2013). At the same time Eccles et. al. (2012) have argued that in defining materiality in nonfinancial reporting *'more emphasis is placed on defining the user of the information, typically described as stakeholders rather than shareholders and emphasising the importance of considering the impact of not providing information.'*

That said there is little consensus about what constitutes materiality in sustainability reporting and a number of definitions can be identified. There are sets of definitions that focus principally on investors and shareholders .The International Integrated Reporting Council (2013), for example, in advocating the integration of financial and non-financial reporting, suggests that *'a matter is material if it is of such relevance and importance that it could substantively influence the assessments of providers of financial capital with regard to the organization's ability to create value over the short, medium and long term. In determining whether or not a matter is material, senior management and those charged with governance should consider whether the matter substantively affects, or has the potential to substantively affect, the organization's strategy, its business model, or one or more of the capitals it uses or affects.'* There are also definitions that embrace a wide range of stakeholders. PGS (2013), for example, argues that *'materiality aims to identify the societal and environmental issues that present risks or opportunities to accompany while taking into consideration the issues of most concern to external stakeholders.'* The Global Reporting Initiative (GRI), for example, asserts that *'material topics for a reporting organisation should include those topics that have a direct or indirect impact on an organisation's ability to create, preserve or erode economic, environmental and social value for itself, its stakeholders and society at large'* (GRI 2014). More generally the GRI suggests that *'sustainability impacts create both opportunities and risks for an organisation'* and that *'the ability of an organization to recognise opportunities and risks and act effectively in relation to them, will determine whether the organization creates, preserves or erodes value'* (GRI 2014).

KPMG (2014) argued that a review of definitions of materiality clearly suggests that *'there is an obvious distinction in three key areas: scope (the range of information provided), stakeholder groups (those whose perceived interests are likely to be affected), and time frame (the time period applied)'* and it argued that *'these variables are important in that they define the boundaries of materiality made by organisations.'* More specifically KPMG (2014) develops these three areas in the context of the increasing recognition within businesses of the importance of *'natural capital'* which is taken to include *'natural resources'*, *'environmental* assets', *'ecosystems*', '*ecosystem services'* and '*biodiversity.'* KPMG (2014) suggests that the changing boundaries of what constitutes materiality are *'likely to enhance the interest in and the justification for natural capital's consideration in corporate materiality assessments in relation to the three key areas.'* Thus the scope of issues can be seen to be continually widening, a much wider range of stakeholders, including local communities and non-governmental organisations, need to be included when assessing what is material for natural capital and the time frame may need to be reviewed to incorporate both medium and long term impacts on the environment.

The way in which materiality is identified and operationalized varies from one company and organisation to another but PGS (2013) suggests that a number of common elements can be identified. These include:

- *'Identification of a universe of relevant economic, environmental, social and governance issues for consideration'*
- *'Evaluation and ranking of the level of stakeholder concern regarding each issue'*
- *'Evaluation and ranking of the potential impact of the company on each issue'*
- *'Presentation of issues prioritization, typically in matrix format that is subsequently used to inform strategy and reporting'* and
- *' The process usually takes into consideration surveys involving consumers and sustainability experts, feedback from stakeholder meetings, engagement events, media scans, internal impact surveys'* and *'corporate risk maps.'*

Common elements apart there is growing interest in defining and determining materiality on a business sector specific basis. Eccles et. al (2012), for example, suggested that *'while not a panacea, we believe that developing sector specific guidelines on what sustainability issues are material to that sector and the Key Performance Indicators for reporting on them would significantly improve the ability of companies to report on their environmental, social and governance performance.'* Further Eccles et. al. (2012) argued that by employing *'guidance that identifies the environmental, social and governance issues that are material to a sector and how best to report on them, companies will have much clearer guidance on what and how to report.'*

Under the *banner 'Sustainability- What Matters'* and as a *'starting point for the discussion and planning around sector-specific materiality'*, the Governance and Accountability Institute Inc.(2014) published a report of its research into the materiality reviews conducted by some 1,246 organisations worldwide, across 35 sectors, as part of their sustainability reporting process. This research revealed that what is deemed to be material varies from one sector to another and from company to company. Within the agricultural sector, for example, the environment (more specifically bio-diversity), and human rights, (more specifically child labour and forced labour), are ranked highest while in the automotive sector the environment, (more specifically emissions, effluents and waste and the reclamation of products and packaging) and product responsibility,(more specifically particularly customer health and safety) are top ranked. The top rankings for the commercial service sector are product responsibility (more specifically customer privacy and compliance), economic issues (more specifically indirect economic impact) and labour practices and decent work (more specifically training and education), for the energy sector the environment (more specifically emissions, effluents and waste and biodiversity) and for the food and beverage sector product responsibility (more specifically marketing communications, customer health and safety and product and service labelling).

Sector-specific materiality issues are also reflected at company level. The Chairman and the Chief Executive of Nestle, for example, reported *'We recognise that* {….} *we need to contribute more broadly to the societies where we operate , which we are doing through a number of initiatives ranging from sourcing healthy drinking water in rural areas in Africa and Asia to supporting educational programmes for children in Eastern Europe, Asia and Africa. We are also partnering with the Fair Labour Association, a non-profit multi-stakeholder initiative, to investigate whether children are working on cocoa farms so we can address any issues effectively and transparently. '*In a similar vein the Chairman of Peugeot Citroen reported that *'Addressing the challenges of sustainable development continues to be an integral part of our strategy. This is reflected in our Corporate Social Responsibility approach's focus on laying the foundation for all components of sustainable mobility including cleantechs and innovative services; being a responsible employer: and being a fully-fledged partner to our host communities.'*

A variety of approaches have been developed to determine materiality as an integral component of sustainability reporting. The Sustainability Accounting Standards Board (SASB), for example, claims that its *'Materiality Map creates a unique profile for each industry'* and that it *'is designed to prioritize the issues that are most important within an industry'* and *'to keep the standards to a minimum set of issues that are likely to be material'* (SASB 2014)' The map classifies issues under five categories namely environment: human capital; social capital; business model and innovation; and leadership and governance and then identifies high priority material issues on behalf of what SASB (2014) describes as the *'reasonable investor.'* More specifically the development of the map *'relies heavily on two types of evidence: evidence of interest by different types of stakeholders and evidence of financial impact'* (SASB 2014).

The 'materiality matrix' is perhaps the most common approach used to determine materiality issues. The matrix plots sustainability issues in terms of two axes namely, the influence on stakeholder assessments and decisions and the significance of environmental, social and economic impacts. PriceWaterHouseCoopers (2014), for example, developed its *'sustainability prioritisation matrix'* in 2011 based on surveys, interviews and desk based research from its, clients, its employees, potential recruits, regulators and non-governmental organisations. Within this matrix while *'quality and ethics'* and *'brand reputation'* were positioned highly on both the importance to the business and importance to stakeholder axes while *'biodiversity'* was positioned lowly on both axes (PriceWaterHouseCoopers 2014). In its 2013-2014 materiality matrix Siemens (2014) identified *'demographic* change', *'urbanization'*, *'climate* change' and *'globalization'* as *'mega trends'* and positioned *'corporate citizenship'*, *'health and safety'*, *'human rights'* and *'affordable and personalised health care'* lowly on both axes, with *'innovation'*, *'sustainability in the supply chain'*, *'resource productivity'* and *'environmental portfolio'* being positioned correspondingly highly.

A range of benefits are claimed for those companies which embrace materiality as an integral part of their sustainability reporting process. Strandberg Consulting (2008), for example, suggested that materiality analysis can help companies to:

- *'clarify the issues driving long term business value'*
- *'identify and capture opportunities'*
- *'align sustainability and business strategies'*
- *'build and maintain a strong brand and reputation'*
- *'gain competitive advantage'*
- *'anticipate and manage change'* and that it can lead to
- *'shorter, more focused reports.'*

KPMG (2014) claims that *'materiality assessment is much more than a reporting exercise'* arguing that it is the foundation for *'sustainability strategy, target setting, stakeholder engagement and performance management.'*

Looking to the future the introduction of new Global Reporting Initiative (GRI) standards for sustainability reporting seems likely to enhance the focus on materiality. The new guidelines, initially released in 2013, will apply to all corporate sustainability reports to be completed within GRI guidelines and frameworks that are to be published from January 1st 2016. KPMG asserted that the new guidelines *'put materiality center stage' ,* they encourage *'reporters to focus content on the issues that matter most to the business, rather than reporting on everything'* and they look to make *'more explicit links between materiality and the management and performance information organisations should disclose in their report* (KPMG 2013). More specifically, for example, corporate sustainability reports should begin with a focus on material issues and maintain this focus throughout the report, include a detailed discussion of the processes by which the company both defines and manages its material issues and provided details of where the impact of material issues is seen to lie.

Materiality in UK Retailers Sustainability Reports

In an attempt to obtain a preliminary picture of the extent to which the UK's leading retailers are embracing materiality as part of their sustainability reporting the top ten UK retailers (Table 1), ranked by the value of UK retail sales, were selected for study. Several of the selected retailers have a number of trading formats, including superstores, discount stores and community convenience stores, and while some have stores in a number of countries others have a more limited geographical presence. Food retailers dominate the selected retailers and though many of them now offer a product and service range which extends beyond food, seven of them namely, Tesco, Sainsbury's, ASDA, Wm. Morrison, the Co-operative Group, the John Lewis Partnership and Marks and Spencer, currently account for 81% of all UK food sales (Department for the Environment, Food and Rural Affairs 2014). Alliance Boots is an international pharmacy led health and beauty retailer, Kingfisher is Europe's largest home improvement retailer, and the Home Retail Group specialises in home and general merchandise and is the UK's largest multi-channel retailer. While Walmart (ASDA's parent company), Tesco, Marks and Spencer and Alliance Boots trade from 28, 13, 47 and 17 countries respectively, Sainsbury's and Wm. Morrison only have retail outlets within the UK. All of the selected retailers have a high profile and as such might be seen to reflect how the retail sector of the economy is adopting materiality within its sustainability reporting process. The authors digitally searched each of the selected retailer's most recent sustainability/corporate social responsibility reports posted on the Internet for information on materiality in December 2014 employing Google as the search engine.

The review of the selected retailers' sustainability reports revealed marked variations in the extent to which they embraced materiality as part of the reporting process. Six of the retailers namely Sainsbury's, Walmart, Morrisons, Marks and Spencer, the Co-operative Group and Kingfisher drew attention to the materiality process in producing their sustainability report. While the other four selected retailers, namely Tesco, the John Lewis Partnership, Alliance Boots and the Home Retail Group, drew attention in various ways to the priorities that informed and underpinned their sustainability reports, an essential initial element in determining materiality, they provided no explicit commentary on materiality per se.

Marks and Spencer, for example, recognised that the company faces a wide range of environmental, social and ethical challenges and that it has to *'to manage a continually evolving set of issues.'* More specifically Marks and Spencer reports that its sustainability commitments were*' assessed for materiality by M&S management, who ranked them in terms of their importance to stakeholders and importance to M&S on a 3x3 matrix.'* The two axes of this matrix, namely importance to stakeholders and importance to M& S, are divided into three categories namely high, medium and low. In terms of importance to stakeholders, the high category includes issues that are *'frequently featured in the media, raised by key stakeholders or in key sustainability benchmarks'* while the low category includes issues which generally do not attract significant attention. In a similar vein the high and low categories in terms of importance to Marks and Spencer contain issues that are important in *'supporting business strategy for a large part of M&S operations'* and those *'supporting business strategy for a small part of M&S operations'* respectively. While Marks and Spencer's management are reported to have played the major role in positioning issues within the matrix these positions were *'reviewed and amended where necessary according to direction from Ernst and Young.'* Marks and Spencer also reported that some 40 issues were rated as being of high importance to stakeholders and of high or medium importance to the company. Only issues in these two categories within the materiality matrix are independently assured whilst the remaining seven categories are internally audited and assured.

Sainsbury's and Morrisons also report on employing a matrix approach in determining materiality. Sainsbury's, for example, claimed that its *'materiality process helps us to focus on areas of most significance –both for our business and the wider world'* and *this process of focusing on the most material issues helps us to make a more direct link between our commercial strategy and the challenges we face regarding responsible operations.'* Sainsbury's reported that it *'analysed a wide range of information to understand the key issues for different groups of people'* and that it then prioritised these issues on a matrix whose two axes were *'potential business impact'* and *'stakeholder concern.'* Morrisons reports addressing a wider constituency in determining materiality in that *'we monitor the wider issues that affect our business, take specialist advice, actively engage with our stakeholders, and then analyse risks and opportunities'* before *'plotting them on a materiality matrix.'* The company reports that it has developed specific key performance indicators to drive and measure change.

The Co-operative Group also claimed that its *'materiality decision-making process ensures that we focus on the issues that matter most to our stakeholders and our business'* and more specifically on *'the issues that reflect our significant social, environmental and economic impact and that influence our stakeholders' assessment and decision making.'* In identifying which issues are material and in determining their significance the Co-operative Group consider a number of internal and external factors and a range of mechanisms. These include *'considering issues raised by our members (eg through the democratic process and our membership engagement strategy) and other stakeholders (eg through customer participation in ethical policy formulation and employee and customer surveys) as well as considering business and society issues (as expressed through our business strategies and risk management processes, societal norms and emerging issues, external reporting standards and benchmarks.'* However the company eschews *'simply mapping these onto a materiality matrix'* and argued that such an approach *'is not always effective when dealing with the daily reality of evaluating and responding to ethical and sustainability challenges.'* Rather the Co-operative Group's *'approach is to detail these various inputs and then set out the material importance of each issue'* in its sustainability report. The company reported on its material issues under three overarching headings namely *'social responsibility'*, *protecting the environment'* and *'delivering value to our stakeholders'* across some 15 thematic areas including climate change, water and chemicals, international communities, promoting equality, suppliers and supply chains and employees.

Kingfisher formally recognised that a wide range of social and environmental issues are relevant to its business and its stakeholders and reported that *'we prioritise our most material issues through extensive consultation with external stakeholders and within our businesses.'* The company stressed that this is *'continual process'* which includes identifying priority stakeholders, direct engagement with stakeholders via face to face meetings, investor roadshows, and membership of organisations dedicated to promoting the transition to a more sustainable future and working closely with key internal and external stakeholders to identify priority issues. The accent is on developing Kingfisher's aspirations and targets and to identify which issues should be included in the company's sustainability reporting process and Kingfisher claimed to have set targets for *'the majority of our most material issues.'* Kingfisher also reported that a number of material issues including employment, governance and management, human rights, labour standards, pensions, public policy and advocacy and training and development are not part of this target setting process. In briefly addressing *'content materiality'* Walmart reported that *'in addition to tracking media activity and customer feedback we engage with internal and external stakeholders, including government and non-governmental organisations, to define the content included in this report. '*Further the company claimed that *'we incorporate this input prior to and during editorial development to ensure continuous dialogue, relevancy and transparency.'*

Although the other four selected retailers' stressed a number of priorities in their sustainability reports they did not explicitly refer to the concept of materiality. Tesco, for example, reported *'we have started to tackle three urgent issues facing society- food waste, health and youth unemployment'* and *'how we are strengthening our work in four essential areas- trading responsibly, reducing our impact on the environment, being a great employer and supporting local communities- which are fundamental to the way we do business'* but offered no information on the processes involved in determining these goals. The Home Retail Group identified five *'good business principles'*, namely *shopping for tomorrow'*, *'building a great place to work'*, *'being a good neighbour'*, *'keeping clean and green'* and *'sourcing with care'* but the company's sustainability report provided no information on how it determined these principles. While the John Lewis Partnership did not address materiality in its 2014 *'Sustainability Review'* the company reported that *'for 2014-2015 we are introducing a sustainability materiality assessment process to update our views of the issues that are most material to our business, so that we can better set our priorities and then plan and invest accordingly.'* Further the John Lewis Partnership stressed that this process *'will involve interviews with senior management across the Partnership, as well as our key stakeholders, to understand what matters most to them, to the business and to wider society.'*

Discussion

Although the concept of materiality is increasingly seen within the business world as a vital element in sustainability reporting a preliminary review of the UK's top ten retailers current sustainability reports reveals there are significant variations in the extent to which these retailers are embracing materiality. In some ways this reflects the fact that the UK's leading retailers are essentially at the start of a long and potentially difficult journey towards sustainability. Marks and Spencer, for example has been reported as arguing that currently *'no business in the world can claim to have come remotely close to sustainability'* (Barry and Calver 2009). More generally a number of issues merit discussion and reflection. Firstly there is little or no evidence that the UK's leading retailers have adopted a sector specific approach to the definition and determination of materiality as advocated by Eccles et. al. (2008) and perhaps this is not surprising in that the selected retailers have, by and large, developed their own individual approach to sustainability reporting. While some of the selected retailers provide limited information on the continuing development of their approach to materiality there is no indication in the sustainability reports that any of the selected retailers have the political or commercial desire to adopt a retail sector specific approach in the immediate future. Indeed the premature closure of the 'Race to the Top' project (International Institute for Environment and Development 2004) project, originally designed *'to track progress towards a greener and fairer food system'* suggests a common approach will prove no easy task. Where individual retailers publicly promote what they see as their approach to sustainability as giving them a distinctive position within the UK's extremely competitive retail marketplace, this makes the development of a genuinely shared approach to the determination of a collective and agreed set of material issues a testing and potentially intractable challenge.

The objective of the Governance and Accountancy Institute's research for the *'Sustainability What Matters'* research project mentioned earlier, was *'to serve as a starting point for discussion and planning around sector-specific materiality'* and the final report included work on *'The Retailers Sector'* Governance and Accountability Institute Inc. (2012). While the retailers studied included a number of the world's leading retailers including Carrefour, the Delhaize Group, Kroger, Target, Metro, C&A and Woolworths as well as Walmart, Marks and Spencer and the John Lewis Partnership which form part of the current study, the result might be seen to offer some indication of the collective determination to address materiality within the global retail community. The research reveal that the six highest ranked categories of material issues, in descending order, across the retailer sector are product responsibility; human rights; environment, economic factors; labour practices; and social issues, while the top ranked six specific issues are transport; customer health and safety; product and service labelling; diversity and equal opportunity; and prevention of forced and compulsory labour. Although the Governance and Accountancy Institute does not offer any commentary on these rankings the high priority accorded to product responsibility and to human rights, labour practices and customer health and safety, for example, which can clearly influence a retailer's reputation and brand image might be seen to support the earlier arguments that the retailers' approaches to the determination of materiality will reflect their business imperatives rather than a wider commitments to sustainability.

Secondly while a variety of methods are employed in attempting to determine materiality there is a generic issue concerning the nature of the relationship between company interests and stakeholder interests. Where the company, and more specifically its executive management team, is principally, and sometimes seemingly exclusively, responsible for identifying and determining material issues within its sustainability reporting process. As such the company might also be seen to be essentially responsible for identifying its stakeholders and for collecting, collating and articulating their views on the priorities for the company's sustainability strategies. However whether the leading retailers can realistically and comprehensively elicit and represent the views of all their stakeholders remains to be seen. Generally within the business world Banerjee (2008), for example, has argued that *'despite their emancipatory rhetoric, discourses of corporate citizenship, social responsibility and sustainability are defined by narrow business interests and serve to curtail the interests of external stakeholders.'* More specifically Jones et.al (2013) have argued that the UK's leading retailers' definitions of, and strategic approaches to, sustainability can be interpreted as being driven as much by short term business imperatives as by any long term commitments to a transition to a more sustainable future. Thus the accent appears to be upon making efficiency gains across a wide range of economic, social and environmental issues rather than on any genuine commitments to sustainability and to maintaining the integrity and viability of natural ecosystems and communities.

A number of the selected retailers reported seeking to elicit stakeholder opinions on retailers' sustainability priorities and strategies via stakeholder panels and customer surveys and meetings with investors. This certainly suggests some retailers wish to look beyond their own commercial imperatives in determining materiality but Cooper and Owen (2007) council caution arguing that *'whilst the corporate lobby apparently espouses a commitment to stakeholder responsiveness, and even accountability, their claims are pitched at the level of mere rhetoric which ignores key issues such the establishment of rights and transfer of power to stakeholder groups.'* More specifically Cooper and Owen (2007) suggested that *'hierarchical and coercive power prevent the form of accountability that can be achieved through discussion and dialogue'* and that arguably, at best, companies may '*favour shareholders over all other interested groups.'*

Thirdly there are issues about how executive managers and/or stakeholders rank material issues in terms of both of importance and impact and about the nature of the materiality matrices they use to depict materiality. Listing material issues in rank order, for example, effectively fails to depict or to distinguish between the perceived orders of magnitude of importance and impact. Schendler and Toffell (2013), for example, argue that while many of the world's largest companies, including Walmart, *'are working to reduce energy use and waste, and many have integrated sustainability into strategic planning' ……'such actions don't meaningfully address the primary barrier to sustainability, climate change.'* Schendler and Toffnell (2013) suggest that *'shareholder analyses of businesses focus almost entirely on operational greening activities and policies, but not on whether companies can continue on their current course in a climate-changed world. In other words, such analyses don't actually measure sustainability.'*Equally critically Schendler and Toffell (2013) further argue that many businesses that claim to be sustainability leaders *'don't recognise the primacy of climate change'* and that many businesses include *'climate in a basket of equally weighted issues' like oceans, forests or fisheries'* and that such an approach is *'misguided'* in that *'climate vastly trumps (and often includes) those other environmental issues.'* Although the issue of climate change is clearly *'too vast for any single business'* (Schendler and Toffell 2013) the major retailers are in a powerful and pivotal position in global supply chains in that they can exert a powerful influence on both production and consumption.

It is also important to recognise that stakeholders may have very differing perceptions of not just what are material issues but also of the importance of sustainability per se. Lubin and Esty (2014), for example, suggested that while sustainability is becoming increasingly important within corporate strategies and that *'an increasing number of companies are translating their sustainability strategies into financial gains and competitive strength'* this approach is effectively contested in that *'most mainstream investors remain unconvinced that sustainability leadership translates into profit and marketplace success.'*

Further Lubin and Esty (2014) argued that *'while some evidence exists linking sustainability leadership to market performance, most mainstream investors discount these findings and remain on the sustainability sidelines'* and that *'sustainability reporting continues to be framed in a language not familiar to mainstream investors.'*

At the same time concerns have also been expressed that the basic dimensions of the matrices that many large companies currently use to determine materiality are effectively not fit for purpose. Mark McElroy, Executive Director of the Center for Sustainable Organizations, for example, argued that *'while it is common practice now for corporate sustainability reports to include materiality matrices, whether or not they serve their purpose is debatable'* (McEvoy 2011). McEvoy's argument is that the majority of large companies have adapted the concept of the materiality matrix, initially favoured by the Global Reporting Initiative, to suit corporate rather than wider environmental, social and economic goals. More specifically he argued that *'instead of considering the impacts on the economy, the environment and society'* as one of the two axes of the materiality matrix as proposed by the Global Reporting Initiative, the matrices contained in the sustainability reports published by many large companies focus *'instead on whether, and to what degree, impacts affect the organisation and/or its business goals'* (McEvoy 2011). More critically McEvoy (2011) claimed that this change *'amounts to a perversion of the idea of materiality in sustainability reporting because it essentially cuts out consideration of what are arguably the most material issues'* namely *the broad social, economic and environmental impacts of an organisation regardless of how they relate to a particular business plan or strategy'* (McEvoy 2011).

Finally and more practically a number of consultants and organisations offer advice, guidance and support to companies in determining materiality for their corporate sustainability reports and some outline illustrative examples provide a flavour of the nature of the services available to companies. DNV-GL, an international consultancy which stresses its *'vision is to have a global impact for a safe and sustainable future'*, for example, reports having been involved in developing standards that have underpinned the assessment of materiality issues for a decade and on working with *'some of the largest and leading global companies to assess material issues and drive the development and execution of sustainability strategies'* (DNV-GL 2014). DNVL-GL outlines its three stage approach to materiality assessment. The input stage, involves *'brings best practice insights into the materiality process'* while the evaluation stage involves *'weighing 'risks, opportunities and innovation against stakeholder, influence scale and scope*.' At the output and dissemination stage, the consultancy looks to ensure that *'the materiality process drives strategy development, communication and management process improvement'* (DNV-GL 2014).

Strandberg Consulting, trading under the banner of *'Solutions For A Sustainable World'* provides *'a road map for organizations wishing to identify the most material issues to inform their sustainability strategy and reports'* (Strandberg Consulting 2008). KPMG (2014) offers a *'Global Materiality Methodology and Toolkit'* to guide companies though materiality assessments. KMPG claims *'extensive experience in advising clients on getting the most from materiality by integrating the process with risk identification and enterprise risk management processes as well as business strategy.'* The materiality toolkit provides a software solution to support companies at each stage of the materiality assessment process. More specifically KPMG advises potential clients that it *'can tailor an approach for your first materiality assessment, or help more advanced organisations to align materiality outcomes with the wider business strategy.'*

A more dedicated and homespun retail approach to assessing material issues has been developed by Retail Horizons as part of a wider package of *'practical tools based around current trends'* designed *'to help retailers plan for the years ahead'* (Retail Horizons 2014). Here a group work exercise, ideally designed for a range of employees drawn from across the company and *'trusted external partners',* enables the group to *'identify the most important risk areas that need to be managed, and the opportunity areas that could be a source of advantage now and in the future'* (Retail Horizons 2014). The exercise has four stages which takes the participants from the identification and then the prioritisation of issues considered to be material through the plotting of these issues in matrix format and a discussion of their relative impact to an exploration of the implications for the company. In the first stage, for example, the participants are taken through a series of immersion activities designed to identify material issues and to examine the interactions between these issues. In the final stage participants are invited to examine how the major material issues affect company's strategy, its range of products and services, its markets and its organisational set up and to discuss how the company might manage material risks and capitalise on material opportunities.

Conclusion

The concept of materiality has traditionally been associated with financial reporting but a growing number of large companies are looking to embrace the determination of material issues as an integral part of their approach to sustainability reporting. That said while there is only a limited consensus about what constitutes materiality and a variety of approaches have been adopted to determine material issues, a range of benefits are claimed for those companies which wholeheartedly embrace the concept as an integral part of their corporate sustainability reporting process. Large retailers have a pivotal role in the supply chain in that they are in a position to drive more sustainable patterns of production and consumption. However this exploratory paper reveals marked variations in the extent to which the UK's leading retailers have embraced materiality as part of their sustainability reporting process and there was little or no evidence of a collective sector specific approach to materiality within the retail community. While six of the UK's top ten retailers drew attention to materiality in their current sustainability reports, some of the six made very limited reference to how they had determined material issues, and while the remaining four retailers identified a number of priorities in their sustainability reports they made no explicit reference to materiality. Looking to the future it is far from clear that the UK's leading retailers will adopt a sector specific approach to the determination of material issues for sustainability reporting. Even if they continue to develop their approaches to sustainability reporting independently they still seem certain to face major challenges in looking to reconcile the potentially contested relationships between executive management teams, investors and a wider range of stakeholders and in operationalising the concept of materiality and in ranking and/or depicting material issues.

TABLE 1: TOP TEN UK RETAILERS

RETAILER	UK RETAIL SALES (2012/13)(£M)	CORPORATE WEB SITE ADDRESS
Tesco	£43, 579	http://www.tesco.com/
Sainsbury's	£23,303	http://www.sainsburys.co.uk
ASDA	£22, 814	http://www.walmart.com/
Wm. Morrison	£18,116	http://www.morrisons.com/
Marks and Spencer	£8, 951	http://www.marksandspencer.com/
John Lewis Partnership	£8, 466	http://www.johnlewis.com/
The Co-operative Group	£8,289	http://www.co-operative.coop/
Alliance Boots	£6, 547	http://www.allianceboots.com/
Home Retail Group	£5, 362	http://www.homeretailgroup.com/
Kingfisher	£4,316	http://www.kingfisher.com/

(Source: Adapted from Retail Week 2014)

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