

# **MASTER OF BUSINESS**

## **INVESTIGATING THE IMPACTS OF SHADOW REPORTS ON THE SOCIAL AND ENVIRONMENTAL REPORTS OF THEIR TARGETED CORPORATIONS**

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## **ATTESTATION OF AUTHORSHIP**

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

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Bing Dai

## **ABSTRACT**

This research aims to explore empirical evidence for understanding the impacts of silent and shadow reports on the social and environmental reports of the corporation they targeted. The impacts of shadow reporting are investigated according to the existence, nature and effectiveness of the impacts respectively.

The method designed for this research is the combination of two in-depth case/site studies and a contextual analysis method. The first site is Save Happy Valley Coalition and Solid Energy New Zealand Limited. The second site is Action on Smoking, Health and British American Tobacco. The shadow reports published by the two Non-Governmental Organizations and the social and environmental reports prepared by the two corporations are examined by interpreting of the contents, language, structure and images presented in those reports. Comparison between the findings of the two sites is provided to enable a further understanding of the shadow reporting impacts.

This study reveals that not only do shadow reporting impacts have positive impacts but also the effectiveness of the impacts appears very different. Shadow reporting has great potential to be effective in narrowing reporting-performance gaps, arguing against corporate hegemonic discourse, and being educative to corporate social and environmental reporting practice.

The study focuses on the interpretation of the texts, images and contents which inevitably contains subjective and personal understanding. Furthermore, the research emphasises on the changes or improvements in the selected corporate reports such that all the data analysed are restricted as to information disclosed in the selected reports without triangulation with external sources.

This research addresses the current gap in the literature on the understanding of shadow reporting impacts which would be valuable for the future development and engagement of shadow reporting. The second significance of this research is that it contributes a new method specifically designed for analysing the impacts of shadow reporting.

## CHAPTER ONE

### INTRODUCTION

Various forms of external social reporting have been applied and facilitated by several accounting researchers and campaigning pressure groups in the last decade (Dey, 2007; Gray, 1997). Colin Dey used the terms “silent” and “shadow” reporting to name those forms of external social reporting (Dey, 2003, 2007). Silent and shadow reporting is engaged to counter the reporting deficiencies and corporate rhetoric of current corporate Social and Environmental Reporting (SER), to expose reporting-performance gaps to audiences, and to raise corporations’ awareness of the importance to prepare complete and reliable SER. Accounting academics have started paying attention to this new counter accounting technique because silent and shadow reporting offers a “critically motivated methodology” (Dey, 2003, p. 6) which could potentially satisfy the desire to improve the quality of modern SER in particular the requirements of completeness and transparency.

SER is being promoted at an unprecedented level. This can be evidenced through an UNEP/SustainAbility survey in 2004 which asserts that through ten years’ development the number of reporting entities has increased, the overall quality of reporting has improved, and the range of addressed issues in SER reports has broadened (UNEP/SustainAbility, 2004). Also, academic studies of SER provide evidence of the development of SER (See Gray, Dey, Owen, Evans, & Zadek, 1997; Hopwood, 2009; Milne, Tregidga, & Walton, 2003; Owen, 2008; Tregidga & Milne, 2006). This development is facilitated mainly by the effort of SER initiatives (such as AccountAbility and Global Reporting Initiative), some national and international SER awards, and SER researchers.

This is a pleasing development; however SER researchers have recognised and criticised serious problems which could jeopardise the credibility of SER and future development of SER. Those problems are identified as the reporting deficiencies and the reporting rhetoric (Adams, 2004; Dey, 2007; Gray & Milne, 2002; O’Dwyer & Owen, 2005; Ruffing, 2007;

Spence, 2007). Some researchers name the reporting deficiencies as 'reporting-performance gaps' and classify different forms of gaps into three categories: lack of completeness, poor reliability, and dialogue restriction (Adams, 2004; Dey, 2007). The three types of reporting-performance gaps concern the reporting deficiencies from the disclosure practice, social auditing practice, and stakeholder consultation practice perspectives. The reporting rhetoric also refers to the reporting language or discourse which magnifies the corporation itself in respect to social responsibility but often lacks 'true' meaning.

Speculation is rife concerning the incentives for reporting deficiencies and reporting rhetoric. Such incentives or underlying causes can be probed both from organisational motivations and SER voluntarism aspects. The organisational motives are complex and vary within the contexts of different organisations. The outstanding concerns amongst the complex motives for performing SER have been noticed as commercial and socio-environmental conflicts and managers' inadequate knowledge about sustainability (Spence, 2007). SER voluntarism, on the other side, provides opportunities for SER entities to report their social and environmental performance selectively and managerially. Accounting academics criticise the voluntarism as "democratic potential", "transformative potential", as well as "implicit managerialism" and advocate that mandatory regulation may be needed to conquer the completeness and credibility issues of SER (Adams, 2004; Dey, 2003, 2007; Spence, 2007).

Nevertheless, mandatory regulation for SER does not appear realisable in the present or in the near future. Besides, stakeholders' demands for genuine SER disclosure present an increasing trend. Therefore, silent and shadow reporting becomes an alternative technique that some accounting academics believe has significant potential to relieve such a burden for current SER. Referring to Dey (2007), there are two main initiatives that have endeavoured to engage and develop silent and shadow reporting practices. One of them is accounting academics and another is campaigning pressure groups (which mainly include Non-Governmental Organisations (NGOs)). Despite both their engagements in silent and shadow reporting sharing some common interests in exposing reporting deficiencies and

corporate hegemonic discourse, their engagements are different in terms of their purposes, techniques and information sources of silent and shadow reporting.

The campaigning NGOs' effort in shadow reporting features a practical and pragmatic approach and extensive information sources. They directly target corporate SER reports through exposing the inconsistencies between corporate 'propaganda' and public available knowledge about it. As they are enthusiastic about unveiling deficiencies in corporate social and environmental disclosure, their shadow reports have suffered criticism in respect of the prejudiced selection of shadow information, lack of reporting consistency, and short-term behaviours (Dey, 2007; O'Sullivan & O'Dwyer, 2009). However, accounting academics' attempts in silent and shadow reporting presents their eagerness for not only problematising the existing SER conduct but also for intending to provide educational instructions for corporate SER. Furthermore, beyond their contribution to theoretical (re)construction of silent and shadow reporting, Dey( 2003, 2007) has started proposing a tentative framework for silent and shadow reporting to further develop and enhance this counter accounting technique.

Shadow reporting initiatives have practised this counter accounting technique on some corporation's SER and researchers are expecting that this alternative reporting would bring emancipatory changes to corporate SER. However, there is little research at present which provides a detailed overview of the impacts of silent reporting or shadow reporting. Such research could foreseeably support or critique the promotion and development of this counter accounting technique. This research attempts to provide insights into this unknown area and to shed light on the existence and the nature of the impacts. To achieve this research purpose, two in-depth site studies combined with a textual analysis method are devised.

A site designed for analysing the impacts of shadow reporting must consist of shadow report producers with their published shadow reports and a targeted organisation with its

corporate SER reports. Two sites are selected for this study. The first site is the Save Happy Valley Collation (SHVC) and Solid Energy New Zealand Limited (Solid Energy) case. The second site is the Action on Smoking, Health (ASH) and British American Tobacco (BAT) case. SHVC and ASH are shadow report preparers while Solid Energy and BAT are targeted corporations. This research examines one shadow report prepared by SHVC and three shadow reports prepared by ASH, as well as corporate reports in those two sites.

The studies in the two sites are undertaken separately. The analysis process of the first site pilots the research method because the first site is a relatively simpler site which has only one shadow report. The study of the second site follows a similar analysis process to the finalised process developed in the first site. A comparative analysis between the two sites is also engaged to gain an extended understanding of the impacts of shadow reporting and to increase the objectivity and replicability of the findings from the two sites.

The textual analysis method is applied to the interpretation of the content and context of selected shadow reports and corporate SER reports. The reporting language, structure and images of those reports are informally coded with explanatory analysis. This informal coding process is open-ended design which attempts to gather as many possible codes. Some of the findings from the coding and interpreting process are presented as patterns when the findings are adequate and relevant enough to form a pattern.

The main concern for this study would be that the interpretation of the texts, images and context of the chosen reports contain subjective understandings. Therefore, to mitigate the subjectivity of the research findings, all the interpretations of this research has been discussed with two supervisors who are experts in the accounting research area.

The approach and structure of the reminder of this dissertation is as follows. The second chapter reviews background literature and past research relevant to this study. The third chapter elucidates the methodological framework designed to address the research

question for this study. The fourth the fifth chapters present detailed analyses of the two specified sites – SHVC and Solid Energy case, and ASH and BAT case. Chapter six compares the findings and results from the two sites, and then provides a tentative discussion about the impacts of shadow reporting through associating the findings with the notions reviewed in the past literature and research. The final chapter presents the conclusion for this study and suggestions for future research on shadow reporting.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

This chapter reviews background literature and past research relevant to the current study. The research reviewed comprises Social and Environmental Reporting (SER) and its development, criticisms of reporting-performance gap, corporate rhetoric and the underlying causes for current SER issues, as well as the emergence and the prospects of silent and shadow reporting.

The chapter is structured as follows. First, studies in respect of social and environmental accounting and its developments are reviewed. Second, the increasing criticism of the reporting-performance gap and corporate rhetoric are discussed. Third, studies in investigating the causes of current SER issues are discussed. Fourth, research into the emergence of silent and shadow reporting is explored and examined. The research questions which arise from identified gaps in the literature are then presented at the end of the chapter.

## **2.1 SOCIAL AND ENVIRONMENTAL REPORTING AND ITS DEVELOPMENT**

### **2.1.1 Social and Environmental Reporting**

Social and environmental issues have been a challenge for accounting practices and the accounting profession since those issues became important concerns for corporation and economic activities (Gray & Bebbington, 2001). SER attempts to incorporate a social and environmental consciousness into contemporary accounting and reporting practice (Gray & Bebbington, 2001; Gray & Milne, 2002). This attempt to incorporate social and environmental consciousness into reporting practices is for the purpose of helping organisations to become more socially and environmentally sensitive and to further achieve

sustainable management and development (Gray & Bebbington, 2001; Sustainable Development Reporting Committee, 2007). At the present time, the area of social and environmental reporting both in theories and in practices is growing at an unprecedented level (Gray et al., 1997; Hopwood, 2009; Milne et al., 2003; Owen, 2008; Tregidga & Milne, 2006). This growth is perhaps due to some groups and SER initiatives' effort, for example, the Global Reporting Initiative (GRI), AccountAbility, KPMG, and the attention of Non-Governmental Organizations (NGOs) on these practices. There has been a considerable increase in the number of adopting entities in the use of reporting guidelines developed by these groups (Chen & Bouvain, 2009; Dey, 2007; Gibson & O'Donovan, 2007; O'Dwyer & Owen, 2005; Spence, 2007). The guidelines have caused a remarkable improvement in the overall reporting quality, and a widened range of disclosed issues. To better understand SER, it is necessary to consider a theoretical framework – stakeholder theory, which could form a fundamental part of the construction and development of SER practices.

Gray et al. (1997) note stakeholders under the neo-pluralist accountability perspective as “the stakeholders are those with rights to the account and it is for them that the account is prepared”(p. 330). This expression reveals a close and interactional relationship between the stakeholders and the accounts. Also the stakeholder's influence on the SER practices has been clarified in recent SER studies (Chen & Bouvain, 2009). The Gray et al. (1997) paper employs a process of iteration to synthesise three perspectives of stakeholder constructions for SER, via the organisation-centred stakeholder perspective, to the society-centred accountability perspective, and then to the stakeholder-centred polyvocal citizenship perspective (PCP). The PCP framework, built around stakeholder dialogue, focuses on a wider constituency of stakeholder groups for the reporting entity through predominantly presenting the voices of the stakeholders. The authors' expectations for this PCP framework is to practically solve the conflict between the organisational legitimacy and the stakeholder privileged rights, and to offer a conceptual framework for derivation of generally accepted SER principles and basic standards (Gray et al., 1997). The reflections and elements of the PCP framework are still used nowadays especially in the following two popular SER

guidelines.

Two initiatives in particular can be seen to have contributed to the aforementioned increase in voluntary reporting. Both of these two important guidelines have been established to standardise social and environmental accounting (Adams, 2004; Owen, 2007). One is G3, the third generation guidelines that the GRI published in 2006. G3 provides a suggested reporting structure, six categories of performance indicators, and a transparency imperative on disclosure (GRI, 2006). The other initiative is AA1000. Published by Accountability in 1999, AA1000 requires that under the “inclusivity” principle, that all stakeholders are involved in the dialogue when producing a report. Such an “inclusivity” principle in particular has the ‘silent’ stakeholders, like future generations and the environment, included for consideration in the spectrum of stakeholders (IESA, 1999b). Materiality, completeness and responsiveness are three other main requirements for disclosing information under AA1000 (IESA, 1999a, 1999b). Both initiatives call for robust and effective “stakeholder dialogue” (Adams, 2004, p. 736) to ensure the transparency (GRI, 2006) and completeness (IESA, 1999b) of the reporting content.

Both GRI and AA1000 guidelines have claimed a function in assisting organisations to achieve completeness in their SER (GRI, 2006; IESA, 1999b). Completeness is another crucial notion to SER in terms of the reporting quality, which requires SER to provide the information that is material and relevant to all corporate stakeholders as complete as possible (Adams, 2004; Dey, 2007; IESA, 1999b). This means, as long as the information is stakeholder concerned, it is supposed to appear in the organisation’s SER reports. Furthermore, the notion of ‘completeness’ is not only a principle for SER producers to identify their scope of information disclosure, but also an important criterion for social auditors/verifiers to make a judgement on the SER reports they audited (IESA, 1999a, 1999b).

Such initiatives as G3 and AA1000 and many SER researchers contend that engaging in SER

has meaningful impacts on business behaviours and assists in enacting strategies to ensure human and natural capital are well protected (Casey, 2007; GRI, 2006; Sustainable Development Reporting Committee, 2007). Some potential benefits for adopting SER are “increased financial returns, enhanced reputation and reduced risk” (Milne et al., 2003, p. 30) for the businesses. The New Zealand based Sustainable Development Reporting Committee has also advocated that including sustainability into an organisation’s operations and management will consequently legitimise the organisation’s activities (Sustainable Development Reporting Committee, 2007).

All current SER practice guidelines are voluntary in implementation in New Zealand, as there is no direct enforcement on SER adoption by any legislation to date. Such ‘voluntarism’ not just reflects in SER adoption but also in reporting disclosure. For instance, although the G3 guidelines are aimed at helping achieve the complete disclosure of information, G3 does not put a rigid restriction or imposition on the application of the full GRI reporting framework allowing the reporting entity to start with “the most feasible and practical topics” (GRI, 2006, p. 5). Such allowance of selective disclosure of indicators has been criticised by Ruffing (2007). The lowered starting point, or the flexibility in standard application, or voluntary nature of full disclosure may or may not compromise the quality of social and environmental reports produced by starters and/or other report producers, but could also be an attraction to encourage the adoption of sustainability reporting.

Another key practice within SER is the external assurance practice of corporate reports in order to establish an incremental credibility for the information disclosed (Adams, 2004; Owen, 2007). Owen (2007) indicates a continuous growing trend in the numbers of assurance practices. Owen (2007) classifies current assurance practices into two main types of approaches – ‘accountancy-based’ approach and ‘evaluative’ approach. The guidelines for the former approach are GRI guidelines and the latest are ISAE 3000 (International Standards on Assurance Engagements) published by the International Auditing and Assurance Standards Board (IAASB) (Owen, 2007). The ‘accountancy-based’ approach

focuses on the accuracy of the information disclosed in the social and environmental reports over the relevance of the information to external stakeholders. In contrast, the latter approach applies AA1000 Assurance Standards and provides more detailed evaluation both on reporting and organisation performance domains (Owen, 2007). The 'evaluative' approach seems to be more value added from the perspective of stakeholders, but does pose a risk relating to the problematic situation of the independence of auditors in particular when the statements include some praise for the organisation's achievement (Owen, 2007).

In addition to SER initiatives, SER practice awards have also assisted and facilitated SER practices. In New Zealand, there is the NZICA (Institute of Chartered Accountants New Zealand) Annual Report Awards which has a Sustainable Development Reporting section (Casey, 2007). Some overseas awards include the UK Awards for Sustainability Reporting (Hopwood, 2009), the ACCA Awards (Gray, Dillard, & Spence, 2008; Ruffing, 2007). These awards generally benchmark the corporate SER practices against G3, AA1000 or other SER guidelines to shortlist the 'best' SER practices. These awards are provided with the desire to see improved SER reports over time (Casey, 2007).

To understand more about SER, the next subsection reviews the history of SER evolution from the accounting perspective, the legislative perspective, and the research perspective.

### **2.1.2 Three development strands of SER**

The first strands of SER development are drawn from the accounting practice perspective. Gray et al. (2008) roughly split SER development into five stages: 1) experimental reporting in the early 1970s; 2) the emphasised additional disclosures in the annual reports in the 1980s; 3) the standalone reports which emphasised the environment from 1990 to 1995; 4) the standalone reports of combined social and environmental matters until 2000; and 5) the reporting mainstream of sustainability or corporate responsibility. The content of the reporting has incrementally developed from the singular employee and employment theme

at the beginning to the current environmental, social and economic three-dimensional disclosure (Elkington, 1997; Gray et al., 2008; Sustainable Development Reporting Committee, 2007).

The second strands of SER development are drawn from the legislative development perspective. Gray et al. (2008) parallels the legislative development with the social and environmental accounting development. The initial Anglo-American guideline typically focused on environmental reporting as the only regulatory effort that has been promulgated for some companies listed on the American stock exchange. Then the latecomers like UNEP (the United Nations Environment Programme) Finance Initiative, AccountAbility (AA1000) and GRI which have promoted voluntary reporting have become more and more popular at the present time. The SER legislation and the legislation enforcement seems relatively weak (Milne et al., 2003) as they have the “climate and nature of voluntarism”(Gray et al., 2008, p. 11). Nevertheless, Gray et al. (2008) point out that there is some evidence about the failures of voluntarism.

The third strands of SER development are drawn from the SER research development perspective. Unlike the strands of the SER legislative development, the SER research development has more parallels to the SER accounting practice development. Generally, the first regard of SER research as a substantial discipline was in the early 1970s (Mathews, 1997; Owen, 2008), when the research was theoretically under-developed. The SER research became more theoretically informed in the 1980s and early 1990s (Owen, 2008). The research in that period emphasises stakeholder, political economy, and legitimacy theory perspectives, rather than plainly describing the SER practices. From mid-1990s onwards, the major issues within the SER research are internalisation of external environmental costs, and the concepts of “triple bottom line” and “sustainability”(Owen, 2008). In a similar vein as the SER accounting practices, the SER research shifts attentions from a labour focus that was prevalent at that time, to pure environmental issues, then to the merging of social, environmental and economic contexts. Some recent SER research focuses on the

examinations of Non-Governmental Organisation (NGO) accountability and web-based disclosure (Gallhofer, Haslam, Monk, & Roberts, 2006; O'Sullivan & O'Dwyer, 2009; Owen, 2008).

In fact, after two decades of struggle, SER and SER researchers have obtained, what some would determine to be very pleasing results – others, however, are not so pleased (Gray et al., 2008; Owen, 2008). Criticisms are extensively made to the reporting quality in terms of the extent and genuineness of the information disclosed in corporate reports (Dey, 2007; Ruffing, 2007). The next section goes over the studies which attempt to substantiate the disclosure gaps and the inauthentic disclosure which some note existing in current SER practices.

## **2.2 REPORTING-PERFORMANCE GAPS AND CORPORATE RHETORIC**

While the quantity of SER, in particular amongst multinational corporations, has substantially increased in recent years, the quality of the SER disclosure still fails to satisfy some critics in respect of the completeness, reliability and transparency requirements on the SER practices (Dey, 2007). The most significant drawbacks or obstacles for the reporting practices are reporting-performance gaps which are the noticeable deficiencies in current SER disclosures which are frequently criticised by accounting academics (Adams, 2004; Dey, 2007; O'Dwyer & Owen, 2005; Ruffing, 2007) and other interest groups such as NGOs. This section discusses reporting-performance gaps and reporting rhetoric that accounting academics attempted to highlight through referring to the criticisms on current SER practices.

Although evaluating the social and environmental reports is a subjective task as there are a wide range of criteria, several researchers have found that such gaps exist (Adams, 2004; Adams & Evans, 2004; Dey, 2007). They have named this gap differently in their papers i.e. “portrayal gap”, “assurance expectation gap”, legitimacy gap” and “credibility gap” (Adams,

2004; Adams & Evans, 2004; Dey, 2007; Gibson, Gray, Laing, & Dey, 2001; O'Dwyer & Owen, 2005). The gap can also be found in some industry-sponsored surveys and leading NGO reports (Dey, 2007). Dey (2007) synthesises those various performance-reporting gaps into three measurable perspectives: lack of completeness perspective, poor reliability perspective, and dialogic restriction perspective, to help understand the formations and effects of those gaps. The following paragraphs present previous studies in relation to these three types of reporting-performance gaps.

Dey (2007) clarifies that the gap of 'lack of completeness' should be measured or viewed as a difference between the extent of disclosure of what the corporate reports performed and what the reporting entity promised in its disclosure or in SER guidelines. A number of critics raise some existing practice shortfalls as partial reporting, cherry-picked information and a very limited notion of sustainability (Milne et al., 2003; Spence, 2007). Academics and researchers have found evidence that organisations selectively disclose information in their social and environmental reports (Adams, 2004; Adams & Evans, 2004; Dey, 2007). Such selective reporting and partial reporting are the most common examples of 'lack of completeness'. In their study of benchmarking New Zealand early sustainability reporters, Milne and co-authors score selected reports through the UNEP/SustainAbility's benchmark tool. Their benchmarking results for those New Zealand early social and environmental reports provide evidence to the differing organisations narrow approach and incomplete disclosure (Milne et al., 2003). Their further comparisons with top international reporters extend this issue to an international level (Milne et al., 2003).

The second category of gaps, 'poor reliability', is referred to as the differences between the deficient credibility provided for social and environmental reports by the auditing practices and the credibility promised in the assurance statements (Adams, 2004; Adams & Evans, 2004; Dey, 2007). Current assurance practices of SER has been criticized and labelled as "patchy", and that they do not really assure the quality of SER (Casey, 2007; Dey, 2007; Milne et al., 2003; Owen, 2007). Empirical studies in published assurance statements show similar

findings in that ambiguity and variability widely exist in current practices (Owen, 2007). The findings of those studies have also revealed that assurance statements rarely address completeness in terms of providing sufficient information (Owen, 2007). Moreover, O'Dwyer and Owen (2005) have observed a great deal of managerial control remains over the whole assurance process in their study. In general, current assurance practices appear to have contributed little to creating a greater level of credibility to the SER they assured (Owen, 2007).

The third type of gap is about the stakeholder dialogue processes engaged in by the SER entities. This gap could be identified through the difference between the restricted or controlled access for stakeholders to participate in the dialogue meetings and the stakeholder inclusivity claimed or promised by dialogue organisers (Dey, 2007). Adams (2004) proposes that corporations could deliberately consult stakeholders they want because the corporations have greater power in the dialogue processes. A further discussion about 'limited stakeholder dialogue' is also extensively engaged in Adams's study through exploring the facts or evidence from her or other accounting academics' research. Some reporting entities' have excuses for the difficulties to get stakeholders involved and/or "stakeholder fatigue" have also been criticised in this study (Adams, 2004, p. 736). Adams (2004) conclusion for the corporate reports she examined exposes serious missing disclosure in the corporation's stakeholder dialogue when benchmarked against AA1000 guidelines.

Through the discussion of reporting-performance gaps, we can learn that the problematic nature of corporate rhetoric which has appeared in SER reports (Dey, 2007). Corporate rhetoric can be viewed as the language or discourse that corporations use in their social and environmental reports to exaggerate the significances but lack of true meaning. It is also translated as 'hegemonic discourse' in Spence (2007). SER studies might specify that SER reports merely disclose "good news" and are short on the bad news most often (Adams, 2004; Gibson & O'Donovan, 2007; Gray & Milne, 2002; Milne et al., 2003; Ruffing, 2007). This compromises the transparency principle of SER. Perhaps even worse, some SER entities

have attempted to “polish” their reports resulting in “PR puff” (Ruffing, 2007, p. 9) and “greenwash” (Dey, 2007, p. 323) – a simple “public relations” exercise (Gray et al., 2008; Tilt, 2008). A key trick commonly used is simplification of the social and environmental matters to “entail the fictitious presentation” of a whole story (Spence, 2007, p. 858).

All three reporting-performance gaps and corporate rhetoric are fundamental concerns to SER development. Accounting academics have begun to explore the causes for such exaggerated promises or claims in corporate SER. The next section discusses the research in probing possible causation for these SER reporting issues from an organisational perspective and a SER guideline perspective.

## **2.3 PROBING THE CAUSES FOR CURRENT SER REPORTING ISSUES**

Many critics have disputed the underlying motives of SER entities and say they are moving away from the foremost purpose of sustainability (Tregidga & Milne, 2006). Such critics believe SER entities are using SER to achieve political and economic purpose rather than ethical and environmental purposes (Adams, 2004; Hopwood, 2009; Ruffing, 2007; Spence, 2007; Tregidga & Milne, 2006). For instance, Hopwood (2009) questions various motives implicated in the production of environmental or sustainability reports through enumerating the inconsistencies between some large oil companies’ non-environmental actions and their positive sustainability claims. Moreover, Ruffing (2007) contends that some award winning entities have actually performed not as well as they have claimed in social and environmental reports, which she claims, is very ironic and paradoxical.

To investigate the “polished SER” or “PR puff” claims, Spence (2007) undertakes in-depth interviews with managers who are responsible for SER processes to probe their underlying motivations. While many academics suggest that SER is driven by the legitimacy concern, stakeholder management, and masking conflict (Hopwood, 2009; Milne & Patten, 2002; O'Dwyer, 2002). Spence (2007) argues that SER motivations are more complex as they vary

among different organisational contexts. The underlying motivations of SER uncovered in Spence's study are risk and reputation management, stakeholder management, peer pressure, business efficiency, and internal champions. Furthermore, when probing whether the commercial and socio-environmental conflicts affect organisational SER practice or not, Spence (2007) finds that corporate managers poorly understand sustainability and CSR notions, and that they are reluctant to comply with the transparency and completeness principles of SER. The organisational motives discussed above are not the only concern for researchers. The cause and effect between SER voluntarism and corporate rhetoric are main subjects for them too.

Resonating with "failures in the SER voluntarism" claimed by Gray (2008), Spence (2007) captures the "democratic potential" (see also Gray et al., 2008) or "transformative potential" which are retained in SER standards and practices but leaves room for an accounting entity to make some sort of organisational change to pursue organisational legitimacy (Dey, 2007; Milne et al., 2003). This freedom could render the organisations' transparent and accountable for their social and environmental impacts (Spence, 2007), as well as weaken performance measurement and comparisons (Ruffing, 2007). Moreover, SER is a "marginal discourse" (Owen, 2008; Spence, 2007) for organisations; therefore, it is difficult to act as the primary guide for organisational behaviours. Thirdly, some SER critics raise "implicit managerialism" (Dey, 2007, p. 309) as the suspect underlying aim of the voluntary reporting standards and guidelines (Dey, 2003, 2007). Such implicit managerialism may become an obstacle to meaningful organisational change and a tool for reporting entities to "control and manipulate stakeholder sentiment" (Dey, 2007, p. 307). Not surprisingly, there are some critics who advocate that mandatory regulation for corporate SER is necessary for SER quality improvement (Adams, 2004; Dey, 2007). Thus, the conclusion could be drawn that the voluntary nature of SER offers the chance for SER preparers to disclose information incompletely and to utilise SER as a public relations machine.

Complete and reliable SER reports are absent or insufficient for stakeholders' needs (Dey,

2007; Gray & Milne, 2002; Milne et al., 2003; Ruffing, 2007). This is exacerbated by weak social auditing and assurance practices, and by the fact that legislative enforcement does not seem likely in the foreseeable future (Adams, 2004; Bebbington, Brown, Frame, & Thomson, 2007; Dey, 2003, 2007). As a result academics and NGOs have started to seek an alternative or external way to pursue the integrity and reliability of SER (Dey, 2007). The following section discusses the emergence of silent and shadow accounts.

## **2.4 SILENT AND SHADOW REPORTING**

The emergence of silent and shadow reporting is due to its emancipatory potential and its educational effects on the corporate SER quality. To understand silent and shadow accounting and its emancipatory power, this section firstly elucidates notions about silent and shadow accounting. The academics' attempts and NGOs' efforts on shadow accounting practices are also reviewed further. The last subsection discusses the tentative modelling for shadow accounting.

### **2.4.1 Emergence of Silent and Shadow Reporting**

Silent and shadow reporting is a counter accounting technique where groups or individuals provide an alternative report on an organisation's practice. Such reports, which usually contain negative information drawn from the media and elsewhere, are an alternative force or means to challenge corporations using social and environmental reports as "PR puff"; often selectively disclosing "good news" (Bebbington et al., 2007; Dey, 2003, 2007; Ruffing, 2007).

The predecessor of silent and shadow reporting, external social reporting, has a long history to act as "balancing view" to differentiate the organisations' own view on their activities, and to "be motivated by the realisation" to post the information the organisations concealed (Dey, 2007). It is from "a critically inspired counterpoint" (Dey, 2003, p. 6) which offers a new

and innovative form for SER. It is also called 'counter-balance', 'counter-disclosures' or 'counter-accounting' (Dey, 2007). Thus "silent" and "shadow" accounts and reports have emerged carrying with them an explicit mission to identify the difference between the public perceived social and environmental performance and the performance corporations asserted in their accounts (Dey, 2003, 2007).

However, the explicit mission to identify the differences is not the only expectation of accounting academics, they also anticipate that the silent and shadow reporting can function as problematisation and counter hegemonic discourse for current corporate SER (Bebbington et al., 2007; Dey, 2007). Bebbington et al. (2007) clarify that 'problematisation' in a 'dialogue approach' should aim to "widen the number and kinds of stories that get told and the actors who tell them" rather than to replace a existing story (Bebbington et al., 2007, p. 370). This is consistent with Gray et al.'s (1997) PCP framework for stakeholder dialogue which aims to present as wider range of stakeholders' voices as possible. Thus, silent and shadow accounts' alternative voices can be seen as an effective way to antagonise corporations' monologic disclosure, to develop heightened capacities for critical reflection, and to eventually achieve an emancipatory and educational effect (Bebbington et al., 2007).

The 'silent' and 'shadow' reports are often differentiated through their scope of information sources. A silent report is made through comparing the official SER with all corporate disclosure in the public domain, but a shadow report is produced through contrasting the official SER with all relevant information disclosed by the corporation and other external media channels. Shadow reports therefore have a broader scope (Dey, 2003, 2007). The intention of shadow reports is to reveal gaps "between what company choose to report about themselves and what they suppress" (Dey, 2003, p. 7). From the accountability perspective, a silent report is an organisation-centred approach, but a shadow report moves towards a more independent and stakeholder-driven approach (Dey, 2003). In practice, silent reporting would be cheaper and easier than shadow reporting (Dey, 2007).

Furthermore, SER researchers frequently suggest that the advances in information technology, international communication and online reporting have facilitated this counter-accounting technique (Adams, 2004; Dey, 2003, 2007; Gallhofer & Haslam, 2006; Gallhofer et al., 2006). Advanced information technology and multiple communication channels offers the opportunity of “an open (electronic) forum” for the corporation and its stakeholders (Dey, 2003, p. 9, 2007). In fact, internet accounting disclosure has been used much wider than before (Adams, 2004; Gallhofer & Haslam, 2006; Tilt, 2008) despite the call by some critics for the auditing of online disclosure (Adams, 2004) and concern about the deficiency of the actual content of company website (Gallhofer & Haslam, 2006).

The above discussion presents an overview of silent and shadow reporting. The next subsection introduces accounting academics’ and campaigning pressure groups’ efforts in engaging silent and shadow reporting to gain more in-depth understanding of this accounting technique.

#### **2.4.2 Accounting Academics’ and Campaigning Pressure Groups’ Effort on Silent and Shadow Reporting Practices**

To date, there are two main forces that have engaged in the development of silent and shadow reporting. One is accounting academics and another is a range of campaigning pressure groups and other NGOs. Those groups have actively engaged in the social activities to mainly express the public dissatisfaction with modern capitalism and globalisation, which have (negative) impacts to environment and society (Dey, 2007). This subsection elucidates both of their engagements in silent and shadow practices, and then provides a comparative discussion of their roles in silent and shadow reporting.

#### **2.4.2.1 Accounting Academics' Engagements**

The early accounting academics efforts in counter-SER should retrospect to the work of organisations such as Social Audit Ltd and Counter Information Services (CIS) in the 1970s. Both organisations were established to disseminate counter information to meet the needs of, and to fill in the absence of, accountability disclosures at that time (Dey, 2007). Their counter-accounting approach is simply the producing of a social account. Although their effort was substantial, it had declined until the emergence of the phrase 'greenwash' (Greer & Bruno, 1996), which contains implicit meaning to mock corporate manipulation of environmental information (Dey, 2007). From then on, the rapid growth of corporate, governmental and media enthusiasm for SER and relatively insufficient disclosure in SER potentially revealed a demand for regulated external accountability reporting (Dey, 2007). The following paragraphs review three main efforts undertaken by accounting academics which have sustained the theoretical development of silent and shadow reporting.

The first academic attempt in silent and shadow reporting by Gray (1997) was undertaken to put the pressure on the relatively low volume of disclosure at that stage. Gray (1997) revived the idea of external social reporting but did not simply copy the approach of Social Audit Ltd and CIS. Instead, he compared the disclosure in an annual report of a sample company with the sources which were published but not disclosed in the annual report to identify the information for his silent report. This approach was an easy and quick way to generate a counter-account. However, Gray acknowledged this silent account has a limitation in its disclosure scope which may not meet stakeholders' needs for a much wider picture of accountability information (Gray, 1997). Thus, Gray's silent account was radically revised by some researchers including Gray himself further into a shadow report, which accessed the counter-information from the public domain (Dey, 2007).

The second effort to be mentioned here is that of Gibson et al. (2001), which prepared the combined silent and shadow reports on well known UK companies by using internal and

external sources. Gibson et al.'s works are featured by their targets, which are a group of companies from different industry sectors in the UK. This experiment shed light on the significant gaps in the completeness of corporate non-disclosure, from both the missing disclosure and misinterpretation perspectives. Gibson et al.'s approach to counter-information sources was that they uncritically collected information from broadsheet newspaper articles (2001) (some may say those are potentially inaccurate) without proper editorialising. So, Gibson et al.'s (2001) experiment has taken the criticism of being "potentially libellous" (Dey, 2007, p. 313), but it has inspired shadow account preparers with the importance of shadow source verification.

The third study was contributed by Adams (2004). This study chose a corporation which had been practising SER for some years so that Adams was able to prepare comparable shadow accounts in two different periods (1993 and 1999) and match those periods with the corporate SER periods. The revolutionary feature of Adams's (2004) experiment is the rational application of SER guidelines – AA 1000 and GRI to carefully identify the 'shadow' external information sources which were searched from a possible wide range. Adams's shadow reports show that not only do completeness gaps, assurance gaps and stakeholder restriction gaps exist, but also a range of disclosure conflicts between her shadow report and the comparable corporate reports (Adams, 2004). Another main purpose of Adams's research is to assess the chosen SER guidelines' functioning in respect of reducing corporate reporting-performance gaps and improving corporate accountability (Adams, 2004). However, little evidence was found in the gap narrowing, as the later year corporate report examined still suffered from substantial deficiencies and significant credibility flaws (Adams, 2004).

All three studies show an overt and clear focus on exploring notions of completeness. Their contribution to theoretical (re)construction of silent and shadow reporting is substantial. Nevertheless, contributions from other external forces, especially "social movements organisations" (SMOs) (Dey, 2007, p. 314) and campaigning NGOs could be more practical

and pragmatic than the academics'. The following discussion focuses on the campaigning pressure groups' efforts in shadow reporting.

#### **2.4.2.2 Campaigning Pressure Groups' Engagements**

Campaigning NGOs have actively engaged in counter-information to influence corporate behaviour for many years (Dey, 2007). Their aim to influence corporations' behaviour strongly resonates to the sustainability aims of SER academics. Their early engagements in counter-information included posing social and environmental issues to the related corporations via the Internet and mobilizing grassroots action to hold the corporations more socially responsible (Dey, 2007). These campaigning actions stimulated the increasing and widespread public demand for counter-information about organisational accountability (Dey, 2007). The campaigning NGOs generally run their own websites to avail easy access to large amounts of electronic information sources (Dey, 2003, 2007; Gallhofer & Haslam, 2006; Gallhofer et al., 2006). One strategy for counter-information has recently been increasingly adopted by some NGOs is to tackle corporate 'propaganda' through directly targeting the corporate reports (Dey, 2007).

Campaigning NGOs and SMOs often produce 'shadow' or 'counter' disclosures for the specific targets which usually prepare high quality social and environmental reports (Dey, 2007). Some of existing shadow reports published by NGOs and SMOs are: Friends of the Earth (FoE): *"Failing the challenge: The other Shell report"* (2002/2003/2004); Action on Smoking, Health (ASH): *"British American Tobacco: The other report to society"* (2002); ASH, Christian Aid & FoE: *"BAT's Big Wheeze - the alternative report"* (2004), *"BAT in its own words"* (2005); War on Want: *"Caterpillar: The Alternative Report"*(2005); War on Want: *"Asda Wal-Mart: The Alternative Report"*(2005); War on Want: *"Anglo American: The Alternative Report"*(2007); the Student Coca Cola Campaign Team China: *"Coca Cola: The world's most valuable brand is evading its legal and social responsibilities"*(2008); and local SMO – Save Happy Valley Coalition (SHVC): *"Environmental Report"* (2006).

These shadow reports seek to gather and present broader external sources of the information associated to the corporate social and environmental impacts. Their shadow approaches generally reflect, or closely resemble the academic shadow techniques in Adams (2004) and Gibson et al. (2001) studies (Dey, 2007), employing information sources both internally and externally. Like the accounting academics' approaches discussed above, these NGOs' shadow practices have detected all of three types of reporting-performance gaps in their targeted social and environmental reports (for example, ASH's 2002 shadow report). These groups have strikingly influenced the accounting academics through providing them with valuable and extensive information sources and inspiring them with fundamental notions and conception of shadow accounting (Dey, 2007; Gallhofer et al., 2006). Moreover, Dey (2007) values NGOs' effort on shadow reporting more than the accounting academics', not only due to NGO's noticeable contribution to a potentially vast source of counter information, but also to directly confront existing corporate-controlled SER.

Nevertheless, these groups' shadow reports have attracted critique in respect of the biases in information selection, the reliability of shadow accounts, lack of consistency, incomplete coverage of corporate assurance process and stakeholder dialogue process, for example, (Dey, 2007). Due to NGOs or SMOs generally appearing to use shadow reports as a weapon against their targeted corporation, they too focus on exposing and influencing corporation behaviours, their achievements in shadow reporting and their influences in corporate SER might be to some extent compromised (Dey, 2007). Furthermore, the NGO's shadow reports seem to be "partisan and adversarial", deliberate and under-theorised (Dey, 2007, p. 321). These unified manner and short-lived practices risk the NGO's shadow reporting to be marginalised from the corporations and the public (O'Sullivan & O'Dwyer, 2009).

From the former review of accounting academics' and campaigning pressure groups' effort in silent and shadow reporting, the commonality between their shadow reports could be drawn as that they both prepare shadow information in the common interest to reveal the

shortcomings of current SER disclosure and endeavour to expose the corporate reporting gaps and challenge the corporate hegemonic discourse (Dey, 2007). However, they have different motives, styles and substances in preparing shadow accounts. Thus, orientations for their roles in counter accounting would be important for the future development of SER. The next section tentatively discusses what are the positions or roles for accounting academics and campaigning groups to perform, which are suggested by researchers.

#### **2.4.2.3 The Roles for Accounting Academics and Campaigning Pressure Groups in Silent and Shadow Reporting**

Although accounting academics and NGOs share some common interests in corporate hegemonic reporting, this subsection focuses on their differences to make some suggestive comments on their roles in counter accounting.

The initial purposes for accounting academics to produce their silent and shadow reports were to increase corporate SER disclosure (Gray, 1997), and then develop disclosure to illuminate reporting-performance gaps and challenge corporate (mis)interpretation (Adams, 2004; Gibson et al., 2001). In contrast with NGOs' effort, academics may emphasis more in SER in terms of completeness and materiality (Adams, 2004; Gibson et al., 2001), and SER guidelines in respect of the adoption of guidelines and the effectiveness in gap narrowing (Adams, 2004). Generally, academics and researchers could strengthen their positions in silent and shadow reporting with their solid theoretical knowledge and expertise. Dey's comment to academic involvement in silent and shadow reporting is that academics could provide advice and offer guidance to NGOs to enhance NGOs' shadow reporting (2007). Bebbington et al. suggests that researchers "should be able to effectively intervene in corporate governance processes as they ... have expertise to bring [to the] debate..." (2007, p. 360). Academics should cooperate with NGOs to influence corporate SER practices (Bebbington et al., 2007). Therefore, academics and researchers could be viewed as the stakeholders for both corporations and NGOs and their voices should be involved in the

debates or dialogues between corporations and NGOs.

On the other hand, campaigning pressure groups' shadow practices may need to be more systematic, consistent and reliable from the reporting forms and reporting substances (Dey, 2007). Their enthusiasm in informational and investigative activities would be valuable for shadow reporting in respect of accumulating information sources (Gallhofer et al., 2006; Hopwood, 2009). Campaigning pressure groups often are one of the key stakeholders for the associated corporations, and they should be part of corporate stakeholders' dialogues. Therefore, their shadow reports containing their critical voices "could be viewed as a useful platform for constructive dialogue" for corporate SER and corporate accountability (Dey, 2007, p. 321). Moreover, NGOs' shadow reports and their information sources could provide "new empirical subjects" (Dey, 2007, p. 321) for accounting academics to study. From the extent of information dissemination, publishing shadow reports through campaigning pressure groups may be useful to be able to communicate with an audience in a much wider scope (Dey, 2007).

To date, researchers have experienced or observed the emerging silent and shadow reports as either prepared by accounting academics or NGOs, and learnt begun to the strengths and shortfalls of current shadow practices. Dey (2007) has started considering a tentative framework for shadowing reporting that might be important to facilitate the development of this counter accounting technique.

#### **2.4.3 Tentative Framework for Silent and Shadow Reporting**

Previous empirical studies about both academics' and NGOs' engagements in silent and shadow reporting leads to questions of the best way to develop shadow reporting and does there need to be a framework to ensure the consistency of shadow accounts. This subsection reviews some suggestions on the shadow reporting framework and the future shadow reporting practice.

Whilst accounting academia has been surprised and attracted by some pleasing efforts of NGOs, there is still a dilemma between the theoretical developments of current NGOs' shadow reporting practices and the maintenance of their own benchmark-free or deliberately selective disclosure. Dey (2007) notes the recent changes of some high-profile NGOs who seek to cooperate with their targeted corporations rather than employ adversarial tactics. This new cooperative tendency may suggest that NGOs have a desire for the development of more consistent, complete and reliable forms for their shadow reporting. Moreover, a unified framework for counter accountants to follow could effectively prevent them from "the threat of libel action and the burden of possible risks surrounding the use of counter information" (Dey, 2007, p. 321) and "the risk of marginalisation" (O'Sullivan & O'Dwyer, 2009, p. 558). Dey (2007) further recommended the current AA1000 and GRI guidelines may not be perfect for external social reporting as academia has not been very consistent to use them to critique current social and environmental reports. Therefore, construction of a clear and explicit framework would be necessary for both accounting academics and NGOs or other shadow reporting interest groups (Dey, 2007).

Dey (2003, p8) initially proposed a three layered silent and shadow account model which encompassed "an organization-centred silent account", "an external produced shadow account" and "a polyvocal stakeholder-driven view". The underpinnings of this three layered silent and shadow account model appears theoretically consistent with Gray et al.'s (1997) three perspectives of stakeholder constructions for SER. Dey (2003) suggests that this model could be an emancipatory and educational means to challenge current corporate SER and to reconstruct the social reality for the target corporation. Dey also recommends the third layer 'polyvocal stake-driven view' would allow more stakeholder voices to be involved so that a "more explicit emancipatory objective of stakeholder empowerment" could be pursued (2003, p9). However, this three layered model only advised a theoretical construction rather than a practical framework. It may not be specific enough for shadow accounting practices while it may or may not inspire the later academics' shadow experiment (i.e. Adams (2004))

and NGOs' shadow reports.

After an intensive discussion in silent and shadow reporting, Dey (2007) poses a tentative framework for silent and shadow reporting practice in the final part of his chapter to invite further research and discussion. Eight layers are conceived in a suggested framework, which include "statement of objectives, identification of stakeholders, organizational accountability mechanisms examined, wider shadow information sources used, assessment of completeness of corporate accounts, assessment of formal stakeholder dialogue processes, assessment of level of assurance, and formal invitation to feedback" (Dey, 2007, p. 322). This eight-layer design is quite thorough, especially the reconstruction of completeness and transparency for shadow accounting practice and criteria in dealing with the potentially large quantity of shadow information sources (Dey, 2007). The main challenge for applying this tentative framework in shadow practices would be the boundary defining for the information scope and information verifiability. Dey (2007) also encourages the collaboration with NGOs and other groups who are interested in silent and shadow reporting and the development of online reporting.

Presently, silent and shadow reporting is under researched and there appears to be no research which systematically analyses the silent and shadow report impacts on the reports of the corporation that they target despite the increase in studies on shadow reporting initiatives.

To address such gaps in the literature, this research will address the following questions:

- 1) Do shadow reports have an impact on the corporate social and environmental reports of their target corporation?
- 2) What is the nature and extent of the impacts on the corporate environmental and social reports?
- 3) How effective are the shadow reports as a counter accounting technique?

To summarise, shadow reporting is an emancipatory accounting technique to challenge or counter corporate SER rhetoric and hegemonic practices, which is still new and underdeveloped. Dey's (2007) tentative shadow reporting framework and other researchers' online counter accounting intent need to be reconstructed and re-theorised to eventually realise the shadow reporting revolutionary and educational potential as much as possible.

## **CHAPTER THREE**

### **RESEARCH METHOD**

The main aim of this chapter is to present the method used to address the research questions of this study. The primary design of the research method is two in-depth case studies combined with a textual analysis method. The contextual analysis method has been developed to investigate the impacts of shadow reporting, which is the main aim of this research. Furthermore, the development of the analysis method has been trialled with the simpler case first (with only one shadow report) then extended to a more complex case (with multiple shadow reports). A comparison between the two cases is important to achieve a thorough understanding of the impacts of shadow reporting.

This chapter comprises three sections. First, the cases which provide the sites of analysis are presented including a description of the data used in this study as well as why these sites were selected. Second, the analysis methods and data processes are elucidated in detail. The limitations of this method are discussed in the last section.

### **3.1 DEFINING CASES AND DATA**

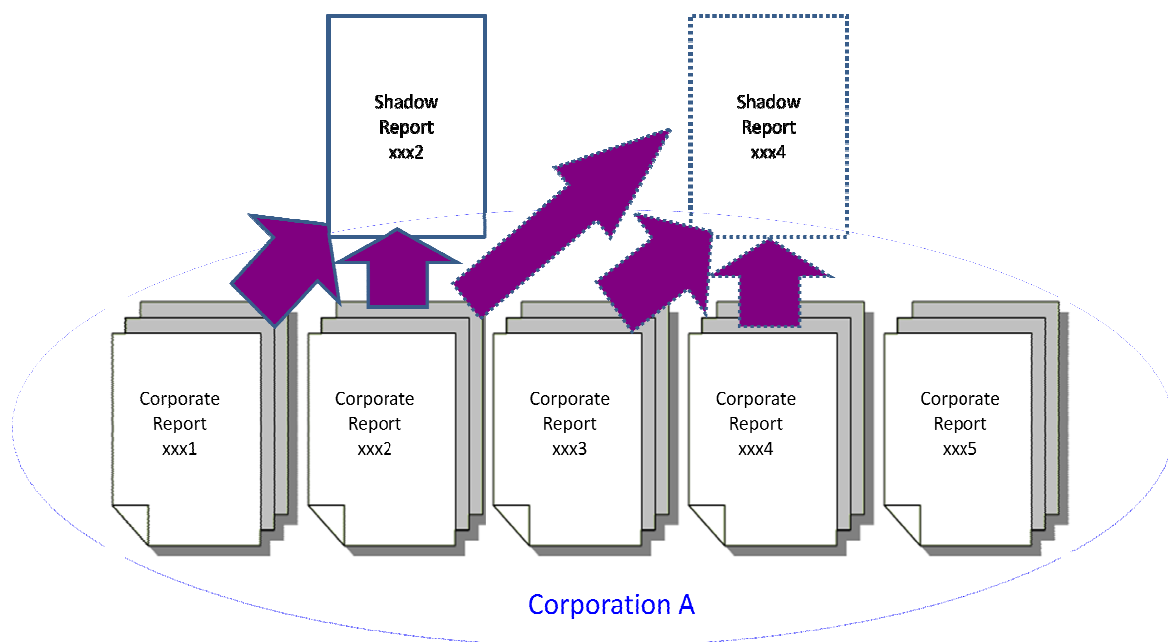
#### **3.1.1 Defining Cases/Sites**

In case study design, it is important to make the right decision in relation to case selection (Stake, 2003). Due to the main purpose of this research being to gain an understanding of the impacts of silent and shadow reports in respect of their shadowed corporate reports, a case for this research must have two parties which include shadow report(s) and their targeted corporate reports. The chosen shadow report(s) could be one or more but they must be prepared for challenging only one corporation. The corporate reports will be picked up longitudinally within in the same corporation. This definition for cases will set up a clear

boundary between cases so that each case is separate and independent from the other.

Figure 3.1 below demonstrates the design for a site which will be studied in this research. There are only two shadow reports shown in this figure but shadow reports could range from one to more than two in a site. The second shadow report uses dotted line to present that it may or may not exist in a site. The shadow report may tackle the shadowed information in the same period of and/or in the period prior to the year the shadow report published, (which is shown through the purple arrows in the figure 3.1). All the corporate reports are produced by Corporation A to enable a longitudinal comparison between corporate reports. The corporate reports produced before and after the publication of the shadow reports are included. Generally, this design includes all the essential elements for a suitable site for this research. The next paragraph elucidates the considerations on the two cases design.

Figure 3.1 the design for a site



A two in-depth case study design determines there are two separate cases or two separate sites included in this study. The considerations for such decisions are as follows. While in-depth study is important to gain insight into “atypical features, happenings, relationships

and situations” (Stake, 2003, p. 140) of each case, the two case design is for the purposes of getting more convincing results and objectivity (Yin, 2009). Compared to single case study, the two case design enables a higher degree of theoretical generalisability (Bryman & Bell, 2007). The intensive studies of two cases which share certain characteristics in common enable comparisons between the findings of those cases (Bryman & Bell, 2007). Such comparisons will enhance the understanding of the shadow report and its impacts. The selected two cases/sites are briefly overviewed in the following paragraphs.

Site One for this research is a New Zealand based site which includes one Social Movement Organisation, Save Happy Valley Coalition (SHVC), and one State-Owned Corporation (SMO), Solid Energy New Zealand Ltd (Solid Energy). SHVC prepared its shadow *“Environmental Report”* in 2006 to disclose Solid Energy’s perceived moral deficiencies and to raise the awareness about the adverse environmental effects from Solid Energy’s mining activities. Solid Energy is currently New Zealand’s largest energy producer with its core business of mining and supplying coal (SHVC, 2006; Solid Energy NZ Ltd, 2008a). Solid Energy started producing its stand-alone environmental reports in 2003 and then developed a sustainability report combined with its annual report in 2008 (Solid Energy NZ Ltd, 2004, 2005, 2008a, 2008b). This site is relatively simpler than the second site as it has one shadow report only. However, while advantageous for development of method this is not the only reason for choosing this site as it is believed the site will provide some useful insight on its own.

Site Two includes three campaigning NGOs: Action on Smoking, Health (ASH), Friends of the Earth (FoE) and Christian Aid, and the world’s second largest international tobacco enterprise: British American Tobacco (BAT) (BAT, n.d.-c). ASH and FoE are two shadow report practice pioneers who are highly commended in Dey (2007). ASH prepared its first shadow report in 2002, and then prepared the second and third shadow reports in cooperation with FoE and Christian Aid in 2004 and 2005 (ASH, n.d.-a). BAT’s first social report was published in 2002, and similar to Solid Energy developed the social report into a sustainability report in 2007 (BAT, n.d.-a). Site Two contains three continuous shadow reports which are valuable for

understanding the longitudinal impacts of shadow reports.

These two corporations (Solid Energy and BAT) are selected because they are two of several corporations that their corporate reports have been targeted with shadow reports in the world and both of them have produced stand-alone social and environmental reports and later sustainability reports. Although they are two entire different scenarios, one New Zealand based and one international, one focused on environmental and one focused on social, one has not followed any reporting standards and one has claimed following both AA1000 and GRI guidelines, one has just been shadowed once and one has been shadowed continuously, they are cases which allow meaningful comparisons. The following subsection introduces the data gathered in this study and provides the main reasons for data selection.

### **3.1.2 Identifying Data**

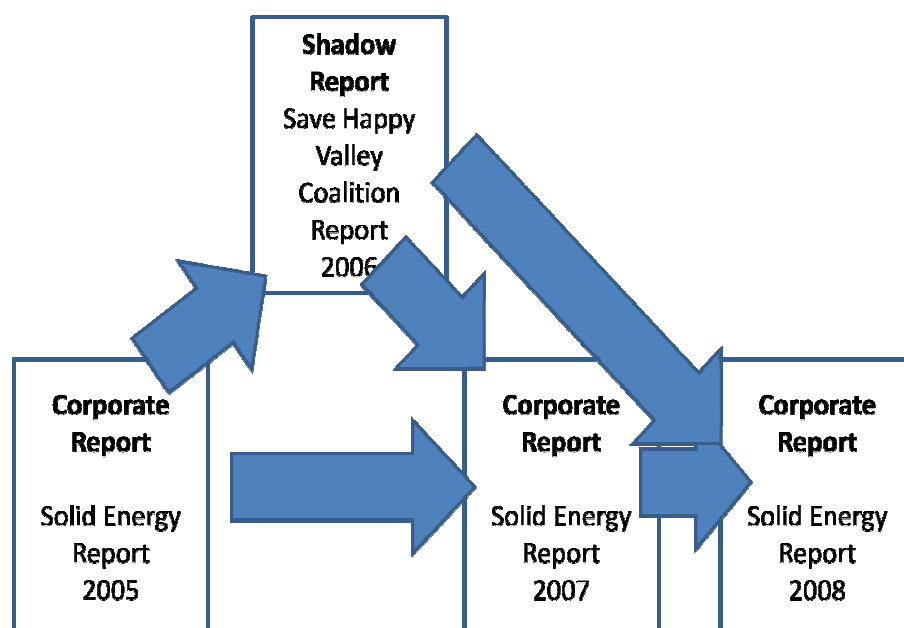
This subsection presents the data utilised in this research and discusses the rationality for identifying this data. Identifying data appropriately increases the efficiency of data analysis and ensures the workload of the research is manageable, because nearly twenty reports are related to this research. The next paragraph introduces the basic principles for report selection.

The basic principle for shadow report selection is that all shadow reports are included. For corporate reports, however the selection is slightly different. While generally every shadow report is focused on one early corporate report (the report produced before the year the shadow report was published) and one post corporate report (the report produced after the year the shadow report was published). When post corporate reports have several months overlap with the associated shadow reports, then one or more post corporate reports are added in the main data examination. Additional corporate reports produced prior and after the shadow reports were also skimmed to allow for timeliness and the possibility that the impact of such shadow reports may be ongoing (i.e. beyond the immediate report following

the shadow report). The intermediate corporate report (the report produced in the same year the shadow report published), if there was any, was also included to enable the understanding to be drawn regards the effect of the shadow report. Due to each case in this study having different nature and characteristics, the relevant data for each case/site is presented separately in the following paragraphs.

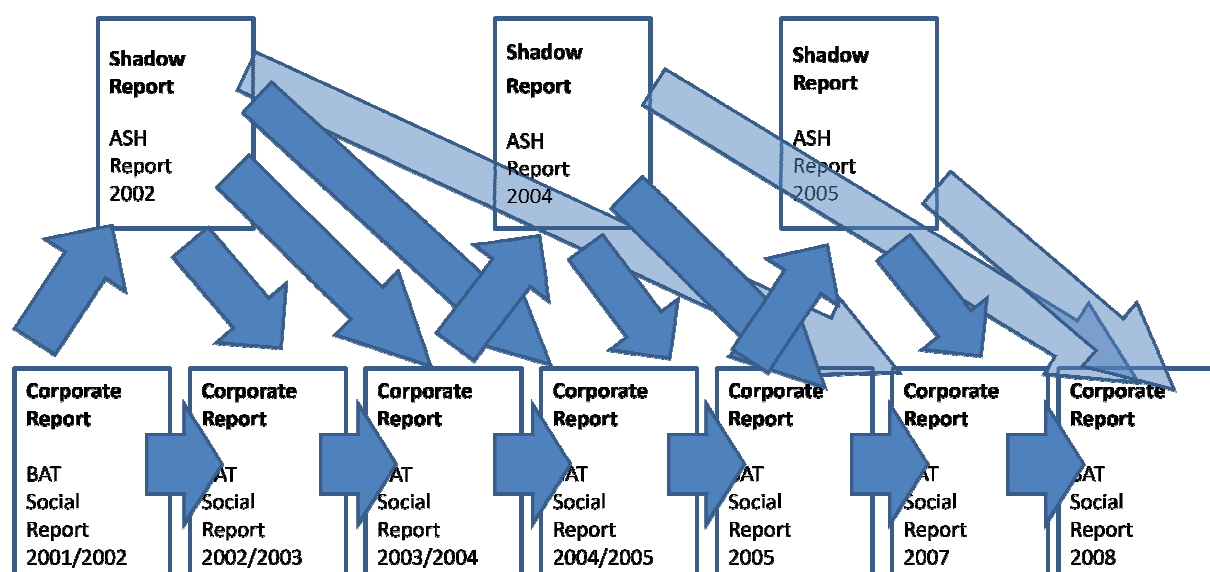
Starting with the SHVC and Solid Energy case, Site One, there is only one shadow report – SHVC “*Environmental Report*”(2006). The reporting period of this shadow report is from January 2006 to December 2006 which is inconsistent with Solid Energy’s SER period. There is half-year period overlap between those reporting periods. Therefore, the corporate reports for Site One have been chosen as mainly the corporate environmental reports for year 2005 and reports from year 2007 onwards. This is shown in Figure 3.2 in that the shadow report SHVC relates to the corporate report for Solid Energy. The year the shadow report prepared is 2006; therefore the corporate report for 2005 before the shadow report is used to see what the corporation produced prior to the shadow report. The corporate reports after the shadow report 2007 and 2008 are used to evaluate the effects of the shadow report using the 2005 corporate report as the starting point.

Figure 3.2 the main reports included in the Site One analysis



Site Two is the ASH and BAT case. There are three shadow reports published in relation to BAT corporate reports. The three shadow reports are: ASH *“British American Tobacco: The other report to society”* (2002); ASH, Christian Aid & FoE *“BAT’s Big Wheeze - the alternative report”* (2004); and ASH, Christian Aid & FoE *“BAT in its own words”* (2005). BAT’s first social report was produced in 2002. This social reporting has been continued yearly until 2005 when BAT produced two social reports (including one interim social report) to match SER period with the company’s annual report. BAT did not produce a formal social report in 2006 because the company took one year transition period to adopt sustainability reporting in 2007. From 2007 onward, BAT has started preparing sustainability reports yearly. For the reasons of the complexity (three shadow reports are included) and the long time span of the case, the consideration for data selection is different from the SHVC and Solid Energy case. The emphasis of the analysis is on the long term impacts of multiple shadow reports, therefore the main data spectrum involves all three shadow reports and the corporate reports produced from 2002 to 2007 (see Figure 3.3 below). In other words, the time lag consideration in the Site One does not rule the report selection in Site Two.

Figure 3.3 the main reports included in the Site Two analysis



The page numbers of the reports which are chosen for the Site One and Site Two analyses

are presented in the Table 3.1 below. There are two page numbers are provided for five BAT's corporate reports produced from 2002 to 2005 in the Table. The second numbers after virgules are the appendix included page numbers. The other numbers are the page numbers for the main bodies of reports.

Table 3.1 page numbers of the selected reports

	<b>Site One</b>		<b>Site Two</b>	
	<b>Reports</b>	<b>Pages</b>	<b>Reports</b>	<b>Pages</b>
<b>Shadow Reports</b>	SHVC: Shadow Report (2006)	12	ASH: Shadow Report (2002)	39
			ASH, Christian Aid & FoE Shadow Report (2004)	25
			ASH, Christian Aid & FoE Shadow Report (2005)	40
<b>Corporate Reports</b>	Solid Energy: Corporate Report (2005)	36	BAT: Corporate Report (2001/2002)	119/156
	Solid Energy: Corporate Report (2007)	33	BAT: Corporate Report (2002/2003)	140/158
	Solid Energy: Corporate Report (2008)	112	BAT: Corporate Report (2003/2004)	130/199
			BAT: Corporate Report (2004/2005)	124/174
			BAT: Corporate Report (2005)	132/206
			BAT: Corporate Report (2007)	53
			BAT: Corporate Report (2008)	53

The corporate reports and shadow reports are chosen as the main data because the purpose of this research is to investigate shadow reports apparent effect on the corporate SER rather than the actual social and environmental performances of the corporations. The years of corporate reports are generally determined to be one year before and one year after the year the shadow reports were produced is for the reason of avoiding the time overlap of those reports as much as possible. This design is to prevent the effect that maybe caused by repeated events, if there has been any time overlap. Only one or two post corporate reports are emphasised due to their changes would have much stronger links with the shadow reports than the later years' reports. Later corporate reports are analysed considering the long term impact of the shadow report.

The analysis of the main data is focused on the texts, images and reporting structures of those reports. Besides the main data, other data which may also be considered is relevant information to help in gaining general understanding of each site, which have been disclosed by the media, the activist groups or the corporation themselves. The following section illustrates the data analysis processes and the methods used in this research.

## **3.2 METHOD**

Silent and shadow reporting is a new research area (Bebbington et al., 2007; Dey, 2007; Gray et al., 2008; Owen, 2008). There is no existing research method to replicate to analyse the shadow reporting impacts on a corporation's SER. So, an analytical method for investigating shadow reporting impacts has been devised here. The analytical method mainly includes interpreting the topics and issues disclosed in shadow reports and corporate reports, and interpreting interactions between shadow reports and their associated corporate reports so that the course and effects of shadow reporting can be revealed. Those courses and effects of shadow reporting are generated and presented as patterns to further a similarity and difference analysis.

This narrative analysis process is separated into three stages. The first stage is the analysis of selected reports for Site One, and then followed by the more complicated process on the Site Two reports. The structure developed in Site One was used as basis of the structure for Site Two. The third stage is a comparative analysis of the outcome of the first and second stage and the similar structure of analysis developed assists with this.

### **3.2.1 Stage One: Analysing SHVC and Solid Energy Case/Site One**

Due to Site One being relatively simpler with one shadow report it was used to develop the method. This tentative stage or step was very helpful and necessary to assist in the structure

for the Site Two examination, which was a much more complex case. The expected outcomes for Stage One in this study were: a structured and practicable analysis method which is expandable or developable for further analysis of the impacts of shadow reporting, and the understanding in particular of Site One, the impacts of SHVC's shadow report on the selected Solid Energy's SER reports.

The first step was a thorough reading of SHVC's shadow report and Solid Energy's social reports to gain overall understanding of them. Secondly, the content of the shadow report was examined through an informal coding system for the texts, images and structures of the report. The informal codes were developed by approaching the selected reports with two questions: what is disclosed (i.e. themes, topic areas) and how was the information in the report disclosed (i.e. good news vs. bad news). The coding process primarily started with SHVC's 2006 shadow report and then followed by Solid Energy's environmental reports. The shadow report becomes the coding priority because the shadow report basically reveals the perceived reporting gaps by the corporation regardless of the SER guidelines or the publicly perceived performance. It is the most efficient way to identify the relevant issues/codes.

There were seven codes generated from SHVC shadow report: Acid Mine Drainage vs. Acid Rock Drainage, Mt Augustus Snails, Water Pollution vs. Water Treatment, Climate Change and Coal, Solid Energy's Stakeholder Consultation Processes, Good Relationship with Regulators, and Ridgeline Mining. The same codes are identified in Solid Energy's 2005, 2007 and 2008 environmental reports. In the processes of reviewing the corporate reports an additional two key changes were found to be very significant to understand the impacts of shadow reporting: Bad News Disclosure, and Ambiguous Expression vs. Clear Articulation. Detailed notes of those codes are taken throughout the analysis of all reports.

The bad news identified in the Site One study and further Site Two study includes all information that is negative or has negative influences on the PR image of a corporation. The bad news disclosed in the corporate reports mostly is in respect of corporate performance,

incidences or non-compliances, and fines or penalties. The disclosure of bad news was very minor and incomplete especially in the company's early SERs. Therefore, searching for bad news in selected corporate SERs was undertaken very thoroughly even if there is only a one sentence disclosure. The wording, length, position, and extent of bad news disclosure are all included in the examination and longitudinal comparison between corporate reports made to reveal the changes from different perspectives.

After all the codes were generated, all the notes taking from the analysis of selected reports were sorted into each code and presented in the time sequence of the four reports (one SHVC's shadow report and three Solid Energy's environmental reports) to enable the comparison of the same code amongst the four reports. The incremental changes in the post Solid Energy reports were then identified, although there are few issues raised in SHVC 2006 shadow report that have no response from the post Solid Energy reports. A series of tables which describe the key points for each code is provided in front of the narrative interpretation. This enables the understanding of the interactions and longitudinal changes amongst those reports. The narrative interpretation of each issue or key change is also provided to demonstrate the key points in detail. The final step of stage one is the examination of the reflections and interactions between both parties issue by issue in this site to work out the different patterns of the impacts of SHVC's shadow report.

Through the series of coding and evaluation process above, the impacts of SHVC's shadow report can be exposed and revealed. Further, a preliminary model of the analytical method is devised. The analysis of Site Two is performed after Site One is completed. Separate analysis for each site is deemed necessary in order to deal with the qualitative data and to avoid data confusion between the two cases. The next subsection explains the second stage of the analysis, an expanded method for a more complex case.

### **3.2.2 Stage Two: Analysing ASH and BAT Case/Site Two**

The ASH and BAT case includes three shadow reports and seven corporate reports as the main data sources. The time scope of those reports is more than seven years. As such, Site Two has a larger scope and is more complex than the Site One. In addition, the three shadow reports each have a different focus on the issues they identified. Because the previous method applied in Site One referred to a single shadow report unit, it is very important and necessary to expand that method to be applicable for Site Two, and this expansion of the method should take the comparability of the two sites into consideration.

To achieve the primary objectives of both the method applicability and the outcome comparability, the analysis method for Site Two contains the same procedures that Site One had. These are the thorough reading, informal code selection, longitudinal comparison of the generated codes, and patterning the results. However, there are two major expansions or changes which have been made to the Site One method as follows. The first expansion is that the longitudinal comparison of codes is extended by a time sequence when a code is linked through the corporate reports and three shadow reports. The second change of the analysis method for the ASH and BAT case is made to the coding process, which shifts the emphasis on the uniqueness of a code and generating as many codes as possible to the emphasis on the patterns of the impacts of shadow reporting which are presented in a code. Therefore, the coding process for Site Two is engaged in a broad range of codes but only a selective presentation of the codes which are unique and representative for the patterns of the impacts on the corporate SERs. The patterns of shadow reports' impacts are paramount for this research which answers the core research questions. The processes of Site Two data are described in the following paragraphs.

A careful read of all the selected reports in Site Two was undertaken to gain an overview of the two participants in this site and the main arguments between ASH and BAT. Informal coding and note taking occurs throughout the analysis of all the shadow reports and BAT's

corporate reports. There are about twenty issues examined in the three shadow reports but only five issues are chosen to be thoroughly analysed and presented in the ASH and BAT case study. The reasons for this selection are not only the changed focus on the impact patterns in Site Two which has been discussed in the previous paragraph, but also the time limitation of this research are the need to ensure the completion of the study and to ensure all major patterns are included in the study.

The considerations or criteria for the code selection are: a code which presents the most representative pattern of the impacts of shadow reporting, a code which has occurred through the intensive interactions by both parties – the shadow reports and the corporate reports, a code which is strongly focused on by the three shadow reports, and a code which is concentrated on by the corporate reports. The five presented issues are: BAT's Processes in Its Stakeholder Dialogues, BAT's Core Business, Smoking Caused Diseases, BAT's Youth Smoking Prevention Programme, and BAT's Internal Documents. Other codes like Environmental Tobacco Smoke (ETS), Low Tar Cigarettes, BAT's Economic Impacts, and BAT's Environmental Impacts are also important issues for BAT's SER, but these issues are not selected because they are considered as the repeated or similar patterns with the selected issues when they were tested through the four criteria of code selection.

In addition to the codes generated from the three shadow reports, two extra codes in respect of the improvements in the BAT's SER which may potentially be induced by the three shadow reports are discovered from the longitudinal analysis of the BAT's social and environmental reports. These two codes are 'Key Change in Bad News Disclosure' and 'Key Changes in Reporting Language'. Similar to the Site One study, an illustrative table and narrative showing the interpretation for each code selected and presented in this Site are presented. All the codes are summarised from the perspective of the different patterns of the impacts of shadow reporting to enable the comparison with the results of the Site One.

Site One and Site Two present two different scenarios of shadow reporting and the effect on

corporate reporting. However, the patterns of the impacts of shadow reporting, which are exposed in both sites, show differences and similarities. A comparison between those differences and similarities can lead to a more thorough and complete understanding the impacts of shadow reporting. The next subsection illustrates the comparison processes of the two sites.

### **3.2.3 Stage Three: Comparing Two Cases**

The objectives of comparison are “to seek explanations for similarities and differences or to gain a greater understanding” (Bryman & Bell, 2007, p. 66). At this stage, previous findings derived from both cases need to be systematically compared and contrasted to probe the nature and extent of the impacts on corporate SEA reporting from shadow reporting practices. The comparison between two cases is undertaken from the similarities and differences perspectives, mainly focusing on the patterns of the shadow report’s effects. Other significant issues relevant to the research questions are also examined. For instance, the issues of similar improvements in corporate reports, the time delay of effect, or possible negative effect.

Through this three-stage analysis, implication and conclusions are able to be drawn. The next section discusses the method for this research in terms of its contributions and some concerns.

## **3.3 DISCUSSION OF THE METHOD**

The research method developed in this study contributes a new data analysis method to investigate the impacts of shadow reports. It could be utilised in future studies to enable them to investigate the impacts of shadow reports on corporate reports. The method used in the Site One can be regarded as a basic design which can be developed or adjusted for more complicated cases. The method of Site Two analysis provides an example of such

adjustment in a different situation.

There are several limitations with regards to research methodology. Some researchers may think that two case studies are not enough to lead to credible findings. However, considering that the primary interest is in the cases themselves in relation to the question how the shadow reports affect their targeted corporations' reports, and that in-depth studies are undertaken, and considering the chosen two cases represent two very different types of corporations, two cases appear a sufficient yet manageable workload.

Secondly, some researchers may argue that comparison case study design leads to less attention paid to the specific context in one case and more explicit focus on theoretical generalisability to other cases (Bryman & Bell, 2007; Stake, 2003). To offset this shortcoming, an unstructured and informal coding method is applied to gather the issues from the shadow reports especially in Site One, thus, the contextual insight of the cases should be retained. Also, they are reported on separately in the first instance.

The last concern about this method is the textual analysis involves the author's personal understanding which may be different from the interpretations of other readers of those reports. Thus, to increase the replicability and credibility of the findings of this research, two supervisors who are experts in accounting research and social and environmental accounting research have been consulted during this study.

## **CHAPTER FOUR**

### **SHVC AND SOLID ENERGY**

#### **SITE ONE**

Chapter four analyses the Save Happy Valley Coalition (SHVC) and Solid Energy New Zealand Limited (Solid Energy) case, Site One of this study. The main processes of data analysis include understanding the case and the selected reports for Site One, informal coding from shadow report to corporate reports, and interpreting emerging issues. The analysis is limited to the chosen reports and reporting practices rather than the actual performance and behaviours of SHVC and Solid Energy.

The structure of this chapter is as follows. This chapter firstly overviews SHVC and its 2006 shadow report and it reviews Solid Energy and its Social and Environmental Reporting (SER) practices. The third section is explanatory analysis of the chosen reports through the informal codes generated from those reports. The last section provides a summary for Site One with the emphasis on the SHVC shadow report's impacts.

#### **4.1 SHVC AND ITS SHADOW REPORT**

SHVC is a social movement organisation (SMO) which actively engages in “new social movements” (Dey, 2007, p. 310) to influence the social and environmental conduct of Solid Energy. Such “new social movements” include the activities taken against the corporation's perceived (mis)behaviours such as protest, civil disobedience, informative media release, directly resistant action (SHVC, n.d.). SHVC was established by West Coast locals, students, workers and the general public from around New Zealand in early April 2004 (SHVC, 2006). It is self-identified “grassroots organization” (SHVC, n.d., p. 1) functioning to challenge the opencast coal mining on the West Coast region, to raise concern about all endangered species in Happy Valley, and to raise the awareness of coal use in general climate change in

New Zealand (SHVC, 2006). SHVC runs a website which posts a range of electronic information sources to the public. Most of those sources relate to the track record of all the SHVC's social movements, the environmental destruction related to the Solid Energy's mining, and the Environment Court battles with Solid Energy.

The law cases against Solid Energy were undertaken in a bid to protect the endangered wildlife which resides in the Happy Valley. In 2006, SHVC alongside other groups brought a judicial review to contest the validity of the wildlife permits granted from the Minister of Conservation, Chris Carter, and then further appealed against the decision in favour of Solid Energy in the Environment Court. The case and the later appeal were lost. The reason for the loss is that Solid Energy's Stockton coal mining license predated the Resource Management Act 1991 (Jury, 2009; SHVC, 2006; Solid Energy NZ Ltd, 2007).

In addition to those activities, SHVC prepared and published a shadow report in 2006 to contest the corporate environmental reports produced by Solid Energy. The SHVC shadow report consists of 12 pages of information from external and internal sources relating to Solid Energy to demonstrate the existence of differences between the disclosure in the Solid Energy's official reports and the company's environmental and social performance that was publicly available. The main issues raised in the shadow report include Acid Mine Drainage, Treatment of Workforce, Ngakawau Riverwatch and Water Pollution, Stakeholder Consultation, Ridgeline Mining and Ecological Destruction, Good Relationship with Regulators, and Climate Change and Coal.

The 2006 shadow report copies the name and partial structure of Solid Energy's environmental reports but presents information in an ironical and mocking tone. The report also uses first person to give the impression that the reporter is, or could be Solid Energy. Almost all the issues raised in the shadow report are supported with photos and descriptive captions (SHVC, 2006). Referring to the view of Dey (2007), the aim for SHVC to adopt shadow reporting could be recognised as to tackle the credibility deficiencies in Solid

Energy's official environmental reports and to press Solid Energy to be more publicly accountable, or merely to get actions on what SHVC wants.

This research also focuses on the changes in the Solid Energy's official reports from the reporting content and the reporting structure aspects, which have direct or indirect indications linking to the SHVC shadow report. The next section introduces the Solid Energy and its official environmental reports.

## **4.2 SOLID ENERGY AND ITS ENVIRONMENTAL REPORTS**

Solid Energy is a State Owned Enterprise (Solid Energy NZ Ltd, n.d.), the successor of State Coal Mines(Solid Energy NZ Ltd, 2005, 2007). It is currently New Zealand's largest energy producer (Solid Energy NZ Ltd, 2008a). Its main business is to supply coal and other renewables to local and overseas markets. It has seven active and 12 inactive mine sites all over the southern and northern islands of New Zealand (Solid Energy NZ Ltd, 2007). More than 4 million tonnes of coal are mined from those seven active mine sites every year (Solid Energy NZ Ltd, n.d.).

The company is aware of the irreversible effects from its coal mining and mining related activities and this fact was publicly admitted by its Chief Executive Officer, Don Elder on the company's website (Elder, n.d.). Solid Energy has embarked on a series of social and environmental activities to show that the company is aware of its current environmental impacts and historical environmental footprints and that the company attempts to be socially and environmentally responsible to the society and the nation. Such social and environmental activities include the establishment of an environmental objective which is "a positive net effect on the New Zealand environment" (Solid Energy NZ Ltd, 2005, p. 4), the engagement of a series of environmental management activities in respect of coal mining activities, and the publication of environmental reports (Solid Energy NZ Ltd, 2004).

Solid Energy voluntarily prepared its first environmental report for year ended 2004. This is the year the company adopted an environmental policy which the company believes can guide the best environmental practice in the mining sector worldwide (Solid Energy NZ Ltd, 2005). From that time on, Solid Energy's SER has experienced an evolutionary progress from the 2004 standalone environmental report to the 2008 sustainability report. In its early stage reports, Solid Energy in general discloses information about the company's environmental policy and its environmental practices, which includes the main contents of environmental performance, environmental management activities, mine site rehabilitation, biodiversity offset, stakeholders, and the overall results. Also like other companies' early stage SER (Tregidga & Milne, 2006), Solid Energy devotes its attention to the legislation and the processes to grant resource consents which are primary requirements for the coal mining business. These early stage features of SER could be observed in the Solid Energy's 2004, 2005 and 2006 environmental reports. This reporting emphasis has shifted to environment related issues from the Solid Energy's 2007 environmental report.

The company's latest social and environmental report, which is also its first sustainability report 2008, offers much better reporting quality in term of completeness. Such improved reporting quality was indicated through a rough comparison of the reporting contents of the Solid Energy reports with the prescribed reporting items of the UNEP/SustainAbility benchmarking instrument ("Engaging Stakeholders" survey instrument 1996 revised version) (Milne et al., 2003). The results of the comparison show that the number of the reporting items is gradually increasing from 13 items in 2005, 16 items in 2007, to 25 items in 2008. This increase in reporting items would suggest a gradual development in Solid Energy's SER especially in terms of the completeness of SER.

The central tasks of analysing this case include identifying the evolutionary developments of the Solid Energy's environmental reports which are prepared before and after the year SHVC published its shadow report. The next section examines the development of Solid Energy's SER through the issues raised in SHVC's shadow report and the key changes in Solid Energy's

corporate reports.

### **4.3 ANALYSIS OF REPORTS**

The analysis starts with the main issues raised from the SHVC shadow report. Each issue is evaluated through the presentation of each issue within the context of different reports and the changes between the corporate reports. The second process focuses on the key changes found through comparative analysis between early corporate reports and later corporate reports to gain complete understanding of shadow report's potential impacts. For each issue and key change discussed in this section, a table is provided to briefly present the longitudinal flow of the development of each issue or key change in its associated reports.

#### **4.3.1 Issues Raised in SHVC's 2006 Shadow Report**

##### **4.3.1.1 Issue One: Acid Mine Drainage (AMD) vs. Acid Rock Drainage (ARD)**

AMD and ARD are two technical terms used to describe a single phenomenon which normally occurs accompanying with the exposure of mine rocks to the air and water (SHVC, 2006; Solid Energy NZ Ltd, 2005). The differences between them are that SHVC employs the term "Acid Mine Drainage" to create the explicit vocabulary link to connect the phenomenon with mining activity but that Solid Energy tends to argue "Acid Rock Drainage" (ARD) is a "natural process" (Solid Energy NZ Ltd, 2005). The descriptions of this phenomenon in each report and the interpretations for those descriptions are enumerated in a longitudinal sequence. Table 4.1 below is an attempt to provide primary images of this issue which will be explained further.

Table 4.1: Presentation of Issue One in the Reports Analysed in Site One

Issue	AMD vs. ARD
Solid Energy Report 2005	<ul style="list-style-type: none"> <li>✧ Uses “Acid Rock Drainage”.</li> <li>✧ Defines ARD as “a natural process” to avoid literal links with human activities.</li> <li>✧ Uses very technical terms that are not easy for readers to understand ARD’s related environmental effects.</li> <li>✧ Offers less explanation for the term or the phenomenon.</li> <li>✧ Provides descriptions for ARD that are incomplete and unclear.</li> </ul>
SHVC Shadow Report 2006	<ul style="list-style-type: none"> <li>✧ Uses “Acid Mine Drainage”.</li> <li>✧ The definition of AMD creates the literal link to mining activity.</li> <li>✧ Links the AMD with water pollution.</li> <li>✧ Identifies AMD’s toxic impacts on the river ecology.</li> <li>✧ Accuses Solid Energy of simply changing the term to ARD.</li> <li>✧ Posts comparative photos of the rivers before and after acid mine drainage on the Stockton plateau.</li> </ul>
Solid Energy Report 2007	<ul style="list-style-type: none"> <li>✧ Uses “Acid Rock Drainage”.</li> <li>✧ Definition in this report is shorter but clearer than 2005 one.</li> <li>✧ Changes wording to “widespread” and “serious environmental liabilities” to describe more serious impacts from coal mining.</li> <li>✧ This definition appears to be more honest and open to this issue.</li> <li>✧ Spends much longer length to introduce the Solid Energy’s treatment and research.</li> </ul>
Solid Energy Report 2008	<ul style="list-style-type: none"> <li>✧ Uses “Acid Rock Drainage”.</li> <li>✧ Rephrases the SHVC’s definition of AMD to define ARD.</li> <li>✧ Shows negative impacts on the river and fish.</li> <li>✧ The definition has connection with opencast mining.</li> </ul>

Solid Energy’s earlier description for the ARD is extracted from the “*environmental research*” section of Solid Energy’s 2005 report at page 19, which is that “ARD is a natural process that occurs when sulphide minerals such as pyrite are exposed to oxygen and water. The oxidation of pyrite produces acid and results in the release of heavy metals into the environment....Not all of our sites are exposed to ARD which is related to site-specific geological factors.” This early definition of ARD has some features which are identified as follows. Firstly, the definition uses “a natural process” that may contain an intention to avoid any literal links with human activities. Secondly, the words quoted above are very technical for people who have no chemical expertise and such readers are likely to have no idea of the extent of ARD’s environmental effects. Furthermore, the last sentence “Not all of our sites...” may have the opportunity to be understood as that ARD does not commonly occur in Solid

Energy's business operations. Therefore, the definition of ARD in Solid Energy's 2005 report has little to do with coal mining and no mention of specific effects to nature and lives.

However, the definition for this phenomenon which is extracted from page 2 of the SHVC 2006 shadow report is different from the Solid Energy's early definition. The SHVC's definition is that "Acid Mine Drainage (AMD) – rivers are polluted when the copious rain dissolves sulphides in the crushed mine rock to form sulphuric acid and this acid in turn dissolves iron and aluminium from the rock. These ions are very toxic to fish". This definition closely links the AMD with water pollution and identifies AMD's toxic impacts to the river ecology. The SHVC shadow report also alleges that Solid Energy simply changes the term to ARD merely for the sake of saving the costs on water cleaning up. Further evidence, which includes the AMD caused water pollution, comparative photos of the river views before acid mine drainage and after acid mine drainage, is shown in this report to illustrate how serious the problem is. This is likely to affect the report readers intensely and to some extent raise the readers' (possibly Solid Energy's) awareness of this problem.

There are some short statements about ARD in the 2007 Solid Energy report that are changed when compared to the Solid Energy's 2005 definition. These statements are that "Acid Rock Drainage (ARD): the mild acidic ARD forms when rain and air combine with the pyrite which is widespread in the rock on the West Coast" (2007, p14) and "acid rock drainage, one of our serious environmental liabilities on the West Coast" (2007, p18). These statements are shorter than the description in its 2005 report. But they do provide information for the report audience to understand the extent of ARD's impacts on the environment. In addition, wording "widespread" and "serious environmental liabilities" presents a stronger connection with environmental effects. From this stage on, Solid Energy seems to be more open with the coal mining associated environmental effects in its official report. The 2007 Solid Energy report also provides detailed information about the company's treatment on this issue as well as the supported environmental research.

The position on ARD in Solid Energy's 2008 sustainability report involves all the key points, like impacts on the river and fish and connection with opencast mining, which are mentioned in the SHVC shadow report. It seems to be a rephrased definition of the SHVC one only without copying the term ARD. This reflective change is significant to SHVC's shadow report as it can be potentially interpreted as an important indicator for the expected educative influence of shadow reporting.

Through the sequential examination of the term AMD/ARD above, the transformation progress of the term from the early corporate report to the post corporate report is recognisable. The changes from the early hidden and resisted manner to the late open manner and changes from the vague statement to the much clearer description suggest that the Acid Mine Drainage issue proposed in the SHVC's shadow report has an impact on Solid Energy's later SER.

#### **4.3.1.2 Issue Two: Mt Augustus Snails/Powelliphanta Augustus**

The issue of Mt Augustus snails (*Powelliphanta Augustus* is the name for a unique native snail species whose habitat is located at Mt Augustus only, see Figure 4.1 below) is another important issue. It is disclosed both in the SHVC shadow report and all the Solid Energy environmental reports. Solid Energy insists that the company's endeavour is to protect the snails while SHVC argues that Solid Energy's coal mining destroys the habitat of the snails. Their arguments have a long-lasting history and further escalated to court battles in 2006. A brief overview of this issue is provided in the Table 4.2 below. Both Solid Energy and SHVC's disclosure on this issue is interpreted according to the sequence of the table.

Figure 4.1: Photo of Mt Augustus snail in the SHVC shadow report (SHVC, 2006, P. 5)



Table 4.2: Presentation of Issue Two in the Reports Analysed in Site One

Issue	<i>Mt Augustus Snails /Powelliphanta Augustus</i>
Solid Energy Report 2005	<ul style="list-style-type: none"> <li>✧ Has half page length of description of the issue.</li> <li>✧ Uses storytelling to show the protection for snails rather destroy snails.</li> <li>✧ Declares that the company has the commitment to relocate the snails.</li> <li>✧ Shows the time lag between the mining activity and the snail recognition which implicates the company's mining activity was undertaken in an unaware status of mind.</li> <li>✧ Reports the company's initiation of a survey for the population of Mt Augustus snails.</li> </ul>
SHVC Shadow Report 2006	<ul style="list-style-type: none"> <li>✧ Argues that the Solid Energy had already destroyed much of the original habitat of the snails.</li> <li>✧ Accuses Solid Energy's profit-driven decision.</li> <li>✧ Criticizes some governmental policies inclined to favour the mining industry too much.</li> <li>✧ Posts illustrative photo of the snail with a caption of "It is twice as old as the coal that lies beneath it".</li> </ul>
Solid Energy Report 2007	<ul style="list-style-type: none"> <li>✧ Sets up 2-page new section "<i>Relocating native land snails</i>".</li> <li>✧ Reports the snail relocation works and the challenge with the SHVC.</li> <li>✧ Introduces "vegetation direct transfer" technique which transfers the snails with the original habitat.</li> <li>✧ Demonstrates the company's actual effort rather than story telling.</li> <li>✧ Presents photos of the relocation work and the worker blessing on the snail.</li> </ul>
Solid Energy Report 2008	<ul style="list-style-type: none"> <li>✧ Maintains discussion of the topic.</li> <li>✧ Has a subsection to describe Solid Energy's further programme in respect of the snail relocation.</li> <li>✧ Reports the radio transponder monitoring programme.</li> <li>✧ Discloses the released good survival rates of relocated snails from Department of Conservation's (DOC) study.</li> </ul>

The 2005 Solid Energy report consists of half page stories to introduce that the Solid Energy's effort is to protect the Mt Augustus snails rather than to destroy them. There are mainly five stories. First, the time of mining at Mt Augustus is much earlier than the time of recognition of the species. Second, Solid Energy cooperated with Department of Conservation (DOC) to research the snails. Third, Solid Energy also carried out a survey on the *Powelliphanta* snail population. Fourth, a large size of the *Powelliphanta* snail population is living outside the Mt Augustus, which was confirmed in 2005. Fifth, the company further supported a research on the identification of the Mt Augustus snails. The report also presents a commitment that the company will relocate the Mt Augustus snails. In the report, Solid Energy appears to be very enthusiastic over the snail protection projects.

In contrast, SHVC, in its 2006 shadow report, argues that Solid Energy has already destroyed much of the original habitat of the Mt Augustus snails in the time period between the year the snail was first spotted and the year the species was recognised. Also, SHVC alleges that Solid Energy's business decision is purely profit-driven, and gives an example of how Solid Energy signed an overseas supply contract before getting the wildlife permit from the DOC. The report further criticises some governmental policies which are believed to favour the mining industry. The illustrative photo of the snail above which is captioned with that "It is twice as old as the coal that lies beneath it" (SHVC, 2006, p. 5). The photo is placed at the end of the Mt Augustus snail issue in the shadow report so that the preciousness of the snail species is vividly presented.

After its legal battles with SHVC and the publication of the SHVC shadow report, Solid Energy responded to the snail issue through a 2-page new section of *"Relocating native land snails"* in its 2007 environmental report. It also developed a DVD about the snail relocation programme. This short documentary is distributed with the hard copies of 2007 report for free and a downloadable copy is available on company website. The new section mainly introduces the direct transfer processes of the snails, the completion of snail relocation, the further monitoring of the snail mortality rates, and the legal challenges with SHVC. This is

likely in response to the snail's original habitat problem which was raised in the SHVC shadow report. The new section states that Solid Energy has applied a "vegetation direct transfer" technique (Solid Energy NZ Ltd, 2007, p. 20). This technique is designated for transferring the snails with the original habitat (which includes the intact soil and vegetation together) as much as possible. The background photos of this new section are that some Solid Energy workers are collecting snails and one worker is blessing the snail before releasing the snail back to the wild. This section demonstrates Solid Energy as an active performer in protection of the snails.

The topic of Mt Augustus snails is still important in the Solid Energy 2008 sustainability report. There is a sub-section which is located in the section of "*A net positive environmental effect*". In this sub-section, Solid Energy discloses a radio transponder monitoring programme for further monitoring the transferred snails and sound survival rates of the transferred snails that are recently released by DOC. This seems to show the success of the snail relocation projects.

From the above interpretation of the Mt Augustus snail issue, it is found that Solid Energy's environmental reporting has been improved in terms of the method and presentation applied to the disclosure of the snail issue. The company seems to have paid much more attention to this issue in its later reports and potentially in its snail relocation projects after the SHVC shadow report highlighted it as an important issue, but also probably due to the legal disputes that come to public attention earlier.

#### **4.3.1.3 Issue Three: Water Pollution vs. Water Treatment**

The water issue associated with coal mining has been emphasised in both the SHVC shadow report and the Solid Energy environmental reports. The water issue is significant not only because water is vital to human life but also because "water effluents" have fatal environmental effects. It is also one of the reporting items in the UNEP/SustainAbility

benchmarking guide (Milne et al., 2003). While SHVC endeavours to broadcast that Solid Energy's coal mining has caused serious water pollution in the Ngakawau and Waimanalo Rivers, Solid Energy struggles to report its efforts on the water treatment or the water quality maintenance. Table 4.3 below presents an overall description about this issue in time sequence. The following analysis traces this conflict between SHVC and Solid Energy according to the sequence presented in Table 4.3.

Table 4.3: Presentation of Issue Three in the Reports Analysed in Site One

<b>Issue</b>	<b><i>Water pollution vs. Water treatment</i></b>
Solid Energy Report 2005	<ul style="list-style-type: none"> <li>✧ Does not focus on water as a main issue.</li> <li>✧ Includes some water related studies, consultations and three-year programme for Ngakawau River.</li> <li>✧ Discloses only two water related incidents without further explanations.</li> <li>✧ Uses wording "dirty water" to describe the polluted water.</li> <li>✧ Offers insufficient information about the water issue.</li> </ul>
SHVC Shadow Report 2006	<ul style="list-style-type: none"> <li>✧ Posts a photo of polluted water.</li> <li>✧ Invokes a university report on some fishless rivers which are caused by mining activities.</li> <li>✧ Points out that the Ngakawau Rive was once full of whitebait.</li> <li>✧ Questions that the funds for three-year programme are far short to recover the polluted rivers.</li> <li>✧ Accuses the Solid Energy's water treatment is just talking rather than action.</li> </ul>
Solid Energy Report 2007	<ul style="list-style-type: none"> <li>✧ Includes a two-page new section "good process on Stockton water clean-up".</li> <li>✧ Announces good results of the water treatment programme.</li> <li>✧ Uses the whitebait to mark the Ngakawau water quality.</li> <li>✧ Deploys the five-bullet project milestones.</li> <li>✧ Proposes a new notion of "prevention" from water pollution.</li> <li>✧ Changes wording about this issue to "coal fine contaminated water" which is a more explicit expression to link water pollution with coal mining activity.</li> <li>✧ Posts a photo which has a clear water background.</li> </ul>
Solid Energy Report 2008	<ul style="list-style-type: none"> <li>✧ Discloses the detailed coal mining impacts on the water.</li> <li>✧ Reports new developments in the water treatment works.</li> <li>✧ Uses the whitebait as the water quality mark again.</li> <li>✧ Shows more openness to water pollution issue.</li> <li>✧ Uses a picture of the Stockton Plateau water treatment plant with the high clarity water underneath.</li> </ul>

Water quality management is not a main issue in Solid Energy's 2005 report. It is a

subsection under the section *“our performance”*, which has only four short paragraphs. It reports some water quality related studies, consultations and a forthcoming three-year programme for cleaning the Ngakawau River. In the second to last paragraph of the subsection, there is a three-line description to disclose an incidence about dirty water discharging into the Ngakawau River in the reporting year. No mention on the associated water pollution and no further explanation for the extent of the dirty water effluence are included in the subsection. Thus, it seems that the 2005 report does not provide enough information on the water issue.

The 2006 shadow report posts a photo which shows a pair of hands dipping into and drawing up the black looking water with coal fines from the Ngakawau River (see Figure 2 below). This photo and a University report which has findings that “many waterways were fishless due to historical and current mining” in the Ngakawau and Waimanalo Rivers (SHVC, 2006, p. 3) are employed as evidence to present that the water pollution from coal mining is a serious and terrible problem. The SHVC shadow report also points out that the Ngakawau River was once full of whitebait. Since then, whitebait has become the water quality mark in the Solid Energy reports. The SHVC shadow report further recommends that the proposed expenditure of Solid Energy’s three year programme falls far short to improve the Ngakawau water quality. Moreover, there is an accusation against Solid Energy’s water treatment. SHVC criticises that the water treatment is just talking rather than action.

Similar to the native snail issue, the 2007 Solid Energy report also consists of a two-page new section *“Good process on Stockton water clean-up”* which perhaps is set up on purpose to respond to the water issue in the SHVC’s shadow report. The new section begins with the good results of the water treatment programme to echo the heading of the section. This is then followed by a paragraph using the whitebait to mark the Ngakawau water quality:

Since April 2007, when continuous large-scale lime dosing began, testing in the lower Ngakawau River has shown the chemistry of the water is such that for much of time

water quality is now suitable for **whitebait** habitat. (Solid Energy NZ Ltd, 2007, p. 24, emphasis added)

The new section further deploys the five-bullet project milestones to clearly demonstrate the actual fulfilments at different stages of the water treatment programme. In addition, there is a new notion of water pollution “prevention” which has not been appeared in the Solid Energy reports before. Another remarkable change in Solid Energy’s 2007 report is the wording which describes the water related incidents. It uses wording “coal fine contaminated water” instead of the wording “dirty water” in Solid Energy’s 2005 report. The former seems to be more serious and less ambiguous than the latter. The background photo used in the 2007 report is the photo of Ford Creek Dam which accumulates the water with a bright blue colour. This may be a response to the photo in the SHVC shadow report through presenting a contrasting image.

The 2008 sustainability report spends half page of text to disclose detailed coal mining impacts on adjacent rivers especially the Ngakawau River, and the new developments in the water treatment projects. This latest report presents a more detailed and cogent explanation of the mining impacts on the water. The example refers to the quotation in the issue “Acid Rock Drainage” above. Again, the water quality mark, ‘whitebait’, is used to evidence the improvement of water quality in this report. The picture displayed in the 2008 Solid Energy report is part of the Stockton Plateau water treatment plant with the high clarity water underneath (see Figure 4.3 below). Figure 4.2 and 4.3 presented below is for the purpose of contrasting the pictures selected from SHVC’s shadow report and Solid Energy’s SER report.

Figure 4.2: Photo of dirty water in the SHVC Shadow Report (SHVC, 2006, P. 3)



*The Ngakawau River runs black with coal fines following heavy rain*

Figure 4.3: Photo of clean water in the Solid Energy 2008 report (Solid Energy, 2008, p. 37)



Through previous analysis of this issue, it is reasonable to argue that Solid Energy's reporting on the water treatment issue is to some extent inspired by the SHVC shadow report. The reporting developed in the Solid Energy's later reports includes the contents, the focus, the length, and the wording. It is possible that the SHVC's shadow report triggers the

improvements in the Solid Energy's later environmental reports.

#### 4.3.1.4 Issue Four: Climate Change and Coal vs. Carbon Emission Profile

The issue "*Climate change and coal*" is first proposed in SHVC's 2006 shadow report. The topic of "*carbon emission profile*" had not been included in Solid Energy's environmental reporting agenda until the shadow report was published. Nevertheless, the air/carbon emission is a main reporting item in some SER guidelines, for examples, AA1000, GRI guideline and UNEP/SustainAbility benchmarking guide (GRI, 2006; IESA, 1999b; Milne et al., 2003). One would expect this issue to appear in Solid Energy's environmental reports as coal mining is an activity intrinsically linked to climate change and it is Solid Energy's core business. Table 4.4 presents an overview of this issue followed by the explanation upon the flow of the table.

Table 4.4: Presentation of Issue Four in the Reports Analysed in Site One

Issue	<i>Climate change and coal vs. Carbon emission profile</i>
Solid Energy Report 2005	✧ Has no disclosure.
SHVC Shadow Report 2006	<ul style="list-style-type: none"> <li>✧ Describes what the Solid Energy's mining business may contribute and/or has contributed to carbon emissions.</li> <li>✧ Raises cautions against Solid Energy's consumer – coal fired power station.</li> <li>✧ States that SHVC felt doubtful of the Solid Energy's Ohai plan – generating diesel from coal.</li> <li>✧ Criticises Solid Energy for using political tricks to affect government policy.</li> </ul>
Solid Energy Report 2007	<ul style="list-style-type: none"> <li>✧ Reports the company's progress on the carbon emission profile.</li> <li>✧ Introduces the options for the Solid Energy to reduce carbon emissions.</li> </ul>
Solid Energy Report 2008	<ul style="list-style-type: none"> <li>✧ Includes a more than half page new sub-section "<i>Emissions management</i>".</li> <li>✧ Introduces two aspects of emission management works: internal energy saving initiatives and external carbon abatement projects.</li> <li>✧ Discloses some quantified emission results from Solid Energy's effort .</li> <li>✧ Discusses the company's carbon solution for Ohai plan.</li> </ul>

One of SHVC's key missions is to raise the awareness of New Zealand climate change (SHVC,

2006). SHVC's 2006 shadow report sets up separate section "*Climate change and coal*" where it points out that every year Solid Energy mines and exports a large quantity of coal which creates "more carbon dioxide emissions than the CO<sub>2</sub> equivalent of all cars, trucks and buses on New Zealand roads" (SHVC, 2006, p. 8). This kind of caution on carbon emission further extends to the Solid Energy's main group of consumers – coal fired power stations. The report also doubts Solid Energy's new energy programmes by alleging the company's Ohai plan which intends to generate diesel from coal would not be a wise idea because that is "a process that emits twice as much carbon dioxide as regular petroleum use" (SHVC, 2006, p. 8). Further more, the report points out it is not fair that Solid Energy has played political cards to affect governmental policies.

The Solid Energy's 2005 report makes no disclosure of carbon emission or any other climate impacts. However, in the 2007 report, there are two paragraphs which mention the Solid Energy's carbon emission profile and the company's plans to reduce carbon emissions. In Solid Energy's 2008 sustainability report, sub-section "*Emissions management*" uses more than half page to introduce Solid Energy's emission management works from two aspects: internal energy saving initiatives and external carbon abatement projects. Some quantified emission results have emerged, for example, 10,000 tonnes of CO<sub>2</sub> is reported as being stored underground in the reporting year 2008, and independent assessment of new energy biodiesel has less 50% carbon emission than mineral diesel. The reporting for carbon emission issue, which changes from none in the 2005 report to an entire subsection in 2008 report, reveals substantial and continuous improvements in this issue.

In addition to the information about carbon emission profile, the 2008 Solid Energy report spends three paragraphs discussing the coal to liquid fuel project. These three paragraphs emphasise that the project is meaningful in securing New Zealand's energy needs. This could be seen as a responsive tactic to contest the allegation advanced in the SHVC shadow report. A similar response appears in the section "*Coal consumer*" which contains a whole paragraph to describe Solid Energy's engagements in emission reducing activities with some

of its consumers.

Above analyses of the emission issue may or may not present a possible causal relationship between the issue initiated in the SHVC shadow report and the issue reported in the Solid Energy's post environmental reports.

#### 4.3.1.5 Issue Five: Solid Energy's Stakeholders Consultation

The issue of Solid Energy's Stakeholder Consultation is important for both of SHVC's shadow report and Solid Energy's SER reports. The Solid Energy's 2005 report does have obvious shortfalls in its stakeholder disclosure, but post Solid Energy reports have improved significantly. Table 4.5 briefly presents this issue in longitudinal sequence and the interpretation of this issue is undertaken according to the same sequence.

Table 4.5: Presentation of Issue Five in the Reports Analysed in Site One

Issue	<i>Solid Energy's Stakeholders Consultation</i>
Solid Energy Report 2005	<ul style="list-style-type: none"><li>✧ Uses the heading of "<i>the communities we work with</i>" rather than 'Stakeholders'.</li><li>✧ Identifies the stakeholders as only local authorities and residents.</li><li>✧ Misses key stakeholders like employees, customers, and interest groups.</li><li>✧ Focuses on the company's regular communication and consultation processes with local communities.</li></ul>
SHVC Shadow Report 2006	<ul style="list-style-type: none"><li>✧ Exposes that there are three interest groups which had been ruled out of Solid Energy's stakeholder dialogues.</li><li>✧ Criticises Solid Energy's political tricks to control its stakeholder consultation.</li><li>✧ Exposes the leak in the Solid Energy's employment system and that the company takes the advantage of contract term dictation.</li><li>✧ Discloses a workforce strike for better pay comparing the results with the salary of the company's CEO.</li></ul>
Solid Energy Report 2007	<ul style="list-style-type: none"><li>✧ Starts using heading of "<i>Stakeholders</i>".</li><li>✧ Provides the definition for the company's stakeholders in the initial paragraphs.</li><li>✧ Includes 'interest groups' in the definition.</li><li>✧ Includes Ngakawau Riverwatch in the company's Stockton Consultative Group.</li><li>✧ Has a small paragraph reporting on staff training.</li></ul>

Solid Energy Report 2008	<ul style="list-style-type: none"> <li>✧ Demonstrates a great transition on the disclosure of stakeholders.</li> <li>✧ Disclosure of new stakeholder groups – employee, contractors and consumers has been emerged in this report.</li> <li>✧ Provides detailed information for those stakeholder groups.</li> <li>✧ Presents a new subsection “<i>Employee remuneration</i>”.</li> <li>✧ Presents a new section “<i>Health and safety</i>” to provide information about the working conditions for people who work for Solid Energy.</li> </ul>
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In Solid Energy’s 2005 report, the section related to the company’s stakeholders is section “*The communities we work with*”. Solid Energy has started its stakeholder consultation process since year 2004 (Solid Energy NZ Ltd, 2005) to serve Solid Energy’s purpose of establishing a better understanding with local communities. The only stakeholder groups concerned in the section or in the report are regulatory authorities and local residents. The establishment of regular communication between Solid Energy and the communities is the central subject. An explicit definition of Solid Energy’s stakeholders is not provided in this early SER report. So the 2005 report has omitted some key stakeholders. This omission leaves chances for SHVC’s shadow report to criticise the Solid Energy’s consultation processes.

Not surprisingly, SHVC in its 2006 shadow report identifies three interest groups – Ngakawau Riverwatch, Forest and Bird, and Buller Conversation Group, which Solid Energy has stopped consultation with. The report exposes that the stopped consultation was caused by the groups’ noncooperation in Solid Energy’s resource consent granting process. Some other criticisms in relation to Solid Energy’s stakeholder consultation are also included in this shadow report. Firstly, Solid Energy has politically excluded the Ngakawau Riverwatch Group from the consent application submission. Secondly, there are allegedly some unfair aspects of Solid Energy’s employment system and Solid Energy has the advantage of contract term dictations. Finally, the mine workers’ strike for better pay has not gained much when compared with the salary of company’s CEO. The employee/workforce and interest groups are the key stakeholders for Solid Energy and should be reported in the corporate reports.

Solid Energy’s 2007 report shows much wider inclusivity of stakeholders. Firstly, the related

section has changed the heading to “*stakeholders*”. Secondly, the first paragraph of the section provides a definition for stakeholders: “Our wider stakeholder constituency, including neighbours, community members, local governments, DOC, and local interest groups, provides....” (Solid Energy NZ Ltd, 2007, p. 16). Thirdly, the report discloses that the company’s Stockton Consultative Group comprises the Ngakawau Riverwatch. This group was established for the purpose of monitoring the implementation of Stockton water management and Ngakawau fishery values. This disclosure could be a response to the criticism from SHVC’s shadow report. Fourthly, a subsection of “*delivering environmental training for operation staff annually*” seems to be an attempt to report some information about Solid Energy’s effort in respect of its employees.

Solid Energy’s 2008 sustainability report demonstrates a transition in stakeholder disclosure. New stakeholders identified in 2008 report are consumers, employees, and contractors. Consumers and employees, both, have their separate section with the disclosure of much more detailed information. A subsection “*employee remuneration*” which is located in the “*statutory information*” section consists of text explanations and detailed tables to disclose the quantified income of employees and directors. The section of “*health and safety*” reports information based on the people who work for the Solid Energy with contractors included. It could be argued that the 2008 Solid Energy report presents significant changes in stakeholder disclosure.

To summarise, Solid Energy presents radical developments in stakeholder disclosures. The analysis above suggests that the SHVC shadow report could have had a close relation with those developments, or that stakeholder engagement/politics was more apparent at this time. Those developments may or may not fulfil the shadow report’s preparer expected actions, but the shadow report appears to have, at least, problematised the stakeholder issue for Solid Energy.

#### 4.3.1.6 Issue Six: Good Relationship with Regulators

Echoing the criticism in Ruffing (2007), that large oil companies usually work with government which could affect the companies' culture and attitude towards to environmental protection, SHVC raise this similar issue about Solid Energy's good rapport with the governmental departments in its 2006 shadow report. Due to the uniqueness of this issue as the SHVC shadow report more likely contests the local authorities, so, the discussion of this issue will begin with the problems raised in the shadow reports. Table 4.6 below presents the issue in time sequence which will be interpreted in the following paragraphs.

Table 4.6: Presentation of Issue Six in the Reports Analysed in Site One

Issue	<i>Good relationship with regulators</i>
Solid Energy Report 2005	<ul style="list-style-type: none"> <li>✧ Has some sections implicating the company's stance towards good relations with government.</li> <li>✧ Has some disclosure about the company's cooperation with DOC.</li> </ul>
SHVC Shadow Report 2006	<ul style="list-style-type: none"> <li>✧ Contests local authorities for no enforcement action on Solid Energy's non-compliances.</li> <li>✧ Uses the wording "turn a blind eye" to describe government's attitude.</li> <li>✧ Accuses the DOC's overprotection of Solid Energy.</li> </ul>
Solid Energy Report 2007	<ul style="list-style-type: none"> <li>✧ Has few changes compared to the 2005 Solid Energy report.</li> </ul>
Solid Energy Report 2008	<ul style="list-style-type: none"> <li>✧ Has a separate subsection on this issue with heading of "<i>government relationship</i>".</li> <li>✧ Has clear expression on the company's effort to maintain good relationship with government.</li> </ul>

The SHVC shadow report has two separate sections to question Solid Energy's work with local government. The first section "*good relationship with regulators*" uses one page to enumerate several non-compliance incidents which Solid Energy is responsible for but no enforcement action was taken by local councils. The shadow report uses the wording "turn a blind eye" (SHVC, 2006, p. 11) to describe the regulators' reactions to the pollution caused by the Solid Energy. Another section "*working closely with DOC*" accuses DOC of

overprotecting Solid Energy on the Mt Augustus snail issue. Both sections explicitly argue against the governmental actions or non-action.

Solid Energy's 2005 report shows an overtly positive attitude towards the creation of regular meetings with local councils and some government departments in its *"the Communities we work with"* section. A similarly positive attitude can be observed in the disclosure of cooperation with the DOC in the native snail protection and environmental research sections in the 2005 report. No detectable change on this issue can be found in the 2007 Solid Energy report. The only change is the separate subsection *"government relationship"* appears in the 2008 sustainability report to illuminate the good relationship and the Solid Energy's intention to maintain these relationships with the authorities.

The change in the 2008 report seems to be one of the Solids Energy's responses to the shadow report. However, this issue proposed in SHVC's shadow report does not induce reporting of the expected changes in Solid Energy's reports.

#### **4.3.1.7 Issue Seven: Ridgeline Mining**

The Ridgeline mining issue is reported both in Solid Energy early environmental report and in SHVC's shadow report. This is the only one issue that Solid Energy has no apparent response in the reports after SHVC raises this issue. Table 4.7 provides a brief of this issue to help understand the further interpretation of the SHVC and Solid Energy's arguments for ridgeline mining.

Table 4.7: Presentation of Issue Seven in the reports analysed in Site One

Issue	<i>Ridgeline mining</i>
Solid Energy Report 2005	<ul style="list-style-type: none"> <li>✧ States that Solid Energy has a legal right to mine.</li> <li>✧ Excuses ridgeline mining through the reasons of the mine life and employees' job opportunities.</li> <li>✧ Shows positive attitude towards Ridgeline mining.</li> <li>✧ Shows the company's dilemma on mining decision.</li> </ul>
SHVC Shadow Report 2006	<ul style="list-style-type: none"> <li>✧ Accuses Solid Energy's mining activities for causing ecological and topography destruction on the Ridgeline.</li> <li>✧ Presents comparative photos of the Ridgeline landscapes before and after Solid Energy's coal mining.</li> </ul>
Solid Energy Report 2007	✧ No response.
Solid Energy Report 2008	✧ No response.

*"Ridgeline mining at Stockton"* is one separate section in the 2005 Solid Energy report. In this report, Solid Energy states that the company has legal right to mine in that area and the "inability to mine these areas will reduce the life of Stockton Mine by five years and affect the jobs up to 340 Solid Energy staff and external contractors" (Solid Energy NZ Ltd, 2005, p. 22). However, the report describes that Solid Energy has awareness of the local community's concerns about the topography changes. Thus, the company provides four technical solutions which were reviewed by "an independent leading world expert" (Solid Energy NZ Ltd, 2005, p. 22) to minimize the mining impacts. It can be concluded that the report presents a hard dilemma which Solid Energy was confronted with.

Nevertheless, the SHVC shadow report contests ridgeline mining with the proposition of the environmental and ecological significance of the ridgeline area. It also criticizes that Solid Energy has already cut off "40 vertical metres" from the ridgeline. Contrasting photos of different Ridgeline landscapes are posted in the shadow report to show the impacts of mining activities (see Figure 4 below).

Figure 4.4: Photos of different Ridgeline landscapes in SHVC shadow report (SHVC, 2006, P. 5)



There are no specific disclosures for the ridgeline mining in the later corporate reports. No response could be the reason of Solid Energy shifts its reporting focus from the business legality to the environmental legitimacy, or that Solid Energy avoids the problematic answer for this issue.

The issues identified in the SHVC shadow report have been examined in this subsection. The following analyses are the key changes of corporate reports observed from the analytical comparison between the early corporate report and post corporate reports. Most of these key changes are about SER techniques.

#### **4.3.2 Key Changes in Solid Energy's Corporate Reports**

This subsection interprets two key changes which are significant in Solid Energy's environmental reports. The first key change is concern about bad news disclosure in corporate reports. The second key change is about how Solid Energy articulates issues or topics in its earlier and later reports.

##### **4.3.2.1 Key Change One: Bad News Disclosure**

The first significance of the change in respect of Solid Energy's reporting technique is the

way the report disclose Solid Energy's bad news. A detailed search for bad news and evaluation of bad news in their contexts was undertaken through 2005, 2007 and 2008 Solid Energy reports. Table 4.8 below presents this change through Solid Energy's disclosure of its bad news in the later corporate reports in contrast with the disclosure in the early corporate reports.

Table 4.8: Presentation of Key Change One in the Reports Analysed in Site One

<b>Key Change</b>	<b><i>Bad News Disclosure</i></b>
Solid Energy Report 2005	<ul style="list-style-type: none"> <li>✧ Discloses bad news in a hidden and decorated manner.</li> <li>✧ Does not disclose any single bad news item separately.</li> <li>✧ Only has simple and single sentence for each bad news disclosure.</li> <li>✧ Places most of bad news disclosures at ending or bottom positions.</li> </ul>
SHVC Shadow Report 2006	✧ N/A.
Solid Energy Report 2007	<ul style="list-style-type: none"> <li>✧ Presents independent disclosure for bad news.</li> <li>✧ Highlights bad news.</li> <li>✧ Moves most of the locations of bad news disclosures to front position.</li> <li>✧ Provides more explanations for bad news.</li> <li>✧ Shows more openness on the company's bad news.</li> </ul>
Solid Energy Report 2008	<ul style="list-style-type: none"> <li>✧ Does not avoid the disclosure of emerging bad news.</li> <li>✧ Has more incidences reported.</li> <li>✧ Has separate and independent disclosure about bad news.</li> <li>✧ Presents more honesty and openness.</li> </ul>

Through detailed searching of all three corporate reports, there are only five bad news items which have been found in 2005 Solid Energy report: dirty water discharge into Ngakawau River; soil and vegetation slip into headwater of Doherty Creek; sample water results have exceeded the allowable suspended solid limit, negative changes in six Solid Energy's mine sites for the reporting year; and the company did not achieve its overall environmental objective (Solid Energy NZ Ltd, 2005). The former two so called "incidents" are repeated four times on different pages of the report. This seems to implicate that there only two incidents happened in the year and it is not that bad as some other groups have noted. The third bad news item, a warned noncompliance, is deeply hidden in the description of the company approaches to obtain a consent variation in the section "the paper trail". The fourth

disclosure of bad news is located at the bottom of the table *“Qualitative Change at Site 2004-2005”* underneath the long list of positive changes and/or good results in other sixteen Solid Energy’s mine sites. The last bad news item was highlighted in the introducing and concluding sections of the report and followed with the statement of Solid Energy’s disappointment for the result and promise to work harder in the coming year.

The disclosure of five bad news items shares some common nature and techniques. Firstly, none of the bad news items were disclosed independently as they always reported with corrective actions related to the incidents, or with excuses, or with expression of disappointment, or behind descriptions of good processes. Secondly, all of those disclosures are either in the position of the last few sentences of a paragraph, or in the position of the last few paragraphs of a section. Thirdly, all of those disclosures are just one sentence long. No further description to explain how bad the incidents are or to what extent the environment is affected are provided, except the disclosure of incompleteness of Solid Energy’s overall environmental objective.

Solid Energy’s 2007 report changes the way company reports bad news significantly. There are two significant environmental incidents and 36 non-compliance environmental incidents disclosed in the 2007 report. The two significant incidents appear only twice in the section of *“the year in review”* and the section *“our performance”*. They are positioned at the front position of the section *“our performance”* with the three paragraphs illustration including descriptions, consequences, governmental warnings and prepared remediation plan for the incidents. They are highlighted as bullets in the narrative explanation of the first target on the 2007 performance targets list. For the non-compliance environmental incidents, the 2007 Solid Energy report adds in the explanation of what is the non-compliance environmental incident and indicates the level of consequences that this kind of incidents can cause. The report also adds in a table to show the statistics of these incidents for each site from year 2004 to 2007. The way Solid Energy presenting its bad news has made remarkable changes in the positions, length, and independence of the disclosures in the

2007 report. The tentative reasoning for this change is Solid Energy possibly recognizes the power of the mass media. In this case it might be the SHVC shadow report, or perhaps it is recognising the legitimacy that can come with transparency.

The 2008 sustainability report still uses separate subsections with headings to disclose the bad news. There are five incidents reported in the section *“A net positive environmental effect”* with clear and cogent wording. Additionally, the emerging disclosure of small number occurrence of minor injuries is shown twice, one in the section *“chairman’s and chief executive officer’s report”*, and one in the section *“health and safety”*. Basically, Solid Energy’s 2008 report still discloses bad news in the similarly positive way of the 2007 report.

To summarize, the post corporate reports change the pattern of reporting bad news which indicates a move towards more credible reporting. Such change may have an indirect connection with the SHVC shadow report, or it may be a reflective action from the SHVC shadow report.

#### **4.3.2.2 Key Change Two: Ambiguous Expression vs. Clear Articulation**

The second key change is realised from the comparison between early and later Solid Energy environmental reports. Solid Energy’s 2005 report widely uses terms and expressions that are vague and obscure for readers to understand (examined below). This, to a large extent, weakens the reader’s ability to gain knowledge from the report. Post Solid Energy reports (2007 and 2008) present improved reporting skills both in form and content. Thus, post Solid Energy reports are much easier for readers to understand. Such improvement of the post Solid Energy reporting has a positive impact on the quality of reports. Table 4.9 presents a pre-overview of this key change which is interpreted through a comparative analysis in this subsection.

Table 4.9: Presentation of Key Change Two in the Reports Analysed in Site One

Key Change	<i>Ambiguous Expression vs. Clear Articulation</i>
Solid Energy Report 2005	<ul style="list-style-type: none"> <li>✧ Has vague and confused terms.</li> <li>✧ Offers no further explanations for difficult terms.</li> <li>✧ Is not well structured, information is widely spread in the report.</li> <li>✧ Has poor understandability.</li> </ul>
SHVC Shadow Report 2006	✧ N/A.
Solid Energy Report 2007	<ul style="list-style-type: none"> <li>✧ Is well structured and organised and information is centralized.</li> <li>✧ Provides definitions and explanations appropriately.</li> <li>✧ Provides tables and bar charts to help understand the company's performance.</li> <li>✧ Provides table of contents for the report.</li> <li>✧ Has better understandability.</li> </ul>
Solid Energy Report 2008	<ul style="list-style-type: none"> <li>✧ Is well organized against GRI guidelines.</li> <li>✧ Offers clear explanations for new concepts.</li> <li>✧ Has reporting items aligned systematically with .</li> </ul>

To explain the ambiguous expression issue in 2005 Solid Energy report, relevant examples are employed to help the understanding of this issue. The first example is the company claims that there was “no major incident” in 2005 on page 4, but on page 31, “a dirty water discharge” and “a non-standard blast” are classified as “incidents resulted in regulatory action”. The regulatory action probably means “the regulator issued [an] abatement notice” (Solid Energy NZ Ltd, 2005, p. 7). Furthermore, on the same page (p31), a table of “Environmental Compliance” reports 52 Non-Compliance Events in the year 2005. So, what are the differences between the terms “major incident” and “incident resulted in regulatory action”; the terms “incident” and “non-compliance event”? Could “incident result in regulatory action” account for “major incident”? How negligible are the other 50 non-compliance events? And why was there no disclosure of them in the report? These discourses are confusing in that the readers may not be able to understand.

Another example is the term “unavoidable impacts”(Solid Energy NZ Ltd, 2005, p. 10), the impacts the company tries to mitigate or minimize, appears several times in the report. But, there is no definition or specification for the term used. Just one simple example of “impact

of noise” is given on page 11. Audiences may be interested in what the unavoidable impacts are and how bad the impacts are. Besides, there is no systematic and complete introduction of the negative environmental effects in the report. Therefore, readers can only learn from that report that the mining business has negative environmental effects but have no opportunity in the report to learn about what those negative environmental impacts are.

There are some other examples in the 2005 report, like Coal Mining License, Stakeholder, offset mitigation, and acid rock drainage which need more clarification and explanation for report readers. These issues only became clearer in the research through reading the future corporate reports which was not something that the 2005 report readers were able to do at the time. In addition, Solid Energy’s 2005 report was not well structured, for instance, there is no table of contents. Therefore, the readability of 2005 report is somewhat poor.

Nevertheless, the 2007 Solid Energy report seems easier to read because most of the terms in it are well articulated and clarified. The report provides much more explanation and specification for the term “significant environmental incident”, “non-compliance environmental incident”, “Coal Mining License (CML)”, “Acid Rock Drainage”, “stakeholder”, and “biodiversity offset”. The explanations for those terms have longer length and the explanations for some terms are centralized rather than spread everywhere when compared to Solid Energy’s 2005 report. Readers can now more clearly understand the differentiation between “significant environmental incident” and “non-compliance environmental incident”, know what the CML is about, and who are Solid Energy’s stakeholders. Moreover, the 2007 report changes the section heading “offset mitigation” to “biodiversity offset” and explains more about the concept as well.

The second improvement is that the 2007 Solid Energy report has a much better structure. Firstly, the company’s “*environmental policy*” moves to the preface to show the core themes of the report are all towards the environment associated contexts compared with the 2005 report which uses “*the year in review*” as the preface. The second structural change is the

section *“our performance”* has increased length from 2 pages in the 2005 report to 4 pages in the 2007 report. This section newly adds a brief explanation of all the 2007 performance targets and more detailed tables which prepared comparison data from previous years. This change can help report readers to gain further understanding of Solid Energy’s annual performances. Thirdly, the 2007 report applies more bar charts to assist the interpretation for the concepts of cumulative environmental effects and the trends of common environmental issue in the *“the result of all our effort”* section. Bar charts obviously provide the initial view for the differences and trends for the report readers. Fourthly, the 2007 report provides a table of contents which makes the report appear more organized and also helps readers to choose the part of the report if they wish to read.

After examination of the variations on the reporting language and reporting structure, it can be argued that the 2007 report is much clearer in presentation. Therefore, it becomes easier for people to understand even when they are not environmental specialists. The direct connection between these changes and the SHVC shadow report seems to be hard to identify. However, there is a clearer articulation of the report, less room for public to doubt, and less opportunities for shadow reporting to target. Reading through Solid Energy’s 2008 sustainability report, the 112-page annual report, appears to be structured against GRI guidelines and its reporting items are aligned systematically. Therefore, Solid Energy’s post corporate reports have revealed an evolutionary development in Solid Energy’s SER practices.

This analysis section evaluated the SHVC shadow report and the Solid Energy environmental reports from year 2005 to 2008 through nine informal codes, mainly posed from the SHVC shadow report. Some internal corporate reports comparison were made, most of those issues have evolutionary changes, while few have not. Some of those evolutionary changes seem to have likely positive links to the SHVC shadow report. The next section will provide the summary for this New Zealand based site.

## **4.4 SUMMARY FOR SITE ONE**

Through the study of Site One, it can be concluded that the SHVC shadow report has positive impacts on the Solid Energy's SER and to a considerable extent appears to facilitate the development of the company's reporting skills and the improvement of Solid Energy's SER quality in terms of completeness and stakeholder dialogues in the post corporate reports. This section first presents a discussion of SHVC's shadow report and Solid Energy's corporate reports from the SER perspective, and then followed by a summary of the (potential) impacts of SHVC's shadow report.

### **4.4.1 Discussion of SHVC's Shadow Report and Solid Energy's Corporate Reports**

SHVC's shadow report has exposed serious problems and reporting gaps in Solid Energy's SER, and has gained attention from Solid Energy. However, the SHVC shadow report focuses on the disclosure of Solid Energy's moral deficiencies and the destruction of the New Zealand environment and ecological balance rather than Solid Energy's SER. Therefore from an SER perspective, its reporting practices do concern accounting academics. Firstly, the report could be strengthened though invoking disclosure standards such as AA1000 and/or G3 to contrast the Solid Energy's environmental reports. However, this may not be realistic. Secondly, although SHVC is in many ways right to contest the credibility and completeness of the Solid Energy's environmental reports, SHVC itself applies an even more arguably selective approach and stronger prejudices in its shadow report. Thirdly, as this report seems a one-off action in addition to the lack of systematisation, its ability to challenge the Solid Energy's legitimacy and some public responsibilities has been compromised. Finally, it generally has weak long-term influences on the Solid Energy's SER practices.

Solid Energy's environmental reports have presented a progressive improvement in SER since the first publication of its corporate report in 2004, but on the other hand, those corporate reports, even the later sustainability report, have some drawbacks that could

undermine reporting quality. Solid Energy SER practices have the problem of selective reporting. Although the 2008 report has the highest score of prescribed reporting items, it is still short of 25 items when measured it against the UNEP/ SustainAbility benchmarking instrument. Therefore, the Solid Energy reports seem to be not sufficient in their SER disclosure and suffer a serious degree of selective reporting. Secondly, SHVC's shadow report discloses the omission of some key stakeholders in the corporation's stakeholder consultation practice in the Solid Energy's early stage reports. Thirdly, in this site, no corporate reports have asserted that it follows any reporting guidelines such as AA1000 or G3, and no corporate reports have noted external assurance practices, even through to the 2008 sustainability report (Solid Energy NZ Ltd, 2004, 2005, 2006, 2007, 2008b). All of these drawbacks are associated to the notions of stakeholder accountability (Dey, 2007). Therefore, the Solid Energy environmental reports still have the long way to go to achieve a high standard of reporting.

#### **4.4.2 Discussion of the Examined Issues and Key Changes**

The following discussion is to answer the research question one for this research – do shadow reports have impacts on the corporate SER of their targeted corporation? Through the seven issues examined and two key changes discussed in the site analysis section, there are different presentations of the changes and reflections in Solid Energy's SERs which present certain patterns of (potential) impacts from SHVC's shadow report. Such patterns are utilised to discuss and summarise the SHVC shadow report's impacts and/or potential impacts in the following paragraphs.

There are four out of seven issues that have presented immediate and considerable progress in Solid Energy's post corporate reports. Those issues are "AMD vs. ARD", "Mt Augustus Snails", "Water Pollution vs. Water Treatment", and "Solid Energy's Stakeholder Consultation". All of them have significant changes in the length of disclosure, the separate sections for them, much more detailed information, and some new elements appeared in

Solid Energy's 2007 report. Such changes happened immediately after the publication of SHVC's shadow report. Furthermore, all four issues carry out continuous developments in Solid Energy's further SER report. In particular, the disclosure on Solid Energy's stakeholders appears to have much wider inclusivity in the 2008 sustainability report.

Issue Four "Climate Change and Coal vs. Carbon Emission Profile" and Issue Six "Good Relationship with Regulators" presents a different type of shadow report's impacts or potential impacts. Their likely reflections to the related propositions in SHVC's shadow report may or may be occurred to the second Solid Energy's SER report after the shadow report was published. The possible reaction to issue "Climate Change and Coal vs. Carbon Emission Profile" can be noteworthy because Solid Energy's 2008 sustainability report sets up an entire subsection to describe the company's effort on carbon emission control and that the topics of carbon emission appear in other associated sections as well. However, the disclosure related to "Good Relationship with Regulator" is not in detail and presents like a statement from Solid Energy's attitude.

Issue Four "Climate Change and Coal vs. Carbon Emission Profile" has another feature which is valuable for investigating the potentiality of shadow reporting. The issue is not a reporting item in Solid Energy's early reports which published before SHVC's shadow report. However, its turning into a major role reported in Solid Energy's 2008 report could illuminate an educational and supportive role for shadow reporting, or it could be an effect of the rise in climate associated reporting issue generally.

Issue Seven "Ridgeline Mining" is quite unique as Solid Energy becomes silent about this topic two years after the shadow report contested it. Although this is the only issue raised in the SHVC's shadow report which has gained no response so far, the issue is still important for this research because it presents a special pattern and it is a possible effect that shadow reporting would bring on.

Two key changes could be a very pleasing development for the better quality of Solid Energy's SER. Previous analysis reveals positive changes in bad news disclosure including the position, length, detail and independence of the disclosure in both two post Solid Energy's reports after the release of SHVC's shadow report. In addition, Solid Energy's reporting language and structure have improved understandability after the publication of SHVC's 2006 shadow report. The most important is the timing of two key changes could suggest shadow reporting has great potential in SER reporting quality improvement.

The examination of this site offers the valuable information about the impacts of single shadow reporting. The next chapter analyses the Site Two of this research to investigate the impacts of continuous shadow reporting through applying a similar research method to that used in Site One.

## **CHAPTER FIVE**

### **ASH AND BAT**

#### **SITE TWO**

Chapter five examines the second case – ASH (Action on Smoking, Health) and BAT (British American Tobacco). BAT and ASH case is comparatively bigger and more complex than the Site One study. Similar to Site One study, the main processes of Site Two are thorough reading of chosen reports, informal coding, as well as selective presenting and interpreting of relevant issues. The purpose of the analysis is only to interpret reports rather than judge BAT or ASH and other co-authors in their actual activities or performances. This chapter is structured as follows.

The first section introduces an overview of ASH and its sole and joint shadow reports. Section two presents BAT and a series of social reports which illustrate BAT'S development and improvement in SER. An in-depth study and interpretation of key issues and key changes within Site Two are presented in section three. Section four of this chapter provides the summary of findings for Site Two.

#### **5.1 ASH AND ITS PUBLISHED SHADOW REPORTS**

ASH is a campaigning NGO which has the active goal or vision to eliminate tobacco related harm because its members believe that smoking has serious consequences of addiction, smoking related diseases like cancer, and death (ASH, 2002, n.d.-b). ASH's main external strategies are to campaign for effective change of tobacco related harm reducing policies, to maintain and develop substantial information and research of smoking science and other smoking related sources, and to enable UK tobacco networking (ASH, 2002, n.d.-b). ASH not only keeps the public informed nationally and internationally with extensive publications but also informs relevant government authorities through periodically sending ASH political

bulletins (ASH, n.d.). All its publications are available and updated on its website to allow easy access. Its particularly noteworthy contribution to SER, which has been recommended in Dey (2007), is the shadow report ASH produced in 2002.

ASH has published three shadow reports including one which it produced solely and two jointly with Christian Aid and Friends of the Earth (FoE). The main targets of all three shadow reports are BAT's published SER reports. The first shadow report was solely produced immediately after the publication of BAT's first social report in 2002. This shadow report identifies sixteen problems within BAT's first social report which broadly relate that BAT's disclosures are not consistent with public knowledge or scientific evidence and that some reporting processes are not compliant with SER guidelines as BAT claimed (ASH, 2002). The sixteen problems cover areas in BAT's reporting processes, BAT's business and products, negative social, economic and environmental impacts and PR relations. For each problem, the ASH 2002 shadow report provides *"the implications for social auditing"* after the discussion of the issues and the exposure of BAT's reporting gaps (ASH, 2002). Such implications are helpful and valuable attempts to empower people to think critically about BAT's disclosure in its social and environmental report.

ASH produced its second and third shadow reports in cooperation with Christian Aid and FoE in 2004 and 2005. The main purpose of the second shadow report is to critique BAT's public claims to be a socially responsible company and argue that BAT has left a lot to be desired in terms of social responsibilities to the public (ASH, n.d.-a; ASH, Christian Aid, & FoE, 2004). The second shadow report deploys evidence captured from different regions worldwide to expose BAT's public health, environmental, social and economic impacts, and to further question the credibility of BAT's public claims in the company's social and environmental reports and elsewhere (ASH et al., 2004).

The distinctive nature of the 2005 joint shadow report is that BAT's ten-year internal documents are the main source of evidence used to expose some of motives and tactics

behind the company's external CSR drives (ASH, Christian Aid, & FoE, 2005). This shadow report also attempts to illuminate the company's 'social responsibility' rhetoric through exemplifying some SER awards that BAT won before (ASH et al., 2005). The new and main issues in this shadow report are BAT's PR management, political strategies and public reporting (ASH et al., 2005). Other main issues were previously raised in 2002 shadow report but ASH et al. clearly see it is still necessary to re-pose those issues because they are not addressed appropriately in BAT's later corporate reports. New evidence from BAT's internal documents is presented in those re-discussions to enhance the grounds of ASH et al.'s propositions.

The next section introduces the target organisation in this case, BAT, and the social and environmental reports BAT has published. Some background and context about BAT, a multinational tobacco company, and its published corporate reports would help the better understanding of the conflict between ASH and BAT, the reason ASH targeted BAT's reports, and the impacts of ASH's shadow reports.

## **5.2 BAT AND ITS SOCIAL REPORTS**

BAT is the world's second largest multinational enterprise which has more than one hundred years history in running tobacco business (ASH, 2002; BAT, 2002, n.d.). Its tobacco business includes tobacco leaf growing, processing, manufacturing and distributing tobacco products worldwide (ASH et al., 2004; BAT, 2002, n.d.-c). BAT has four interdependent strategies: "growth, productivity, responsibility and develop a winning organisation" which the company believes are essential to its long-term sustainability (BAT, n.d.-b, p. 1). BAT acknowledges the fact its products are risky to human health and claims that it attempts to reduce smoking related risks through group CSR management and harm reduced product development (BAT, 2002, 2003, 2004, 2005, 2006, 2008, 2009). The company started producing its social report in 2002, which it presents as part of its social responsibility (BAT, 2002, 2009). BAT's social and environmental reports can be seen as controversial because,

on the one hand, they have been targeted by NGO's shadow reports (ASH, 2002; ASH et al., 2004, 2005) and an accounting academic (Dey, 2007) with a relatively high frequency, while they are accumulating awards from some accountancy firms and international surveys, and the company is listed on the Dow Jones Corporate Sustainability Index (ASH et al., 2004, 2005; BAT, 2003, 2008).

BAT's SER has experienced two main transitions since the company produced its first social reports in 2002. The first transition is the change of reporting cycles. The early reporting cycles before 2005 covered from June in one year to May in the next. This has been shifted to reporting period of a calendar year since 2005, the year BAT produced an additional interim report in which started adopting calendar reporting period (BAT, 2006). BAT states this transition is to align its social reporting cycle with the reporting period of the company's annual report (BAT, 2006). The second transition is that the company adopted sustainability reporting instead of previous social reporting in 2007. BAT claimed reason for this transition is to prepare for the shifted best practice standards which focus on sustainability reporting (BAT, 2008). The company also promises that it will maintain its reporting transparency via additional website disclosure although the reporting emphasis has been changed to materiality (selective reporting on most material issues) from previous completeness (full disclosure of all issues proposed and discussed in the company's stakeholder meetings) (BAT, 2008).

The significant SER improvements and reporting milestones of BAT's corporate reports are as follows:

- ◆ BAT published its first social report in 2002. The company claims its central reporting approach is stakeholder dialogue, the reporting follows both AA1000 and the GRI guidelines, and provides evidence of external verification against AA 1000 standards (BAT, 2002).
- ◆ BAT's 2002/2003 social report released the new development of its Framework of CSR and a Statement of Business Principles (BAT, 2003).

- ◆ BAT assigned a new independent UK dialogue facilitator, Steward Lewis of MORI (the UK's largest independent market research agency) with new assistance from the director of the Institute of Business Ethics (IBE) in 2002/2003 reporting cycle (BAT, 2003).
- ◆ BAT's 2003/2004 social report had a new subsection "*Principle of Mutual Benefit*" which encompasses more types of stakeholders such as shareholders, employees, and suppliers and partners. The BAT 2003/2004 social report started applying the AA1000 Assurance Standard, which was issued in March 2003 (BAT, 2004)
- ◆ BAT's UK dialogues in 2004/2005 cycle started focusing on particular topics identified as being material to the company and its stakeholders (BAT, 2005).
- ◆ BAT produced an interim social report 2005 to enable the alignment of the report cycle with the company's annual report (BAT, 2006)
- ◆ BAT produced a brief review for 2006 social performance as the company decided to take a transition period to move to sustainability report (BAT, 2007).
- ◆ BAT prepared its first sustainability report for 2007. Independent assurance practice for the 2007 report was produced by Ernst & Young (an accountancy firm) (BAT, 2008) instead of previous Bureau Veritas (an internationally independent verifier (BAT, 2002)). The assurance practice follows both AA1000 and ISAE3000 (BAT, 2008).

The above introduction of the two main participators and their reports are provided for the purpose of gaining an overall understanding of the ASH and BAT case. The following section presents in-depth examination of the presentation, structure, wording and interactions amongst all selected reports through informal coding of issues and key changes.

### 5.3 ANALYSIS OF SITE TWO

This section examines and interprets the key issues raised in ASH's shadow reports and subsequent key changes in BAT's corporate reports in respect of their wording, structure, and interactions in order to identify and present the shadow reports' various impacts on

BAT's social reports. The following analysis starts with the key issues selected from shadow reports, and then extends to the key changes in the corporate reports.

### **5.3.1 Key Issues Arising from Shadow Reports**

This subsection selectively examines five issues identified in ASH's shadow reports. The examination of each issue is undertaken longitudinally across BAT's SER reports and ASH's shadow reports. The selected five issues are BAT's stakeholder dialogues, BAT's core business, BAT's view on smoking caused diseases, BAT's youth smoking prevention programme, and BAT's internal documents.

#### **5.3.1.1 Issue One: BAT's Stakeholder Dialogues**

Stakeholder dialogue is the core and main character of BAT's social reports and the main channel for BAT to communicate with its stakeholders. BAT claims the stakeholder dialogue meetings are "conducted under the Chatham House Rule, whereby no comments or opinions can be attributed to a particular individual" (BAT, 2003, p. 32, 2004, p. 13). BAT presents its early stage social reports through the format of dialogue as every issue in its reports has been provided together with stakeholders' voices and BAT's responses (BAT, 2002, 2003, 2004, 2005, 2006). However, ASH drawing from its direct experiences in BAT's dialogue processes argues that the key stakeholders of BAT are missing. In this study, the interpretation of this issue goes through BAT's social reports and ASH's shadow reports longitudinally to present the reactions and interactions between them and the evolutionary progress of BAT's social reports. Table 5.1 below presents a brief overview of this issue.

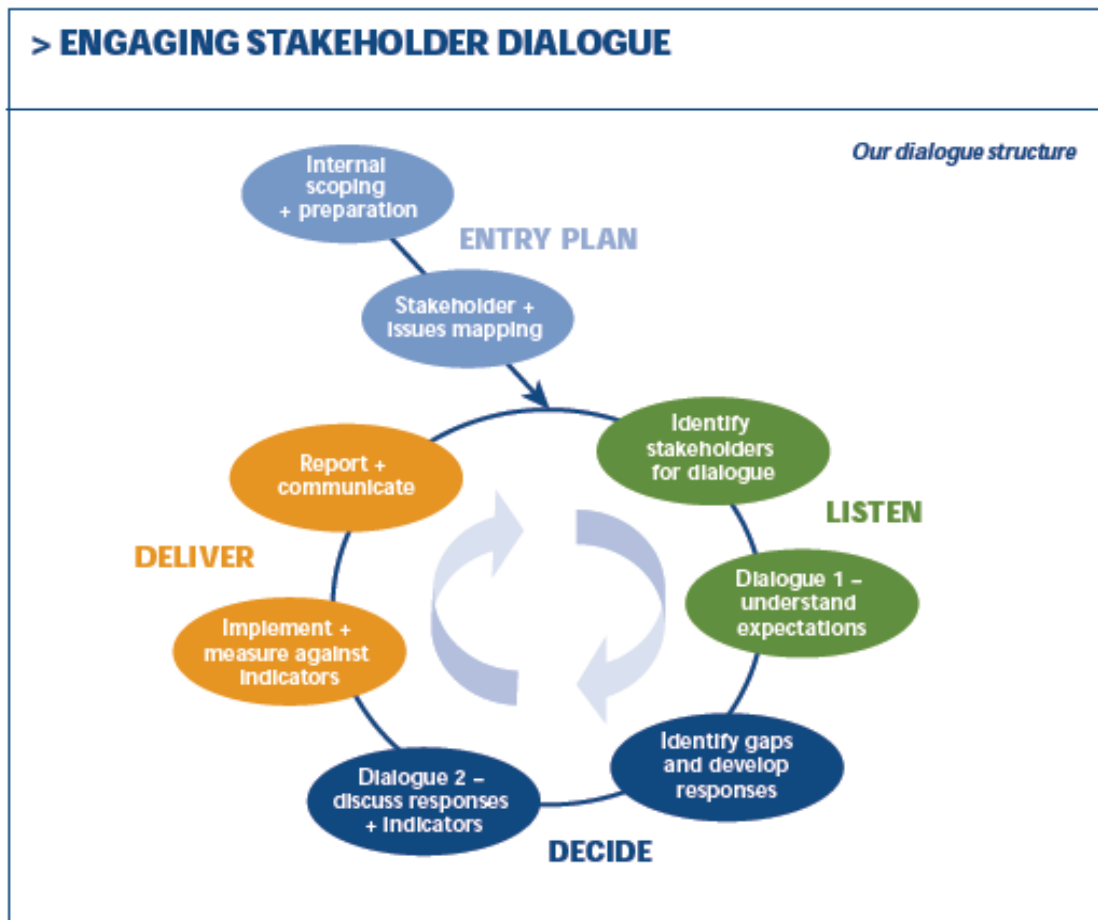
Table 5.1: Presentation of Issue One in the Reports Analysed in Site Two

Issues		<i>BAT's Stakeholder Dialogues</i>
	BAT Report 2001/2002	<ul style="list-style-type: none"> <li>✧ Complete explanation of entire stakeholder dialogue.</li> <li>✧ BAT attempts to collect stakeholders' opinions and voices to a possibly broad extent and provide BAT's responses to those opinions.</li> <li>✧ Stakeholder constitution is self-defined in a very broad scope.</li> <li>✧ The limitations and associated reasons of the first cycle of stakeholder dialogues are provided in the section 'Appendix'.</li> </ul>
ASH Shadow report 2002		<ul style="list-style-type: none"> <li>✧ The report quotes BAT's words about BAT's corporate social responsibility and invokes the primer guidance on the purpose and scope of social reporting from AA1000 to present a fine contrast with the restricted accesses to BAT's stakeholder dialogues.</li> <li>✧ An exposure of their own experiences that ASH has been restricted from a further stakeholder conversation with BAT.</li> <li>✧ ASH's refusal to participate in BAT's stakeholder dialogue.</li> <li>✧ Criticism of the conduct of BAT's dialogue facilitator.</li> </ul>
	BAT Report 2002/2003	<ul style="list-style-type: none"> <li>✧ Development of the Framework for Corporate Social Responsibility through stakeholder dialogues.</li> <li>✧ Change of new dialogue facilitator.</li> <li>✧ BAT has invited assistance from the director of the Institute of Business Ethics.</li> <li>✧ Extended inclusivity of the stakeholders' engagement and expanded scope of the issues covered.</li> <li>✧ The location of dialogue limitations is changed to the end of stakeholders dialogue section.</li> </ul>
	BAT Report 2003/2004	<ul style="list-style-type: none"> <li>✧ No significant changes.</li> <li>✧ New section "Mutual Benefit" emerged which covers five categories of stakeholders.</li> <li>✧ The disclosure of the engagement with the new stakeholder group of multilateral organisations.</li> <li>✧ This year's dialogue has increased attendance rate for stakeholder participants.</li> <li>✧ The report discloses the same limitations as last year's dialogues.</li> </ul>
ASH Shadow report 2005		<ul style="list-style-type: none"> <li>✧ Section 'Public reporting and hidden agendas.'</li> <li>✧ ASH uses internal discussion paper to reveal BAT's intention to achieve legitimacy through stakeholder dialogues.</li> <li>✧ The report restates that ASH's and other shadow report producers refused the invitation to BAT's stakeholder dialogue accompanied with reasons, which is in response to BAT's previous reporting about their refusal.</li> </ul>

	BAT Report 2007 &2008	<ul style="list-style-type: none"> <li>✧ The report focuses on the narrow range of issues which are key to both stakeholders and company's business.</li> <li>✧ Three-stage materiality test is used to identify five key categories of reporting issues.</li> <li>✧ Promise of providing a wider range of information about stakeholder dialogues on BAT website.</li> </ul>
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In its first social report, published in 2002, BAT introduced its stakeholder dialogue processes in detail including dialogue objectives, dialogue structure, dialogue facilitators, and the gain and the limitations from the first cycle of dialogue. Figure 5 below illustrates BAT's processes of the first cycle of stakeholder dialogue. The first social report states that its stakeholder dialogue is not necessarily designed to achieve agreement but to establish greater understanding among BAT's stakeholders (BAT, 2002). The remarkable nature of the 2001/2002 dialogue cycle is its open ended design to invite and collect as many stakeholders' opinions and voices as possible. Furthermore, BAT's definition of stakeholder could be seen as quite broad as: "any person or organisation on whom our business impacts or whose actions impact on us" (BAT, 2002, p. 11), in particular including NGOs and campaign pressure groups. However, in the section "*Appendix*" of this report, it explicitly states that the limitations of the first cycle of stakeholder dialogue are "the significant non-participation by Government, pressure group, health organisations, and family and youth groups", and the fact that "no specific employee dialogue took place" (BAT, 2002, p. 122), and few business stakeholders like suppliers, distributors, wholesalers and retailers were included because of the time constraints (BAT, 2002). This disclosure of the limitations presents a contrast between BAT's intentions and practice.

Figure 5.1: the structure of BAT's stakeholder dialogue in its 2001/2002 social report (BAT, 2002, P. 12)



ASH, in its first shadow report *“British American Tobacco – The other report to society”*, quoted BAT’s words about BAT’s corporate social responsibility from BAT’s 2002 annual report and invoked the primer guidance on the purpose and scope of social reporting from AA1000 (one of the guidelines which BAT claims its social reporting practices in line with) to contrast with ASH’s experience (limited accesses to stakeholder dialogue meeting) in BAT’s “stakeholder dialogue” process. Along with cancer and heart charities, the British Medical Association, and Royal College of Physicians, ASH’s stakeholder dialogue conducted with BAT was limited to only providing information without meeting participation. Thus, the 2002 shadow report points out three reasons for ASH’s refusal to participate in BAT’s further dialogue: no good faith, no public health benefit and incomplete dialogue process (ASH, 2002). The report uses the word “clumsy” to describe the conduct of the facilitator (Durham Ethics) of BAT’s UK stakeholder dialogue and insists that the redemption of BAT’s relationship

with ASH is impossible (ASH, 2002).

BAT's 2002/2003 social report states that the emphasis of the second cycle of BAT's stakeholder dialogue is "the development of the Framework for Corporate Social Responsibility, based on the Statement of Business Principles" (BAT, 2003, p. 32). It specifies the change of UK dialogue facilitator with new assistance from the Director of the Institute of Business Ethics. BAT's requirement for the new facilitator MORI (the UK's largest independent market research agency with 30 years' experience in corporate social responsibility and sustainable development (BAT, 2003)) is "to structure this year's dialogue to optimise the quality of the discussions and to enable focus on the areas most importance to different stakeholder groups" (BAT, 2003, p. 5). It also specifies that BAT's 2002/2003 cycle of stakeholder dialogue has extended inclusivity of the stakeholders' engagement and expanded scope of the issues covered. This is supported by the table "*Stakeholder Global Issues Map*" in 2002/2003 report which shows 10 more countries involved and 19 more issues emerged compared to the table "*Stakeholder Global Issues Landscape*" in 2001/2002. Other significant changes in 2002/2003 report are: the number of dialogue participants increased to 82 from 34 in the first cycle; and the non-participation group was decreased to only one group – public health/tobacco control group compared the significant non-participation in year 2001/2002. Finally, '*Dialogue exclusions and limitations*' are placed at the end of dialogue section rather than in the '*Appendix*' in the first social report.

Although BAT's 2003/2004 social report does not change significantly in terms of BAT's stakeholder dialogue, it does have some positive improvements Firstly, it changes reporting structure as there is one separate section "*Mutual Benefit*" which covers five categories of stakeholders. The categories in this report are shareholders and employees. Each category has a separate subsection to describe the process of their dialogue. Secondly, the report identifies that the new achievement in this year is the engagement with the new stakeholder group of multilateral organisations (BAT did not specify the multilateral organisations, but such organisations are grouped with political community, government and business

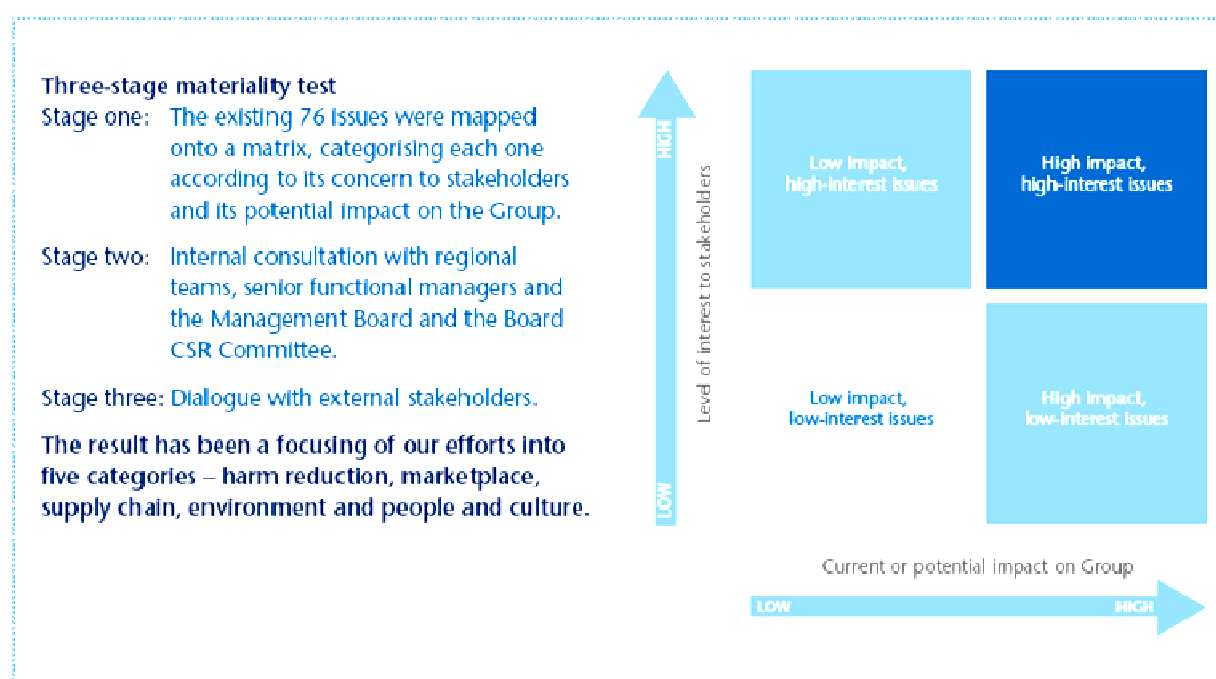
organisations in the same dialogue session). The limitation of this year's dialogue is same as last year, the inability to involve public health and tobacco control representatives (BAT, 2004). Thirdly, this year's dialogue has an increased attendance rate compared to previous years (BAT, 2004).

ASH's joint shadow report 2004 does not have a centralised discussion for BAT stakeholder dialogue, but has some regional summaries like 'Unimpressive in Uganda', 'Depressing Kenya' and 'No pride in Nigeria', the report has disclosure of local stakeholder engagement for those regions. The 2005 joint shadow report extensively uses the evidence captured from BAT's internal documents to contest the transparency and purposes of BAT's public reporting (ASH et al., 2004, 2005). The section which discusses BAT social reports and stakeholder dialogues is the section on '*Public reporting and hidden agendas*' in the 2005 joint shadow report. More than the accusations related to BAT's firm control of the reporting process and the credibility of the reporting assurance practices, 2005 shadow report exhibits evidence from a BAT internal discussion paper to indicate BAT's intention to legitimate the company's social and environmental programmes through stakeholder dialogues (ASH et al., 2005). In response to the allegation about difficult engagements with some stakeholders in BAT's corporate reports, ASH et al. (2005) restates their several past refusals to participate accompanied with the explanation of their reasons not to attend BAT's dialogue. These are because they have different beliefs about tobacco products and participating in the dialogue is a waste of time.

BAT *Sustainability Report 2007* and *2008* reforms reporting presentation of BAT's stakeholders' dialogue. While BAT announces that it is still willing to discuss CSR issues in a broad sense, the *Sustainability Report 2007* states that the report focuses on "a narrow range of key issues material to stakeholders and to our business" (BAT, 2008, p. 12) and that the company would continue to present the issues from stakeholder consultation on its own website in as much detail as possible (BAT, 2008). The 2007 report illustrates the 'three-stage materiality test' which is deployed to decide the main categories of issue disclosure (BAT,

2008). A matrix BAT used to help understand its materiality test of reporting issues is shown in Figure 5.2 below. Five issue categories identified for BAT's current sustainability reports are: "harm reduction, marketplace, supply chain, environment and people and culture" (BAT, 2008, p. 13). There is an interesting change in BAT's definition of stakeholders in 2007 corporate report – NGOs are moved from the second-last position (BAT, 2002) to second position in the list (BAT, 2008).

Figure 5.2: the matrix BAT uses to identify reporting issues in BAT *Sustainability Report 2007* (BAT, 2008, p. 13)



Through the above analysis, it was found that BAT's 2002/2003 and 2003/2004 social reports have certain improvements after the publishing of ASH's shadow report. Also, BAT made the reporting transition to sustainability report after the release of the joint shadow report 2005. Some considerable changes such as the significant increases in stakeholder participants and issue scope in 2002/2003 reporting cycle, the occurrence of a new section 'Mutual benefit' in 2003/2004 social report, and selective presenting of dialogue issues in the 2007 sustainability report, may or may not completely be caused by the issues raised in 2002 and 2005 shadow reports. However, it could be argued that these developments are likely to

have been triggered by the related shadow reports.

### 5.3.1.2 Issue Two: BAT's Core Business

ASH and BAT's argument about BAT's core business is whether smoking is risky and addictive. While ASH makes every endeavour to show BAT's business builds on people's addiction to BAT's products, BAT struggles to argue that informed adults' choices should be respected and that it is important to make relevant and meaningful information about risks of smoking available to customer in BAT's corporate reports. Table 5.2 presents a summary of ASH and BAT's argument about BAT's business in their reports through a time sequence. The interpretation of reactions or responses from both ASH and BAT on this issue starts from BAT's first social report.

Table 5.2: Presentation of Issue Two in the reports analysed in Site Two

Issues		<i>BAT's Core Business</i>
	BAT Report 2001/2002	<ul style="list-style-type: none"> <li>✧ Has no explicit denial that 'smoking is risky and addictive', but some expressions in the report showing BAT's disagreement with that view.</li> <li>✧ Argues tobacco consumption should be the consumers' choice.</li> <li>✧ Uses the word '<b>enjoy</b>' related to the <b>pleasure</b> of smoking.</li> <li>✧ States BAT's health warning packaging policy is beyond law requirement in some countries, but disagreeing with very large warning statement on tobacco packaging.</li> </ul>
ASH Shadow report 2002		<ul style="list-style-type: none"> <li>✧ ASH regards BAT's product – cigarettes as "a delivery system for the highly addictive drug nicotine".</li> <li>✧ Argues the essences of tobacco business are continuously retaining young people and setting in nicotine addiction.</li> <li>✧ Uses scientific evidence against BAT's definition of nicotine addiction and description of tobacco business.</li> <li>✧ Presents disagreement with BAT's approach which combines smoking risks with <b>pleasure</b> people want.</li> </ul>

	BAT Report 2002/2003	<ul style="list-style-type: none"> <li>✧ Has new development of its Framework of CSR.</li> <li>✧ No longer claims that government should play central role to provide information to tobacco consumers.</li> <li>✧ Specifies BAT's consumer group is informed adults .</li> <li>✧ Removes the word "enjoy" from its 2001/2002 statements.</li> <li>✧ There are no statements indirectly against the "smoking is addictive" that they were presented in BAT's 2001/2002 report previously.</li> <li>✧ Focuses on BAT's effort to inform its customers about smoking related risks through various ways.</li> </ul>
	BAT Report 2003/2004	<ul style="list-style-type: none"> <li>✧ Has no significant progress from last year report.</li> <li>✧ Presents two separate subsections in respect of information delivery, "<i>Health risks information</i>" and "<i>Product information</i>".</li> <li>✧ Acknowledges ASH's views in subsection "<i>Health risks information</i>".</li> </ul>
ASH Shadow report 2004&2005		<ul style="list-style-type: none"> <li>✧ This issue has no longer been targeted in these two later shadow reports.</li> </ul>
	BAT Report 2007 &2008	<ul style="list-style-type: none"> <li>✧ Includes new element – sustainability into BAT's business consideration.</li> <li>✧ Explains BAT's strategy or approach to achieve sustainable business.</li> </ul>

BAT's 2001/2002 social report does not directly and explicitly deny smoking is addictive and risky but the following expression could be understood as suggesting that BAT to some extent does not agree with or is resting or avoiding the "risky and addictive" parlance. Firstly, the report uses the statement "smoking can be difficult to quit" (BAT, 2002, p. 26) instead of addictive. Secondly, it claims that in its first dialogue cycle there was little or no opinion against its denial that smoking is risky and addictive (BAT, 2002). Thirdly it proposes that "many millions of people have quit smoking successfully and in some countries, [such] as the UK, there are almost as many as ex-smokers as smokers" (BAT, 2002, p. 30). This proposition suggests that it is in fact easy to quit and therefore smoking is not totally addictive. Altogether, BAT's point of view is the consumption of cigarettes should be the consumer's choice although BAT respects scientific evidence about smoking being addictive. For example, the report says "We believe that an informed adult decision to **enjoy** the pleasures of smoking, while balancing the pleasures against the risks, deserves to be treated

like many other lifestyle choices that we all make”(BAT, 2002, p. 27 emphasis added). It further states the importance of informing consumer and government’s central responsibility to provide relevant information. Then the report carries on to state that BAT’s policy of putting “a health warning on every pack” is beyond legal requirements in some countries. However, BAT disagrees with very large warning statements on the packaging of cigarettes because BAT believes that it is disproportionate and it breaks intellectual property rights.

ASH’s 2002 shadow report attempts to reveal inconsistencies between what the tobacco company said about its business in its 2002 social report and elsewhere including what was recorded in BAT’s internal documents and what the public knows. The report regards BAT’s product – cigarettes, as “a delivery system for the highly addictive drug nicotine” (ASH, 2002, p. 6). ASH also argues that the essence of BAT’s marketing is to retain its main customer group of young people and proposes that the business success of BAT depends highly on the fact that “nicotine addiction sets in” (ASH, 2002, p. 6). The 2002 shadow report extracts the evidence from a statements of the Royal College of Physicians, an official survey of UK smokers and a ASH’s survey of smokers, and as well as some BAT’s internal documents to contest against BAT’s interpretation of nicotine addiction and description of its business. From ASH’s point of view, BAT’s approach combines smoking risks with pleasure people want and it argues that such an approach is totally inconsistent with the evidence ASH has found. ASH also disagrees with the fact that BAT included the assumption of “complete powerless of the addicted” into its own definition of smoking addiction to make nicotine addiction look like the consumer’s own responsibility or consumer’s own risk-benefit choice.

BAT’s next report, the 2002/2003 social report, can be seen to have significant and prompt reflections on the issue of its core business proposed in ASH’s 2002 shadow report. BAT’s second social report releases the new development of its Framework of CSR which contains a major component of *“Responsible Product Stewardship”*. The product related

responsibilities relevant to this issue identified in the report are risks of tobacco consumption and consumer information. In this new framework, BAT no longer claims that government should play a central role to provide information to tobacco consumers instead: “we are not opposed to playing a more proactive part, but there are two difficulties” (BAT, 2003, p. 41). While the 2002/2003 social report still insists that BAT respects consumer’s decision, it specifies that the BAT’s consumer group comprises informed adults. The word “enjoy” has been removed from BAT’s 2001/2002 positioning of its products. The changed position is “Tobacco products are legal and we believe it is for informed adults, balancing the pleasures and the risks, to decide whether to consume tobacco products or not” (BAT, 2003, p. 25). The rephrasing shows that BAT has played down its view in advocating the “pleasure” of smoking. The “pleasure” of smoking was criticised in the ASH 2002 shadow report. Furthermore, 2002/2003 social report has just one sentence mentioning “smoking is addictive” which is located in the Framework of CSR. There are no statements to suggest that smoking is not really addictive similar to those proposed in the 2001/2002 report. This difference could be considered as a change in the presentation of its attitude from BAT towards this issue. In addition, this report focuses on BAT’s effort to inform its customers about the risks of smoking through various ways and exhibits samples of BAT’s advertisement which demonstrates an image of BAT as a socially responsible activist. Most importantly, in this report BAT sets up the Framework of CSR to guide the company’s business conduct.

BAT’s description of its core business in its 2003/2004 social report still contains the word “pleasure” as in 2002/2003 report. There are no words that refer to “smoking is addictive”. To show BAT’s emphasis on customer information, this report presents two separate subsections in respect of information delivery. One subsection is “*Health risks information*” and another is “*Product information*” (BAT, 2004). The subsection “*Health risks information*” includes a statement of “We also openly acknowledge the views expressed by public health groups. For example, this website links to the sites of bodies such as .... and also to those of anti-smoking activist groups such as ASH” (BAT, 2004, p. 58). This statement could be

regarded as an effort by BAT to recognise the criticism from ASH, or to protect its own legitimacy.

ASH, Christian Aid and FoE do not tackle this issue of BAT's core business again in their joint shadow reports after ASH's first exposure in the 2002 shadow report. Reasons for this phenomenon could be these authors generally shift their emphasis and interests to other high priority issues, or, they considered that there is nothing more BAT can change in terms of reporting this issue unless BAT ceases to operate the tobacco business which is highly unlikely in the foreseeable future.

There is no significant development about this issue of BAT's core business until BAT made the reporting transition to sustainability reporting in 2007. In BAT's 2007 report, the company incorporates a new element to its business – sustainability. A section “Vision for sustainability” provides the company's declaration and the explanation of BAT's strategy or approach to achieve sustainable business operations (BAT, 2008).

Previous examination of the issue of BAT's core business shows that ASH's 2002 shadow report seems to have attracted considerable attention or reactions from the evidence presented in BAT's CSR reports on this issue although the issue of BAT's core business has not been re-exposed in the later shadow reports. Also, it can be argued that the 2002 shadow report has induced prompt changes in BAT's attitude towards the description of its products and the birth of the company's Framework of CSR which is closely related to its business conduct in BAT's second social report.

#### **5.3.1.3 Issue Three: BAT's View on Smoking Caused Diseases**

BAT and ASH have obviously different views on smoking caused diseases in terms of the number of diseases, types of diseases, risks for diseases, to the relations between smoking and serious diseases. This subsection presents their conflicting views on this issue through

the examination of relevant BAT social reports and ASH shadow reports. Table 5.3 summarises the analysis of this issue and presents the coverage of this issue in time sequence.

Table 5.3: Presentation of Issue Three in the reports analysed in Site Two

Issue		<i>BAT's View on Smoking Caused Diseases</i>
	BAT Report 2001/2002	<ul style="list-style-type: none"> <li>✧ Does not discuss this issue in detail.</li> <li>✧ Lists three diseases for which smokers would have a higher risk.</li> <li>✧ Disbelieves the logicity of statistic extrapolation of the results from epidemiology studies.</li> <li>✧ Presents key problems about some commonly used estimates of smoking attributed deaths in this report.</li> <li>✧ Implies BAT's disagreement towards this issue.</li> </ul>
ASH Shadow report 2002		<ul style="list-style-type: none"> <li>✧ Shows its dissatisfaction with BAT's attitudes, statements and lack of recognition of smoking caused diseases.</li> <li>✧ Uses "grudging admission" to describe BAT's change from thorough denial of any harm to the admission of several serious diseases such as cancer.</li> <li>✧ Attempts to prove the time significance of BAT's denial of this issue.</li> <li>✧ Calculates and presents "Annual deaths associated with BAT's operation" to illustrate the significant smoking impacts.</li> </ul>
	BAT Report 2002/2003	<ul style="list-style-type: none"> <li>✧ Only uses one single sentence referred to smoking caused diseases without further explanation.</li> </ul>
	BAT Report 2003/2004	<ul style="list-style-type: none"> <li>✧ Makes little change in BAT's admission to smoking related diseases compared with 2002/2003.</li> </ul>
ASH Shadow report 2005		<ul style="list-style-type: none"> <li>✧ The issue becomes less significant in this report.</li> <li>✧ Has a claim on BAT has still not addressed the central health issues effectively although the company's social reports won awards .</li> <li>✧ Has a subsection to discuss the issue but from another perspective, which exposes that the underlying intention of BAT sponsored HIV/AIDS projects is to distract WHO's attention from smoking caused diseases.</li> <li>✧ ASH and other authors contest BAT's use of other diseases like HIV/AIDS to distract The World Health Organisation's focus.</li> <li>✧ Reuses annual statistics of smoking related deaths to present the seriousness of the problem.</li> </ul>

	BAT Report 2007 &2008	<ul style="list-style-type: none"> <li>✧ Does not address smoking caused diseases.</li> <li>✧ Some phrases in this report appear to avoid the direct responses to this issue and are much less open than previous disclosure.</li> </ul>
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The third issue for Site Two is BAT's view on smoking caused diseases. BAT's first social report does not have much discussion about smoking caused diseases, although it does state that generally smoking is the cause of certain serious diseases (BAT, 2002). In subsection "*Magnitude of the risks of smoking*", the report lists three diseases for which smokers would have higher risks such as lung cancer, chronic bronchitis and emphysema. Such results are from epidemiology studies of groups of people. However, the report further states "it is not possible scientifically to extrapolate these group population statistics to determine the magnitude of risk in an individual" (BAT, 2002, p. 34), which attempts to imply those three disease may not be certainly caused by smoking. The report also promotes key problems in respect of some commonly used estimates of smoking attributed deaths (BAT, 2002). Therefore, BAT in its first social report to some extent hints at its underlying disagreement with this issue.

Given the aims of ASH as an organisation to eliminate smoking related harm, it is not surprising that ASH basically would not agree the BAT's propositions associated with this issue in the BAT's first social report and elsewhere. In its 2002 shadow report, ASH set up sections "*Harm caused by BAT's products*" and "*Quantifying the impact of BAT's business on human health*" to show its dissatisfaction with BAT's attitudes, statements and lack of recognition of smoking caused diseases whether currently or in the past. The shadow report uses the phrase "grudging admission" (ASH, 2002, p. 8) to describe BAT's change from thorough denial of any harm to the admission of several serious diseases such as cancer. The report also tries to prove the time significance of such denial in that there have been more than 40 years since there were convincingly scientific data about smoking caused diseases. To back up the implied criticism of the "grudging admission" opinion, the report invokes a summary from the UK House of Commons Health Committee (which has the similar opinion to ASH in terms of the underlying denial behind tobacco companies' acceptance of smoking

is dangerous) about a 2000 review on new postures towards smoking caused diseases adopted by some tobacco companies, including BAT. At the end of the section *“Harm caused by BAT’s products”*, the shadow report suggests a proper assessment of cigarettes’ health impact in BAT’s future reports should include “A recognition of the range of diseases caused by smoking” (ASH, 2002, p. 8) and “A quantification of risk” (ASH, 2002, p. 9) but none of them has been achieved in BAT’s 2001/2002 social report. This suggestion has been supported by giving examples which use some annual data from BAT. Furthermore, the *“Quantifying the impact of BAT’s business on human health”* section deploys BAT’s financial data and sales volume, The World Health Organisation (WHO) accepted estimates of smoking caused premature death, and The UK Treasures ‘green book’ recommended discounting rate to calculate and present “Annual deaths associated with BAT’s operation” currently and to the year 2030. Those quantified results are presented for the purpose of showing BAT’s products have special significance for smoking caused premature deaths.

BAT’s 2002/2003 social report only uses one single sentence that refers to smoking caused diseases, which is posed in the company’s Framework of CSR. The report states “Put simply, smoking is a cause of diseases such as lung cancer, cardiovascular disease and respiratory diseases like chronic bronchitis and emphysema” (BAT, 2003, p. 25). No further explanation and discussion about this issue is provided in the report. A possible reason for the lack of discussion or elaboration of this issue could be it is not an easy issue for BAT to respond to at the time as the nature of BAT’s business may dissuade BAT from publicly admitting that tobacco products will cause serious disease in a broad range.

BAT’s third report offers little change in terms of the issue of smoking caused diseases. Its admission of smoking caused diseases is similar to the previous year’s statement (BAT, 2004).

Due to ASH’s 2004 shadow report having an intensive focus on BAT’s lack of ethical behaviours in different regions worldwide, the report does not have a separate section or centralised discussion for this ‘smoking caused diseases’ issue, but it has a short paragraph

which mentions this topic.

The issue of smoking caused diseases and deaths becomes less significant in the 2005 joint shadow report as ASH and other co-authors shift their focus to other issues. This maybe because the authors felt the previous criticism has not been effective as they expected. However, ASH and co-authors make a claim that BAT has not addressed the central health issues effectively even though the company's social reports continuously won awards at the international level. Furthermore, there is still a subsection "*Health priorities and PR*" in the report which poses ASH's and other authors' criticisms related to this issue. ASH and other co-authors accuse BAT publicly of focusing on HIV/AIDS, hepatitis and other diseases and sponsoring HIV initiatives to shift the WHO's attention from smoking related illnesses. The report reuses the annual number of tobacco related deaths to illustrate this serious problem (ASH et al., 2005). Nevertheless, ASH and other co-authors' effort in the 2005 shadow report has not gained obvious attention from BAT and there is little reflection for this issue from BAT's post CSR reports.

The fourth corporate report examined for this issue is BAT's 2007 sustainability report. The 2007 sustainability report does not directly address smoking caused diseases, nor directly to mention smoking caused deaths. The associated phrases in this report are: "Tobacco products are addictive and their use poses real and serious risks to health." (BAT, 2008, p. 14), and "Tobacco harm reduction refers to decreasing the burden of death and diseases" (BAT, 2008, p. 16), and "Tobacco related diseases take many years to develop" (BAT, 2008, p. 18). The commonality of those phrases is that they appear to be avoiding an implicit admission that tobacco causes deaths and diseases. They are much less open than the statements in BAT's early social reports even the first one. The aforementioned reason of the nature of BAT's business for avoiding this issue could also apply for this 2007 sustainability report.

ASH and its co-authors have not gained noticeable attention from BAT or the responses to this issue in BAT's post corporate reports as they might have expected. However, BAT

stopped denying smoking caused diseases since this issue was first targeted in the ASH 2002 shadow report. In terms of tactics in the face of criticism, sometimes silence might be the best response for BAT. Further, BAT has moved on to develop harm reduction products and enlisted many scientific studies to find the solution. Such further actions may potentially be triggered by the proposition of this issue.

#### 5.3.1.4 Issue Four: BAT's Youth Smoking Prevention (YSP) Programmes

YSP is a programme initiated by BAT for the purposes of “tackling underage smoking” problems and BAT states that it believes it is a “proper part of product stewardship” (BAT, 2002, p. 44). BAT's main YSP practices includes retail access prevention, educational-based prevention and advertising-based prevention (BAT, 2003, 2004). Notwithstanding BAT's point of view, ASH interprets this programme as ‘False initiatives’ (ASH, 2002) and as ‘a weapon against FCTC’ (the WHO's Framework Convention on Tobacco Control) (ASH et al., 2005). This subsection analyses the different propositions on YSP programmes from the BAT and ASH reports longitudinally to present conflicts and interactions on this issue. They are summarised in the Table 5.4 below.

Table 5.4: Presentation of Issue Four in the reports analysed in Site Two

Issue		<i>BAT's Youth Smoking Prevention Programme</i>
	BAT Report 2001/2002	<ul style="list-style-type: none"> <li>✧ The subsection has a length of seven pages</li> <li>✧ The disclosure of BAT's awareness of criticism on some of BAT's YSP programmes such as ‘Doesn't smoke’ advertising.</li> <li>✧ The main disclosure of the encouraging voices from majority stakeholders.</li> <li>✧ The disclosure of withdrawing ‘Doesn't smoke’ advertisement from UK temporarily.</li> <li>✧ The disclosure of some positive findings from an independent research study on the effects of ‘Doesn't Smoke’ advertisements.</li> </ul>

ASH Shadow report 2002		<ul style="list-style-type: none"> <li>✧ ASH quotes the comment from a group research project to show YSP programme is counter productive in educating the youth not to smoke.</li> <li>✧ The author questions the possibility of isolating the advertisement appeals to only 18-24 year olds and not appeals to younger kids.</li> <li>✧ ASH argues that the 'counter marketing approach' is entirely opposed to BAT's techniques to sell its products.</li> <li>✧ Summarises three problems of BAT's YSP initiatives.</li> </ul>
	BAT Report 2002/2003	<ul style="list-style-type: none"> <li>✧ BAT highlights the statement of BAT's business strategy.</li> <li>✧ Discloses that BAT has clarified its most appropriate role in YSP programme.</li> <li>✧ Discloses cessation of '<i>Doesn't smoke</i>' advertising.</li> <li>✧ Discloses of an important finding on the counter productive effect of '<i>Doesn't smoke</i>' campaign.</li> </ul>
	BAT Report 2003/2004	<ul style="list-style-type: none"> <li>✧ Has no significant change.</li> <li>✧ Presents a new claim that YSP is part of company's marketing responsibility.</li> <li>✧ Reports the mixed views on the YSP educational programmes from different stakeholders.</li> </ul>
ASH Shadow report 2004		<ul style="list-style-type: none"> <li>✧ Argues that YSP programme misleads people to believe tobacco addiction is only youth problem and not for all smokers.</li> <li>✧ ASH re-states that YSP programme is counterproductive to the youth.</li> <li>✧ The authors deploy two cases to contrast evidence with BAT claimed purpose of YSP.</li> </ul>
	BAT Report 2004/2005 & 2005	<ul style="list-style-type: none"> <li>✧ Combine YSP programme with marketing strategy together.</li> <li>✧ Use the heading "<i>Marketing and Youth Smoking Prevention</i>".</li> <li>✧ Present a reduced length of disclosure on this issue.</li> </ul>
ASH Shadow report 2005		<ul style="list-style-type: none"> <li>✧ Widely employs evidence from BAT's internal document in order to reveal that BAT's motivations on YSP programme are PR image re-building.</li> <li>✧ ASH attempts to prove BAT's early awareness of YSP's potential to postpone or prevent further tobacco regulations.</li> </ul>
	BAT Report 2007 &2008	<ul style="list-style-type: none"> <li>✧ Disclosure on YSP is just a part of section "<i>Market Place</i>" and it is not displayed in the table of contents of this report.</li> <li>✧ Present the criticism on YSP anonymously.</li> <li>✧ Restate the company's business strategy is not based on 'underage consumption'.</li> <li>✧ Reason for conflicting messages on YSP issue from different stakeholders.</li> <li>✧ Present its effort on this programme and claiming YSP is encouraged by most stakeholders.</li> </ul>

BAT's 2001/2002 social report suggests that youth smoking is one of the company's major concerns. The report spends seven pages to present the issue, BAT's point of view, stakeholders' different voices, and BAT's practices on this issue. The report indicates that BAT is aware of the suspicion and criticism of some of BAT's YSP programmes (such as its advertising campaign against youth smoking – the “doesn't smoke” campaign) from the stakeholders who are not dialogue participants in the first reporting cycle. Although BAT (2002) is very open in addressing the very opposite views from minority stakeholders, it discloses the supportive or encouraging voices from the majority of stakeholders. The report explicitly responded that the company will not involve the activities that the stakeholders do not support in the YSP programme, but it withdraws its support of *'Doesn't Smoke'* (BAT, 2002, p. 46) advertising only from the UK area and only 'temporarily'. However, the advertising in other countries, remains supported by BAT (BAT, 2002). The report further lists some positive findings from an independent research on the effects of *'Doesn't Smoke'* advertisement to argue for BAT's continuing of this advertisement campaign outside UK. Other YSP campaigns, including significant financial support in the UK CitizenCard programme, involvements with Russia Youth Smoking Coalition, and Mexico retail access campaign, are all introduced in this first social report.

The ASH 2002 shadow report disputes BAT's YSP initiatives from three dimensions of the tobacco industry's campaigns. The first dimension is “Youth access” which is about “enforcing laws that prevent retailers selling to under-age smokers” (ASH, 2002, p. 18). ASH (2002) quotes the comment from a group project on youth access programmes to show that the programmes arguably make teenagers feel that smoking is more attractive while feeling contemptuous about youth access restrictions. The second dimension is “responsible marketing”, a set of agreed codes between BAT and other companies to restrict advertising appeals to children. However, the shadow report questions the possibility of isolating the advertisement appeals to only 18-24 year olds and not appealing to younger kids (ASH, 2002). ASH further claims that there is little evidence showing such limited advertising restriction will be effectual in reducing smoking, and that the comprehensive advertising

restriction is the best way to reduce cigarette consumption (ASH, 2002). The third dimension is “Counter-marketing”, the strategic advertising to persuade young people not to smoke. ASH’s comment on this approach is that the approach is completely in opposition to BAT’s techniques to sell its products. Furthermore, the shadow report summarises three problems (which are ineffective messages, a PR objective and wrong target) of BAT’s YSP initiatives to imply that critical evaluation of BAT’s words would be very necessary (ASH, 2002).

‘Tackling underage smoking’ is still an important issue in BAT’s 2002/2003 social report. The subsection presents a highlighted statement which includes the words “We seek to contribute effectively to the prevention of underage smoking and we do not base our business strategy on underage consumption” in the position of the subsection’s foreword (BAT, 2003, p. 68). This alleged business strategy in this statement to some extent looks like a direct response to the proposition in ASH’s 2002 shadow report on the contradiction between YSP and BAT’s selling techniques. Furthermore, the obvious progress in this reporting cycle is the disclosure of BAT in which it clarifies its most appropriate role in the YSP programme. This clarification should be attributed to third party research on 36 youth-related stakeholders which provides the indication that the appropriate role for tobacco enterprises is involvement in retail access prevention programmes (BAT, 2003). The research also indicates that those youth-related stakeholders do not support industrial involvement in educational YSP programmes such as ‘*Doesn’t Smoke*’ advertising programme (BAT, 2003). Then the disclosure about this advertisement is “We **ceased** UK support for this campaign in 2001-02” (BAT, 2003, p. 68 emphasis added), which uses ‘ceased’ rather than ‘temporary withdrawing’ as in the first social report. In addition, there are no more disclosures about ‘*Doesn’t Smoke*’ in the areas other than UK shown in 2002/2003 social report. The report claims two reasons for the withdrawal: the indications from the research outlined above, and the need of the support of an anonymous key stakeholder (BAT, 2003). However, the need for key stakeholder’s support could most likely be understood as the main pressure which forced BAT to make such decision.

Other new elements of this BAT's second social report on the underage smoking issue are: '*EU harmonisation of tobacco excise to help reduce youth access to smuggled cigarettes*' and an in-depth marketing study in Central America (BAT, 2003). During the process of that study, there is an important finding that "The phrase *smoking is a decision for adults* is counter productive, having an effect of 'challenging' youth to smoke" (BAT, 2003, p. 71). This finding is coincidentally a little similar to ASH's proposition in the 2002 shadow report.

The BAT social report 2003/2004 does not have significant progress on previous reports except that the new claim on the YSP is part of the company's marketing responsibility. The associated practices on this aspect are "to limit the exposure of underage people to the promotion and advertising of our brands and to ensure that the content of [subsidiary companies'] marketing and advertising is not designed to appeal to the underage" (BAT, 2004, p. 71). No further explanation for this claim can be found in this report and BAT's social reports afterwards. The possible reasons for the one-off appearance of this proposition after the criticism raised in ASH's 2002 shadow report could be that the company has ignored the contestation from ASH, or it is a simple mistake. In this cycle of stakeholders' dialogue, BAT also reports the diverse views on YSP educational programmes from different stakeholders.

In the 2004 joint shadow report, ASH et al. contest YSP initiatives again in the section "*PR – spin gone mad?*" Besides the aforementioned 'counterproductive' reason that the programme may encourage the youth to think smoking as an adult choice, the report argues that YSP misleads people to believe tobacco addiction is only a youth problem and not a problem/risk for all smokers (ASH et al., 2004). To exemplify their arguments, ASH et al. (2004) provide case studies on Nigeria and Russia to show that BAT irresponsibly promotes cigarettes to the under aged and young women.

BAT's next reports, the 2004/2005 social report and 2005 social report, combine YSP with marketing. The related subsections use the heading "*Marketing and Youth Smoking*

*Prevention*". Both reports exhibit a considerably reduced length of the disclosure on this issue.

The 2005 joint shadow report widely employs evidence from BAT's internal documents which are archived for a period of ten years to reveal that BAT's motivations on YSP programme are PR image re-building and BAT's early awareness of YSP's potential to postpone or prevent further tobacco regulations (ASH et al., 2005). Followed by the restatement of previous accusations relating to the YSP programme is counter productive in the 2004 joint shadow report, this shadow report presents its new finding in terms of BAT's intention to facilitate the YSP programme. To illustrate such intention to persuade "legislators to adopt a less robust treaty" (ASH et al., 2005, p. 17), ASH et al. use "*FCTC weapon*" as the heading for the new finding and quote a large amount of original wording and phrases from BAT's internal documents and conversations between high-level managers. Typical examples of BAT's words are: "we look at developing a minors' programme that would show the industry to be willing to work cooperatively with the authorities in at least one area in which we have a mutual objective"; reference to a meeting conversation between BAT and its competitors as "a rescue remedy"; "meaningful concessions to the WHO agenda"; and "concentrating its efforts on underage smoking campaigns, winning the support of the Health Ministry"(ASH et al., 2005, p. 17).

The year 2006 is the transition period when BAT prepares to adopt sustainability reporting in 2007 (BAT, 2007). Therefore, the 2006 social report is actually a brief review for BAT's 2006 social performance. This analysis omits this report and goes straight to BAT's 2007 report.

In BAT's *Sustainability Report 2007*, disclosure on YSP is just a part of the section "*Market Place*" and it is not displayed in the table of contents of this report. Although the disclosure consists of only one page, most of it seems to be the argument against the propositions in ASH et al.'s 2004 and 2005 shadow reports. Firstly, the 2007 report presents the criticism on YSP anonymously in the first paragraph of this issue. Both the phrases "window-dressing"

and “covert advertising” in that paragraph (BAT, 2008, p. 23) look as though they have been rephrased from the original sections “PR spin” and “counter productive” in ASH et al.’s 2005 shadow report. Secondly, to contest this criticism, the report restates that the company’s business strategy is not based on ‘underage consumption’. It also claims the company is strictly implementing its voluntary International Marketing Standards (IMS) which could reflect BAT’s credible role in the YSP programme. Thirdly, the report suggests that a dilemma between continuing and stopping the YSP programmes is presented in the previously diverse opinions from stakeholders’ dialogues that have given BAT the conflicting messages on YSP issue. Fourthly, BAT argues its effort in minimum age regulation for tobacco sales is encouraged by most stakeholders. Fifthly, the report provides the amounts of BAT’s spending on the YSP programme and the number of YSP programmes BAT has supported in 2007 presumably to show that BAT is actually helping to prevent underage smoking (BAT, 2008).

To summarise, the analysis above provides some evidence that the three shadow reports possibly lead to changes in the later corporate reports. For instance, the cessation of “*Doesn’t Smoking*” advertisement campaign, the disclosure of ‘counter productive’ effect of YSP programmes, the concession of the disclosure on YSP after 2004, and the new subsection about FCTC could have some links with the propositions and criticisms raised in related shadow reports. In particular, the 2005 joint shadow report, it can be argued to some extent, attracted quite significant responses in the Sustainability Reports for 2007 and 2008.

#### **5.3.1.5 Issue Five: BAT’s Internal Documents**

The issue of “BAT’s internal documents” is first proposed in ASH’s first shadow report to contest the credibility of BAT’s public behaviours. The issue is further developed as the main feature of ASH’s 2005 joint shadow report to reveal inconsistencies between BAT’s words in public and in private. BAT’s response to this issue could be considered as prompt and reflective. The examination of this issue starts from the ASH 2002 shadow report, the

associated BAT's corporate reports, and the 2005 shadow reports longitudinally. A summary table about issue five is provided below.

Table 5.5: Presentation of Issue Five in the reports analysed in Site Two

Issue		BAT's Internal Documents
ASH Shadow report 2002		<ul style="list-style-type: none"> <li>✧ Uses the subsection heading <i>"Shredding documents"</i>.</li> <li>✧ Discloses the finding from a 2002 Australian law case to expose BAT's destruction of relevant documents deliberately.</li> <li>✧ Discloses the timing and quantity of destroyed documents to reveal BAT's irresponsiveness.</li> <li>✧ ASH accuses BAT for interpreting the Judge's decision misleadingly through the comparison between Judge's and BAT's words.</li> <li>✧ Uses two notorious examples of document shredding to imply that what BAT did with the documents is not right.</li> </ul>
	BAT Report 2002/2003	<ul style="list-style-type: none"> <li>✧ Have an emerging subsection of <i>"Scientific information"</i>.</li> <li>✧ Allege BAT's constant effort in undertaking and publishing scientific research and presenting its research at scientific conferences and regulatory authorities.</li> <li>✧ Provide the example of its US scientists who made detailed presentation to regulators on their recent study in Commonwealth of Massachusetts.</li> </ul>
	BAT Report 2003/2004	<ul style="list-style-type: none"> <li>✧ Present a list of <i>"Published papers and presentations by our scientists about ingredients and smoke constituents"</i> to imply BAT's openness on its documents.</li> <li>✧ Present BAT's cooperation with government and external advisory groups to prove the company will not hide its research findings.</li> </ul>
ASH Shadow report 2005		<ul style="list-style-type: none"> <li>✧ The main feature highlighted in this report is the ways in which ASH and other authors successfully targeted BAT's internal documents.</li> <li>✧ The underlying intention in producing this report stated as to contrast BAT's words in public with its words in private, and then further to reveal that BAT's CSR reports are acting as means to impact tobacco regulators to make some regulations in favour of BAT.</li> <li>✧ The focus of this report is to reveal BAT's political or PR related intentions through the evidence tracked from BAT's internal documents.</li> <li>✧ For other issues previously raised in 2002 or 2004 shadow report, this report provides new and inside evidence.</li> </ul>

	BAT Report 2007 &2008	<ul style="list-style-type: none"> <li>✧ BAT uses the third party's statement on reviewing BAT internal documents to enhance the credibility of the company CSR reports.</li> <li>✧ BAT claims its position in tobacco regulatory framework is to support not to politically impact the regulators' decisions.</li> <li>✧ BAT claims the exclusion of the tobacco company from the debates on the WHO's FCTC would lead to impartiality of the regulation.</li> <li>✧ Advocates 'transparency' would be the best answer to ASH and other group's concerns.</li> </ul>
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ASH's 2002 shadow report deploys the section "*Shredding documents*" to criticise BAT's conduct of document destruction. The section uses a 2002 Australian law case in which the judge "found that BAT's document retention policy has been designed to destroy sensitive documents and took the strongest possible sanction" (ASH, 2002, p. 24). ASH (2002) also supplements the information about those destroyed documents which can retrospect to the latest 1998 and can reach a quantity to 30,000 relevant documents to reveal the arbitrariness of BAT's behaviours. The shadow report further quotes the Judge's judgment from the case in contrast to BAT's interpretation of the judgement to its investors to reveal "BAT's misleading spin" (ASH, 2002, p. 24) for social auditing. At the end of section "*Shredding documents*", notorious document shredding cases such as Anderson/Enron case and Railtrack case are cited to imply that BAT manipulates documents to protect its tobacco business from legal cases (ASH, 2002).

It could be argued that BAT reacted promptly to this issue of shredding internal documents with the emergence of the subsection "*Scientific information*" which is located in the section "*Risk of smoking and customer information*" in its second social report. In this subsection, BAT reports that its scientists "continue to undertake and publish scientific research through academic journals, presentations at scientific conferences and presentations to regulators"(BAT, 2003, p. 57). The wording 'continue', 'publish', and 'presentation' in the statement is likely to be intended to express that BAT is constantly open in its research and that it has no need to hide information. This could be an alternative way to argue against ASH (2002)'s accusation of shredding. Moreover, the BAT's 2002/2003 social report offers the example for this statement that the scientists of BAT's US subsidiary made a detailed

presentation to regulators on their recent studies in Commonwealth of Massachusetts (BAT, 2003). These may be an indirect response to the law case presented in ASH 2002 shadow report and also possibly ways of diverting attention from the accusation that it has shredded documents.

BAT's 2003/2004 social report also presents some reflective responses to the internal documents issue. Firstly, there is a separate list *"Published papers and presentations by our scientists about ingredients and smoke constituents"* in the 2003/2004 social report, which may contain BAT's intention to reveal its openness on its internal documents. Secondly, BAT also presents its cooperation with government and external advisory groups to prove that the company will not hide its research findings in this report. The report includes the statement "We have shared details of our scientific approach and supporting data with the UK Government's Department of Health and its external advisors, the Scientific Committee on Tobacco and Health (SCOTH) and the Technical Advisory Group to SCOTH (TAG). There are web links to these expert groups in the box on the right" (BAT, 2004, p. 62). This statement could be a message that BAT intends to send to the public to argue with the ASH's criticism of "shredding documents".

The main information sources for ASH's 2005 joint shadow report are BAT's internal documents for a period of ten years which are highly restricted to the public and BAT's stakeholders (ASH et al., 2005). This unique information channel makes this shadow report very special in terms of shadow reporting tactic and shadow reporting technique. ASH and other co-writers select the title *'BAT in its own words'* to reflect this characteristic of their second co-operate shadow report. The underlying intention to produce this report is to contrast BAT's words in public with its words in private, and then further to expose that what the authors believe that BAT's CSR reports are acting as means to impact tobacco regulators (ASH et al., 2005). These BAT's internal documents, especially including some records of BAT's high level managers' conversation, provide a great opportunity for ASH and other co-authors to show the genuineness of the sources for their shadow reports.

While most of issues in 2005 joint shadow report such as PR management, Youth prevention, smoking related diseases and so on, are previously promoted in ASH's 2002 and 2004 shadow reports, the new and main issues for this shadow report are about BAT's motives and tactics to utilise the corporate social reports to achieve the company's political purposes (ASH et al., 2005). Section "*Regulating the tobacco industry*" and section "*BAT's self-regulation push*" are typical examples that the authors write up to illustrate BAT's effort to postpone the implementation of the WHO's regulation. For other issues previously raised in the 2002 and 2004 shadow report, the 2005 shadow report attempts to provide new and inside evidence from BAT's internal documents to increase the credibility of those issues.

The next reports, BAT's *Sustainability Report 2007* and *2008*, consists of some statements which could be considered as the company's response to the accusations associated to BAT's internal documents in ASH's joint shadow report 2005. The first sentence is the depiction of step three of the report assurance practice by Ernst & Young LLP: "Reviewed a selection of media reports and company documents to test the coverage of the topics of the Report" (BAT, 2008, p. 5). This statement indicates that BAT wants to use the third party's testimony of its social reporting to enhance the credibility of the report and the company itself. Secondly, in the section "*Marketplace*", BAT declares that the company only intends to "be part of debates that shape the regulatory framework in which we operate" (BAT, 2008, p. 26) rather than to impact the WHO's decision for tobacco regulations. BAT further states that the company would be very supportive of tobacco regulators as the company can provide useful information and effective practical steps in this report. Moreover, BAT emphasises that the exclusion of BAT from the regulatory debates would probably make the company hard to achieve "desirable public health objectives" (BAT, 2008, p. 26). Thirdly, both 2007 and 2008 sustainability reports advocate that the transparency of SER would be the best response to the concerns from some NGOs (BAT, 2008, 2009). Such concerns are highlighted in BAT's 2007 sustainability report: "There has been debate in recent years about the perceived contradiction between what companies publish in CSR and what they may lobby

regulators about behind closed door” (BAT, 2008, p. 26). The phrase “behind closed door” may hint at the internal documents which are main information source for ASH’s 2005 shadow reports.

The issue the shadow reports targeted on BAT’s internal documents to some extent has attracted BAT attention to take care of the transparency of its CSR reports although currently BAT just presents some indirect or reactive response to ASH and other co-authors. In fact, this issue associates to some sensitive topics which would not be easy for BAT to respond to straightway.

After the selective discussion of issues raised from ASH’s shadow reports, the following analysis presents the key changes between early corporate reports and later corporate reports to gain an extended understanding of the impacts of shadow reporting.

### **5.3.2 Key Changes in BAT’s Corporate Reports**

Some changes have been found during the entire process of Site Two data analysis such as bad news is becoming reported more openly, report wording is more careful, and more scientific/academic evidence applied (for example refer to Key Issue 5). This case study selectively presents two key changes in BAT’s social reporting to illustrate how the ASH’s shadow reports influence the BAT’s SER.

#### **5.3.2.1 Key Change One: Bad News Disclosure**

The way BAT discloses its bad news has been changed after the company adopted sustainability reporting in 2007. The comparative interpretation of this key change divides into two parts: early BAT social reports and later BAT sustainability reports, which is also presented in Table 5.6.

Table 5.6: Presentation of key change one in the reports analysed in Site Two

Key Change	<i>Bad News Disclosure</i>
BAT Report 2001/2002 2002/2003 2003/2004 2004/2005 2005	<ul style="list-style-type: none"> <li>✧ There are mainly two bad news disclosures in BAT's early reports.</li> <li>✧ The two disclosures of bad news are located in the appendixes</li> <li>✧ BAT simply uses tables and numbers to present bad news.</li> <li>✧ The disclosures simply provide the categories of bad news, but they are lack of details and explanation.</li> </ul>
BAT Report 2007 & 2008	<ul style="list-style-type: none"> <li>✧ More bad news are appeared in the <i>Sustainability Report 2007</i>.</li> <li>✧ A brief explanation for each bad news is provided.</li> <li>✧ The position of all disclosures is in the main body of each report.</li> <li>✧ BAT's later reports provide more information about the bad news.</li> </ul>

BAT's disclosure of bad news in its early social reports presents the following features. Firstly, there are mainly two bad news disclosures in BAT's early reports. One is the disclosure of non-compliance with all applicable laws and regulations during each reporting period. Another one is the disclosure about serious accidents and lost workday case (LWC) accidents within 'health & safety' category periodically. Secondly, all of those disclosures are located in the Appendix of "*GRI performance indicators*". None of them appears in the main body of the relative reports. Thirdly, BAT simply uses tables and number to present those two kinds of bad news, little descriptive explanation has been found in the early corporate reports. Finally, the disclosures simply provide the categories of bad news, they are lacking details for the stakeholders who want know more about the bad news. There are two categories of non-compliance disclosure and six categories of health and safety accidents disclosure appeared in BAT's early reports (BAT, 2002, 2003, 2004, 2005, 2006).

The disclosure of bad news in BAT's later sustainability reports has changed distinctly and noticeably. Besides the two kinds of bad news which are discussed in the previous paragraph, more bad news appeared in the *Sustainability Report 2007*. The new disclosures in respect of bad news are "Action taken in response to incidents of corruption" and "Total number of legal actions for anti-competitive behaviour, anti-trust and monopoly practices" (BAT, 2008, p. 7). A brief explanation for each bad news is provided in both post BAT reports, *Sustainability Report 2007* and *2008*. All the disclosures of bad news are located in the main

body of this sustainability report, not in the appendix as BAT's early reports. In particular, the 2007 report highlights the bad news disclosures in the columns of "*GRI performance*" which are placed beside the related disclosures. Therefore, the reporting of bad news in later BAT reports seems to be more eye-catching than in the early BAT reports. In contrast with early report disclosure, later reports provide more information about the bad news. For example, the disclosures of BAT's non-compliance in 2007 include 'significant fines and sanctions', health and safety related non-compliance, and product labelling related non-compliance rather than simply the amount of fines and number of incidents in early BAT reports. Similarly, the disclosure of health and safety accidents has more information about the percentages of various injury causations. (BAT, 2008, 2009)

Although ASH's shadow reports have not targeted the bad news disclosure of BAT's reports, the new disclosures about corruption, anti-competitive, anti-trust and monopoly practices in BAT's sustainability reports seems to be the central issues which have been contested in ASH's 2005 joint shadow report. In addition, the 2005 joint shadow report has the potential to be a factor that facilitated BAT's SER transition to sustainability reporting, which BAT states that its sustainability reports presents high transparency in term of the credibility of the information provided. Therefore, it can be arguable that BAT's changes in its bad new disclosure may have connections with the 2005 joint shadow report.

#### **5.3.2.2 Key Change Two: Insensitive vs. Careful Wording/Language**

Throughout the analysis processes, the wording or language used in the BAT's first social report appears to be very insensitive to some controversial topics. However, the associated wording in BAT's later reports becomes cautious, careful and arguably more appropriate which can be a significant change in SER. Table 5.7 provides a contrastive overview of this key change.

Table 5.7: Presentation of key change two in the reports analysed in Site Two

Key Change	<i>Insensitive vs. Careful Wording</i>
BAT Report 2001/2002	<ul style="list-style-type: none"> <li>✧ Words like 'enjoy' are used to enhance the feeling of 'pleasure' of smoking.</li> <li>✧ Strongly emotional language.</li> <li>✧ Absolute tone or wording.</li> <li>✧ Attempts to create doubt to statistical method or results.</li> <li>✧ Defensive example against 'smoking is addictive'.</li> </ul>
ASH Shadow Report 2002	<ul style="list-style-type: none"> <li>✧ The shadow report directly or indirectly targets some the wording in BAT's 2001/2002 social report.</li> </ul>
BAT Reports After 2001/2002	<ul style="list-style-type: none"> <li>✧ Removed 'enjoy' from initial expression.</li> <li>✧ Less emotional language.</li> <li>✧ Compromised tune or wording to show the concession to the issue.</li> <li>✧ Avoiding sensitive topic.</li> <li>✧ Entirely removed the suspicious claim and defensive example.</li> </ul>

A group of comparative examples about the wording in BAT's first and later reports (some of those examples may be described already in the previous analyses of the key issues) are examined to demonstrate this key change in BAT's social reports. For the reason of keeping the workload of this research project manageable, some representative statements are selected from BAT's social reports to present the personal understanding of the change in post corporate reports' language. The selected examples of wording changes are listed in the Table 5.8 below.

Table 5.8 examples of BAT's wording change in its social reports

Example	Wordings in BAT report 2001/2002	ASH Shadow report 2002	Wordings in BAT reports after 2001/2002	Extent of change
1	We believe that an informed adult decision to enjoy the pleasures of smoking, while balancing the pleasures against the risks, deserves to be treated like many other lifestyle choices that we all make.	Targeting the language directly	Tobacco products are legal and we believe it is for informed adults, balancing the pleasures and the risks, to decide whether to consume tobacco products or not.	Moderate
2	It is not possible scientifically to extrapolate these group population statistics to determine the magnitude of risk in an individual ... the fact that all the diseases associated with smoking have more than one cause.	Targeted the language directly	Removed.	Significant
3	Many millions of people have quit smoking successfully and in some countries, as the UK, there are almost as many as ex-smokers as smokers (BAT, 2002, p. 30).	Targeted the language indirectly	Removed.	Significant
4	Wording of BAT's view on passive smoking: "There is no convincing evidence that ETS is a cause of chronic diseases such as lung cancer" (BAT, 2002, p. 26, p. 28).	Targeted the language directly	"Environmental tobacco smoke (ETS)...is considered by some public health authorities to be a health concern. We believe that the health effects have been overstated" (BAT, 2003, p. 61).	Moderate
5	Wording about the feasibility to launch the potentially reduced exposure products to market: "Work on potentially reduced exposure products is feasible and justifiable on public health grounds" and "more rapid progress towards reducing the health impact of smoking can be made"(BAT, 2002, p. 42).	Targeted the language indirectly	"It is still too early to say whether it maybe feasible..." (BAT, 2003, p. 65).	Moderate

The first example in the table for the key change two is the language about how BAT describes tobacco consumption. The description in the 2002/2003 social report removes the word 'enjoy' and the last clause from the 2001/2002 version of the description. As the word

‘enjoy’ has strong intention to encourage people to do something and the last clause may implicate BAT’s business could be treated more fairly, therefore, the 2001/2002 description has been targeted by ASH’s 2002 shadow report. Although ASH focused on the word “pleasure”, the word ‘enjoy’ enhances the feeling of ‘pleasure’. Thus, the deletion of those words could be regarded as a positive change both in BAT’s reporting technique and reporting attitude.

The second example of wording change is related to the Issue “BAT’s View on Smoking Caused Diseases”. While BAT explicitly asserts that it accepts the position that ‘smoking is a cause of certain disease’, some statements in its 2001/2002 social report present an ostensible suspicion to this position (Referring to Table 5.8). Not surprisingly, these opinions have also been contended by ASH. In its 2002 shadow report, ASH states that BAT “...leaves itself an escape by describing the studies as ‘statistical’...”(ASH, 2002, p. 8), and “... in fact creates doubt about the risk without actually denying them”(ASH, 2002, p. 9). Maybe because of the pressure from ASH and its shadow report, or some other reasons, such wording or similar statements no longer appear in BAT’s further social reports.

Detailed discussion is only provided for the first two examples in the table. The rest of the examples are briefly explained hereafter. The third example is the statement in BAT’s first social report which shows BAT’s opposite view on the proposition that ‘smoking is addictive’. The statement has been removed from BAT’s later social reports too. The fourth example is about BAT’s view on passive smoking. An obviously concessionary tune and an avoiding attitude to passive smoking issue can be observed in the latter statement when compared to the strong and firm opinion in BAT’s first social report. The last example, the wording is about the feasibility to launch the potentially reduced exposure products (PREP, which is named by BAT to a series of new tobacco products that they maybe contain significantly lowered tar) to market. The later statement has started using quite uncertain voice instead the absolutely certain to the feasibility of the new products in the early statements.

From the examples shown in the table, wording in BAT's later reports presents different degrees of change. Some are entirely removed, while some change the statements. In general, wording in BAT's post corporate reports implies that BAT becomes prudent and more careful in dealing with the issues that ASH addressed in their 2002 shadow report. Furthermore, the cause and extent of the language change in BAT's later reports seems to have a closer relation with the issues the shadow report targeted than the language the shadow report targeted.

This section presents the detailed interpretation and analyses for the five key issues and the two key changes. The next section summarise the analysis of Site Two in respect of the impacts of ASH's shadow report.

## **5.4 SUMMARY FOR SITE TWO**

The study of Site Two has analysed ASH's shadow reports, BAT's SER reports and other relevant information in breadth and depth. The evaluation and discussion of the selected and presented key issues and key changes are in an attempt to understand them thoroughly and sufficiently. This section first provides a pro and con discussion from SER perspective in respect of the shadow reports and corporate reports which are analysed in this case, and then summarises the nature and extent of reflections and interactions between two parties of reports to draw an overall picture of Site Two.

### **5.4.1 The Discussion of ASH's Shadow Reports and BAT's Corporate Reports**

The three shadow reports, especially ASH's 2002 shadow report, have at least five key contributions. Firstly, they expose the reporting gaps between BAT's claims and public knowledge about BAT's corporate social responsibility. Secondly, ASH's shadow reports cover wide range of sources including external/shadow and internal/silent information. Thirdly, although only the 2002 shadow report uses AA1000 principles as its analytical framework

(ASH, 2002), those shadow reports create demand for suitable reporting and an analytical framework for shadow accounting. Fourthly, ASH's three shadow reports focus on a single reporting target and provide a sound case for accounting academics to discover the long-term impacts of shadow reporting. Finally, these three shadow reports all demonstrate the significance of stakeholder dialogue both for corporate reports and shadow reports. (ASH, 2002; ASH et al., 2004, 2005)

Nevertheless, there are also some shortcomings in these three shadow reports. Similar to SHVC's shadow report in Site One, their impacts on the corporate SER reporting have been abated due to the fact that they have overemphasised the targeted corporation's conduct rather than paying more attention to the corporate reporting. The second shortfall is that these three shadow reports seem to lack consistency both in their structure and boundaries of the information coverage, which incurred considerable difficulties for comparative analysis between them. Thirdly, despite the fact that ASH declared that it seeks to provide evidence-based information, no verification has been provided for all the sources disclosed in those shadow reports. Moreover, there are few recommendations and little review of BAT's assurance practice in these shadow reports (ASH, 2002; ASH et al., 2004, 2005).

BAT's published SER reports to date have attracted attention and criticism from both NGOs and accounting academics. From the conclusions of those critics, BAT's social reports seem to suffer the common problem – of a lack of completeness both in reporting scope and assurance practices. Also, ASH's experience in BAT's first stakeholder dialogue cycle could be regarded as a kind of manipulation of dialogue processes. Thirdly, BAT's late adopted sustainability reporting has chosen to selectively disclose information. This would not be a desirable trend for SER development because it leaves opportunities for information manipulation, even though a materiality testing process was undertaken and illustrated in BAT's first sustainability report.

Regardless of all the criticisms for BAT's SER practices, there are substantial reasons for the

company to win SER awards. The first of these is that, BAT's early social reports were initiated and developed through the main approach of stakeholder dialogue. This approach facilitates the construction of BAT's SER reporting topics and reporting scope. Also, BAT's approach provides a vivid example for new SER producers to learn from and develop. Moreover, the company employs independent dialogue facilitators to undertake dialogue process which could be a way to increase the transparency and objectivity of the reporting. Furthermore, even though there are some gaps found in BAT's SER or practices, BAT has, to a very considerable extent, followed AA1000 (mainly early corporate reports) and GRI (mainly later corporate reports) guidelines. In addition to following those guidelines, all BAT's social and environmental reports have been verified and audited by independent third parties, which is still an incremental practice to add value to BAT's SER.

#### **5.4.2 Discussion of the Examined Key Issues and Key Changes**

Based on the analysis of five key issues previously, it is reasonable to argue ASH's shadow reports have affected BAT's corporate reports in an expected positive manner. There are four out of the five issues that have been obtained ostensible and strong responses from BAT's social reports right after the first proposition of those issues in ASH's 2002 shadow report. This kind of prompt reaction can also be observed in BAT's later reports which are published after the release of the 2005 joint shadow report. Three out of four issues led to some considerable changes in BAT's 2007 and 2008 (mainly 2007) sustainability reports.

Though the issue 'BAT's Core Business' has not been re-tackled in the 2005 shadow report, the change associated to this issue in BAT's 2007 sustainability report still could be significant because BAT started pursuing sustainable business in that report. Possible reasons for this change can be inferred to the self-evolution of BAT's SER, extended impacts from 2002 shadow report, or, the indirect or mediated effects from 2005 shadow report.

Issue 'BAT's Youth Smoking Prevention Programme' is the only selected issue which has been

targeted and retargeted by all three shadow reports. The continuous improvement on this issue can be found in all the published BAT's social and environmental reports. BAT's compromise on the disclosure of its 'Youth Smoking Prevention Programme' shows the development of the disclosure could be going with ASH et al. expected way (such programme in ASH et al.'s believe is BAT's political weapon, ineffective prevention, and counter productive (ASH, 2002; ASH et al., 2004, 2005)). Furthermore, from the perspective of long-term influence, the interaction between two parties around this issue provides valuable evidence for the positive potentiality of shadow accounting technique.

An issue raised by ASH may or may not be a topic in BAT' early reports and have the company's attention while the issue still has gained some reflective changes in BAT's later reports after the proposition of the issue. For example, issue 'BAT's Internal Documents' in this case has at least provided the hint or clue for BAT to consider its treatment of scientific documents. Therefore, further emergence of subsection 'Scientific Information' in later BAT reports may be potentially enlightened from this shadowed issue.

Not all are positive reflections in the findings of this case. There is one issue which is in particularly selected for its special nature in presenting a different strand of possible results that shadow reporting would obtain. Such possible reaction of targeted company would be the company turning silent on sensitive issues in its further reporting. In this case, the analysis of issue 'BAT's View on Smoking Caused Diseases' presents a long-drawn silence from BAT to ASH's criticism, even though the issue has been proposed the second time.

In the further extended analysis of key changes in BAT's social reports, evidence suggests that ASH's shadow reports not only potentially affect the disclosure of issues/topics, but also the wording, structuring and bad news disclosure in BAT's post corporate reports. BAT's SER reports have been very careful in the report wording after the publication of ASH's 2002 shadow report and have increased the reporting of bad news and changed the structure for bad news since the release of ASH et al.'s 2005 shadow report. Such changes in BAT's

reporting are presumed to bring positive effects on BAT's reporting quality in terms of transparency and credibility.

Furthermore, during the longitudinal study of BAT's social reports, the intermediate reports, in particular the 2003/2004, 2004/2005, 2005 social reports, it has been detected that they have no obvious progressive improvement. Their reporting content and basic structure appear to be consistent with the second social report which had a radical development right after the release of ASH's 2002 shadow report. The second development of BAT's SER is the adoption of sustainability reporting which was happened coincidentally after the release of ASH's second joint shadow report. Such coincidences in respect of the time line between the publication of two main shadow reports and two main progressive developments in the post corporate reports offer a reason or hint to suspect the possible association within them.

The study in Site Two illuminates and enhances our understanding of shadow reporting from the valuable information and unique nature of the case. The next chapter compares Site One and Site Two and discusses the differences and similarities between two cases.

## **CHAPTER SIX**

### **COMPARISON BETWEEN TWO SITES & DISCUSSION**

The two previous chapters have studied two sites that have used shadow reporting and their analysis has provided mostly positive answers to the first research question relating to shadow reports' (potential) impacts. For the second research question the two sites of analysis have presented various patterns of shadow reports' impacts and/or potential impacts. This chapter compares the findings from the previous analysis of two sites in order to assess the differences and similarities between two sites, and to shed light on the nature and extent of impacts and/or potential impacts of shadow reporting. A further discussion links those findings with the literature reviewed in chapter two, which aims to answer the third research question of this study, the effectiveness of shadow reports as a counter accounting technique.

#### **6.1 COMPARISON BETWEEN TWO SITES**

This section presents the comparison between the two sites through a detailed examination of the differences and similarities of the sites. The comparison is limited to the impacts and potential impacts of shadow reports, which are assessed in the previous chapters. To assist the comparison between the two sites, an overview of all issues and key changes examined in the previous two sites is presented in Table 6.1 below. Then the assessment of the similarities and differences is examined in greater detail.

Table 6.1 Overview of the Analysis of Two Sites

Issues raised in the shadow reports

	Site One	Site Two		
	SHVC shadow report 2006	ASH shadow report 2002	ASH shadow report 2004	ASH shadow report 2005
Key Issues	AMD vs. ARD	BAT's Stakeholder Dialogues	BAT's Stakeholder Dialogues	BAT's Stakeholder Dialogues
	Mt Augustus Snails	BAT's Core Business		
	Water Pollution vs. Water Treatment	Smoking Caused Diseases	Smoking Caused Diseases	Smoking Caused Diseases
	Climate Change and Coal vs. Carbon Emission Profile	BAT's Youth Smoking Prevention Programme	BAT's Youth Smoking Prevention Programme	BAT's Youth Smoking Prevention Programme
	Solid Energy's Stakeholder Consultation	BAT's Internal Documents		BAT's Internal Documents
	Good Relationship with Regulators			
	Ridgeline Mining			

Key changes in the later corporate report

	Solid Energy 2007	BAT 2002/2003	BAT	BAT 2007
Key Changes	Bad News Disclosure			Bad News Disclosure
	Ambiguous Expression vs. Clear Articulation	Insensitive vs. Careful Wording/Language		

### 6.1.1 Similarities between the Patterns of (Potential) Impacts of the Shadow

#### Reports Analysed in Two Sites

As aforementioned, the two sites have quite different and unique features and will have obvious differences in their shadow reports and the ways they shadow corporate reports, but there is a lot in common in the patterns their shadow reports affecting their targeted corporate reports. The following comparison presents those common aspects in terms of the

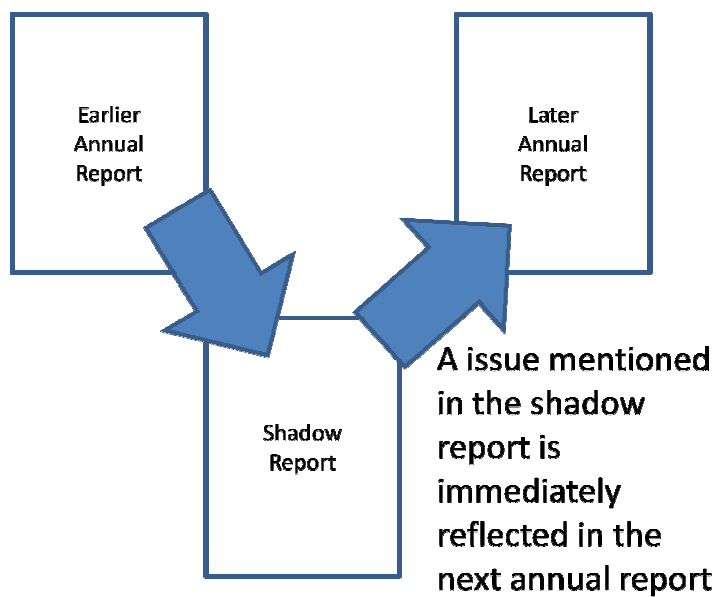
timing, degree and types of shadow report's potential impacts.

The Site One (SHVC and Solid Energy case) and Site Two (ASH and BAT case) studies provides sufficient evidence to suggest the reflections in corporate reports are associated with the issues raised in the shadow report that has happened in the first corporate report right after the related shadow reports was published. The issues extracted from this site analysis which have this kind of prompt reflections are listed in table 6.2 below. As shown in the table, four out of seven issues raised in SHVC's 2006 shadow report, four out of five issues selected from ASH's 2002 shadow report, and three out of four selected issues raised from ASH's 2005 are identified into this category. In addition, the issue selected from ASH's 2004 shadow report also has the prompt reflection in BAT's 2004/2005 social report but the extent of the change in corporate report is not as significant as the issues listed in Table 6.2. Therefore, this pattern of shadow report impact could be recognised as the basic or main type in both of two sites. Figure 6.1 below demonstrates this impact pattern.

Table 6.2 Shadow report issues which have immediate reflections in associated corporate reports

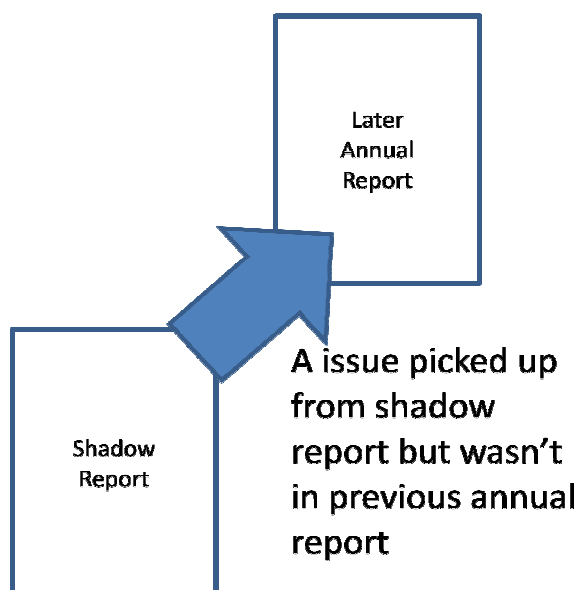
SHVC shadow report 2006	ASH shadow report 2002	ASH shadow report 2005
Solid Energy's Stakeholder Consultation	BAT's Stakeholder Dialogues	BAT's Stakeholder Dialogues
Water Pollution vs. Water Treatment	BAT's Youth Smoking Prevention Programme	BAT's Youth Smoking Prevention Programme
AMD vs. ARD	BAT's Internal Documents	BAT's Internal Documents
Mt Augustus Snails	BAT's Core Business	
	Smoking Caused Diseases	

Figure 6.1: pattern one of shadow reports' impact



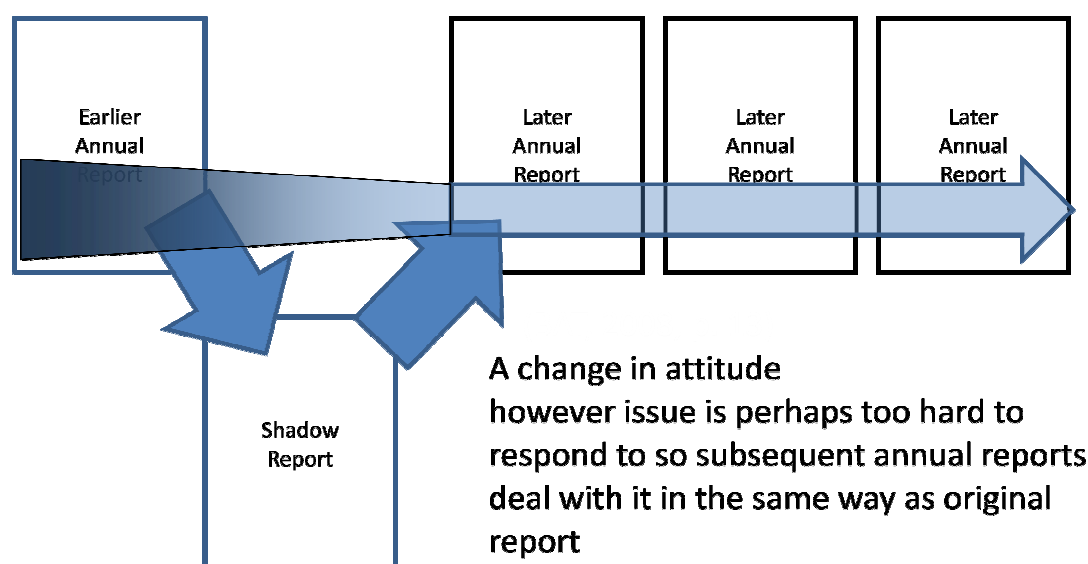
The issue “Climate Change and Coal vs. Carbon Emission Profile” in Site One and issue “BAT’s Internal Documents” in Site Two share a commonality that both of them have proposed the issues were not reported in the targeted companies’ early SERs. Both of the issues have gained considerable attention from the two companies, and all post corporate reports have a reflective section or subsection presented. Figure 6.2 below illustrates this type of impact.

Figure 6.2: pattern two of shadow reports' impact



The third similarity is both sites have one, or at least one, issue which has possibly affected in turning corporations silent/avoiding in their post corporate reports. For instances, the issue “Ridgeline Mining” in Solid Energy and SHVC case, and the issue “Smoking Caused Diseases” in BAT and ASH case have both caused instant obviolation after the related shadow reports published. However, in contrast to the implications of BAT’s disagreement to the “Smoking Caused Diseases” and Solid Energy’s right to “Ridgeline Mining” in their early social and environmental reports, later reticence could be a kind of positive change in the companies’ attitudes. Figure 6.3 below presents this impact pattern.

Figure 6.3: pattern three of shadow reports’ impact



Furthermore, both sites have the similarly positive changes in their bad news disclosure. Their positive changes in bad news presentation and increasing more detailed information about bad news could be important and meaningful for SER quality in terms of transparency. Also relating to the criticism on SER rhetoric when we recall Ruffing’s critique about “CSR reporting is still biased toward the good news and **is short on the bad**” (Ruffing, 2007, p. 10 emphasis added). Although the relation of the shadow reports with this is pleasing it could only be suggested by minor evidence of the timing the change occurred. However, it is realised that the current shadow practice is still underdeveloped and it is not yet a mature technique, nor can it be regulated really.

Another SER improvement that has occurred in both sites is related to report wording and structuring. Solid Energy's later reports appear to have a clearer articulation and better understandability. Whereas BAT's later reports present much more careful wording and language. Evidence of the link between this improvement in corporate reports and the related shadow reports may be not be conclusive, but it is reasonable to argue that, without issues being tackled by those shadow reports, the corporate report of those companies that have been shadowed may not have chosen to self-correct their shortfalls in their reporting language and structure.

The shadow reports in both sites have proposed issues about the stakeholder dialogues for their targeted corporations. There have been similar changes in both sites corporate reports in that much wider inclusivity of stakeholders is presented in post corporate reports for both sites. This could be a very significant potential impact of shadow reporting, and/or part of a wider trend. Furthermore, both companies have started involving some "troublesome and/or powerful groups" (Dey, 2007, p. 310) in their stakeholder dialogue. The definition of stakeholder in post corporate reports in Site Two now includes ASH and the Ngakawau Riverwatch group in Site One.

From a further analysis of the post corporate reports (i.e. the second, third, or more corporate SERs after the publication of shadow reports), a commonality between two sites is that most of positive changes are being continuously developed and progressed, or at least stabilized. There is no reverse effect in all any of the issues analysed in this study. Therefore, changes from issues in a shadow report have been implemented in a corporate report and these changes are continually reflected in the corporate reports thereafter. The limitations to this conclusion are SHVC's 2006 shadow report and ASH's 2005 joint shadow report only have two post corporate reports, and the finding is restricted in this study only. However ASH's 2002 shadow report can provide much more convincing evidence for this finding.

Through the analogy drawn between the two sites, positive potentiality of shadow reporting that could be inferred and concluded, especially the three patterns of impacts and two key changes. However, the following assessment of the differences or uniqueness would be valuable for expanding our knowledge to the nature of impacts of shadow accounting.

### **6.1.2 Differences between the Patterns of (Potential) Impacts of the Shadow**

#### **Reports Analysed in Two Sites**

The SHVC & Solid Energy case and the ASH & BAT case are two very distinct cases which have been discussed in the Research Method chapter. In this comparison section, the analysis only focuses on the differences relevant to the (potential) impacts of the shadow reports studied in the previous chapters.

The first difference is about timing of shadow reports' impacts. In Site One, two issues proposed in SHVC's 2006 shadow report, "Climate Change and Coal vs. Carbon Emission Profile" and "Good Relationship with Regulators", have not found an obvious change in the first post corporate report – Solid Energy's 2007 environmental report but have noticeable reflections in the second post corporate report especially the disclosure of Solid Energy's carbon emission management in Solid Energy's 2008 report. Notwithstanding, the effect of the issue "Good Relationship with Regulators" has some negative implications because Solid Energy's change in its 2008 sustainability report could not be the change that SHVC have ever expected. The unexpected change is that Solid Energy established an entire subsection to defend its good relation with government in 2008 corporate report.

More differences are noticeable in Site Two as it is a more complicated case in contrast with Site One. The most significant difference is the long-term positive influence in BAT arguably as a result of the ASH shadow reports. The effects of all selected issues from ASH 2002 shadow report are still present or have been positively developed.

The second advantage of Site Two is that it has three shadow reports, which enables the study to probe the impacts of continuously shadowed corporate reports. For example, the issue “About BAT’s YSP (Youth Smoking Prevention)” has been raised three times in different shadow reports in Site Two. The reflective disclosure of this topic in BAT’s SERs appears to have generated a continuous change towards the way ASH expected the issue to be presented. Issue “BAT’s Internal Documents” has been proposed twice, and their disclosure in BAT’s post corporate reports have changed just follow the issuing and reissuing of the topic in ASH’s shadow reports.

The issue “BAT’s Core Business” is also unique in this study because it is an issue has been targeted only once in ASH’s 2002 shadow report and then ASH stopped shadowing this issue, but the reflective reporting of this topic still is how showing significant development in BAT’s 2007 report. This is despite of the change in BAT’s corporate report on the issue after the first shadow was report published.

From the issue content perspective, issues raised in Site Two are more complete as they include the three-dimensional issues of social, environmental and economic three-dimensional. Site one’s shadow report mainly raises environmental issues except the issue “Solid Energy’s Stakeholder Consultation” and the issue “Good Relationship with Regulators”.

Through the analysis of the differences above, we can draw some implications such as shadow report may possibly affect the corporate reports in the second year or later rather than always immediate action in the first report after the release of shadow report. Shadow reports can have a positive potential effect in the long-term. The power of multi-shadow reports against a single target corporation would be stronger than a single shadow report; and a shadow report may or may not have negative effects to corporate reporting.

The next section discusses the findings on the effectiveness of the impacts that shadow

accounting can bring to SER.

## **6.2 DISCUSSION**

This section discusses the research findings based upon the two sites in relation to the counter accounting area of research. The conclusions/implications are drawn to add insight into the effectiveness of shadow reporting in terms of gap narrowing, and problematisation, counter hegemonic discourse and educative impacts. The implications for a future framework of shadow reporting are also discussed at the end of this section.

### **6.2.1 The Potentiality in Narrowing Reporting-Performance Gap**

The particular concern of Adams' (2004) case study is the 'lack of completeness' of the reporting in her analysed corporation. Little evidence was found in her study of the 'reporting-performance gap' narrowing in the corporation's report dated six years later. Dey (2007) classified the 'reporting-performance gap' into three main categories: completeness, assurance and dialogue gaps. The existence of those gaps and the narrowing of these gaps are significant to SER quality in terms of completeness. The following discussion interprets the findings of the site one and site two study through these three categories.

To draw implications on the effectiveness of shadow reports in gap narrowing from the completeness perspective, we should refresh ourselves on the previous analysis of Site One and the benchmarking of Solid Energy's reporting items with UNEP/SustainAbility benchmarking instrument. The findings reveal that in Solid Energy's post corporate reports it appears that not only reporting items have largely increased but also more detailed information is offered after SHVC's shadow report was published. Site Two is to some extent different from Site One in this aspect. As BAT's SERs have been produced followed the guidelines both of AA1000 and GRI, there is no noticeable incremental change in reporting items or coverage in BAT's post SERs. The only exception is BAT's framework of CSR, regulatory engagement and political lobbying related topics which emerged in its later SERs

(BAT, 2003, 2004, 2005). However, BAT's SER disclosure is similarly more informative in later years after its first social report published. More attention should be paid to their bad news disclosure, as both BAT and Solid Energy appear to have shown increased disclosure of the organisation's bad news, and this could be meaningful for the notion of completeness. Therefore, the safer conclusion is the positive potential of shadow reporting in enhancing SER's completeness could be arguably recognised.

There is no effect appearing in a narrowing assurance gap in Site One. This is because neither Solid Energy has applied assurance practice, nor has SHVC's shadow report proposed this issue. Site Two differentiates from Site One with BAT constantly including assurance reports into their SERs since BAT's first social report. BAT has changed the independent assessor for the 2007 sustainability report to an international accounting firm after ASH et al. (2005) contested the independence of BAT's previous assurance provider and the credibility of the assurance made in BAT's 2003/2004 report. A new independent assurance statement in the company's 2007 report appears to be more careful in the wording of statements, the scope of assurance practice, and the declaration of their independence (BAT, 2008). Above evidence could suggest that, shadow reporting might have the potential to positively affect corporate assurance practices, although this may be highly dependent on how the shadow report tackles the problem they are shadowing.

The development in stakeholder dialogue processes could be effective and significant in both sites. Obviously wider inclusivity of stakeholders has appeared in post corporate SERs for both Solid Energy and BAT. The problem of 'implicit managerialism' in stakeholder consultation is to some extent minimised, at least explicitly according to both of companies' claims in their post reports. Therefore, shadow reporting has most potential to narrow down the dialogue gap as evidence shows that as the majority of shadow report producers are one of the key stakeholder groups of their targets.

To summarise, the above discussion could help us draw the implication of shadow

accounting should have positive potentiality in relation to reducing the reporting-performance gap, yet it may highly depend on the good shadow practice.

### **6.2.2 The Potentiality in ‘Problematisations’, Counter ‘Hegemonic Discourse’ and ‘Educative’ Impacts**

With regard to the article written by Bebbington, Brown, Frame, & Thomson (2007), it is necessary for ‘counter narratives’ to establish an authentic dialogue to bring chances to ‘problematisations’, to have an alternative voice against corporate ‘hegemonic discourse’, to exchange different knowledge, and to suggest correct reporting, and further to be educative. The following discussion attempts to extract the functions of shadow reports in this study of two sites in respect of ‘problematisations’, counter ‘hegemonic discourse’ and ‘educative’ effect.

The findings from this study are consistent with Bebbington et al.’s (2007) expectation of counter accounting, at least to some extent. All shadow reports involved in this study present their ‘balanced view’ (Gibson et al., 2001) and their adversarial voices to the related early SERs. The reporting-performance gaps, which including contradictions and absences, in both corporation’s SERs has been to a considerable extent exposed and/or addressed by those shadow reports. Therefore, their efforts in ‘problematisation’ are quite possibly achieved.

The study of the two sites shares the similarities in the immediate reflections of issues in the shadow reports and developed stakeholder dialogues. These similarities could present how effective the shadow reports destabilize the corporations’ monologic accounting (Bebbington et al., 2007). In fact, the corporation’s ‘hegemonic discourse’ has been shaken when Solid Energy replicated the rephrased SHVC’s definition of AMD (acid mining drainage) to be its own definition in the company’s 2008 annual report, and when BAT was

compromised in its YSP (youth smoking programme) disclosure gradually. So, shadow reporting may in some circumstances have the ability to destruct SER's rhetoric or 'PR practices'.

The corporate SER's changes associated related to the issue "Climate Change and Coal vs. Carbon Emission Profile" and "ARD (acid rock drainage) vs. AMD (acid mining drainage)" in Site One, and the issue of "BAT's Internal Documents" and "BAT's YSP (youth smoking programme)" in Site Two provide evidence that shadow reports can suggest corrections to, (at least what the shadow report producers believe is correct), corporate SER reporting. Furthermore, the two companies have active progression in their SER reporting techniques including the bad news disclosure, and reporting language and report structuring which are not tackled through any of the selected shadow reports. This can suggest that the educative potential of shadow reporting could be developed with a much wider scope.

The above discussion leads us to draw the implication (which is in consistent with Bebbington et al's (2007) conclusion) of shadow reporting that could have the potential to engage in authentic dialogue, and to destruct corporate hegemonic discourse and reconstruct corporate 'social reality' (Dey, 2003). However, conditions would apply to the framework of future shadow reporting.

### **6.2.3 The implications for the Future Frameworks of Shadow Reporting**

Dey (2007) suggests a need for clear and explicit frameworks to effect, or realize, or maximise the potentiality of shadow reporting in narrowing reporting-performance gap, and promoting emancipation in corporate SER. There are some implications to the approach of shadow reporting, open processes of all interests involved, the contestability of shadow reporting practitioners, and the acceptability of the listeners in the dialogue, which are valuable to the framework construction.

The summaries of selected shadow reports in previous site studies indicates those shadow reports have some flaws in respect of counter accounting for the reasons that the report producers have different motives, and they are highly biased to corporate behaviours, and currently there is an absence of a shadow reporting framework. The apparently weakened impacts could be increased by the companies' resistance to change turning into reticence on some particular issues in selected cases. Thus, the approach of shadow reporting is really crucial to its effectiveness.

Open processes of all interested parties are important because they help enhance the effects in SERs. In this study, the conflicts between both parties especially Solid Energy and SHVC case could contribute to the inappropriate disclosures like Solid Energy's explicit unhappy attitude towards SHVC. The disclosure of law cases between them and negatively reflective claims of the company's good relationship with regulators in corporate SERs. Moreover, agreement to no power abuse (Bebbington et al., 2007) between all parties is also a concern to future frameworks. In this study, BAT and Solid Energy have the greater power to control the dialogue processes as corporations always hold and possess their dominative situations (Adams, 2004; Bebbington et al., 2007).

The contestability of shadow reporting practitioners and the acceptability of the listeners in the dialogue are the communication conditions to enhance the impacts of shadow reporting. The two-case study provides clues to this view, for instance, BAT appears to be more acceptable to criticisms than Solid Energy and ASH's shadow reports are more highly media published than SHVC that could contribute to the better results in corporate SER in particular the long-term impacts and much less inappropriate statements in BAT's SER reports.

The implications examined in relation to this study shed light on the difficulties and opportunities for future shadow report producers, and future researchers and designers to build up robust and sound frameworks for shadow reporting. The next chapter draws the

conclusion for this research.

## **CHAPTER SEVEN**

### **CONCLUSION**

This research has sought to ground the understanding of the impacts of shadow reporting on the SER (social and environmental reporting) reports of the corporation that they intended to critically expose that corporation's lack of socially and environmentally responsible conduct. The in-depth two case studies combining the contextual analysis method have been experimented and performed to two identified sites. The issues generated from the chosen shadow reports and the key changed identified from the examined corporate SER reports have been interpreted in their different contexts. Also, this paper has sought to compare the similarities and differences between two sites to pursue a more objective view of the shadow reporting impacts. This chapter provides concluding comments on the findings from previous chapters referring to the research questions of this study, as well as some suggestive comments on future research.

The reminder of this chapter consists two main sections. The first section concludes the current research and the second section tentatively discusses some further interests in shadow reporting.

#### **6.1 CONCLUSION FOR THIS RESEARCH**

As aforementioned, it is the tension between the lack of credible SER reports and the growing demand from stakeholders which arouses accounting academics enthusiasm to seek and explore the possibility of engaging and developing silent and shadow reporting. Researchers' attempts in their theoretical inference of the expected potentiality of silent and shadow reporting in terms of its emancipatory power and educative influences have been embarked already for several years. The contribution sought in this research is to provide more realistic evidence to solidify the former researchers' inferences. The investigation in

the two typical study sites has presented pragmatic and empirical support to the theoretical sense of the impacts of shadow reporting.

From previous study of two sites, the conclusion can be drawn as that shadow reporting has a certain ability to effect the changes, mostly positive, in corporate SER. Rather, following an approach in sympathy with shadow reporting, philosophy and practice may start and persist with the process of change that SER seeks. This can be evidenced through that the vast majority of issues arisen from all the selected shadow reports have been observed the reflective changes (to different extents) in associated corporate SER reports. Evidence also suggests that the effected changes in corporate SER could continue over a relatively extended timescale.

The three common patterns of shadow reporting impacts which are generated from two site studies present a preliminary portrayal of the nature of shadow reporting impacts. It is reasonable to believe that shadow reporting can effect changes in corporate SER instantly. While most of changes have developed towards a positive direction as the shadow report preparers expected and/or the corporate SER internally needed. A minority of changes have caused the corporations in both sites to turn to reticence or brevity about some extremely sensitive topics. Nevertheless, some inspirational and heuristic impacts such as later corporate reports pick up issues from the related shadow reports can be seen as significant.

The impacts of shadow reporting will not be limited to instant or necessarily short-term responses. Shadow reporting can be strengthened through continuously exposing the same issue. Some issues in Site Two analysis perhaps can support this theory, such as issue “BAT’s Stakeholder Dialogues” and issue “BAT’s Youth Smoking Prevention Programme”. Also, some issues proposed in shadow reports may need a latent period to effect changes in corporate SER. Issue “Climate Change and Coal vs. Carbon Emission Profile” in Site One could be considered as a example. Society may need to catch up. Furthermore, issues can potentially be redeveloped in corporate SER some time after the first reflective change effected, which

may or may not need a second targeting. This position could be implicated through the Issue “BAT’s Core Business” in Site Two. In general, most of the improvements made in corporate reports have remained, and/or been improved on in the later corporate reports rather than been reversed. Overall, the implications for the long-term influences of shadow reporting can be drawn as that there is certainly a developmental potential in adopting shadow reporting over a continuous period. But of course like with companies the reporting expense in NGOs comes and goes as staff and volunteers more in and out of the organisations.

Moreover, the empirical evidence from the two sites shows that the publication of shadow reports might lead to some SER improvement, in particular in the disclosure of bad news and the wording and structuring of SER. Therefore, shadow reporting techniques not only have potential to increase the information disclosure in corporate reports, but also have potential to directly or indirectly restrict the corporate reporting rhetoric. This is also crucial for the future development of SER in regard to the prevalent criticism on current SER practice.

Previous discussion about the effectiveness of shadow reporting in reporting-performance gap narrowing, which is examined from Dey’s (2007) three gap categories presents that shadow reporting can narrow the gaps down quite effectively but that the extent of effectiveness is determined through how well the shadow reporting is practised. The findings from two sites studied here suggests that both targeted corporations Solid Energy New Zealand Limited and British American Tobacco have appeared to be improved significantly in terms of the overall disclosure of SER, the inclusivity of stakeholders and their understanding of stakeholder theory after the publication of associated shadow reports.

The empirical evidence in the selected two site can also underpin some researchers’ suggestions or forecasts that shadow reporting can bring ‘problematisation’ to corporations, argue against corporate ‘hegemonic discourse’, and be educative in corporate SER. The current study presents that, in general, all the examined shadow reports have the positive

possibility in realizing those counter accounting impacts. However, those impacts appear to be very different in the extent of their effectiveness. Some are obviously reflected in the related corporate reports, but some only show very limited and indirect reflections. These differentiations may be caused by the reason that those impacts have occurred in the different contexts in respect of the purpose of shadow reporting, the attention of targeted corporation, and the contestability of shadow reports. Therefore, it is finally consistent with Dey (2007) that a robust framework for future shadow reporting would be very necessary to conquer some drawbacks in current shadow reporting practice.

Some suggestions have been made to the construction of future framework for shadow reporting. Based on the study of the two sites, the framework construction should draw more attention to open processes of a healthy communication channel between shadow report preparers and the corporation the shadow report targeted. Attention also should be paid to strengthening of the contestability of shadow reporting practitioners, easing of the acceptability of SER preparers, and removing of reporting biases. These are major hurdles to overcome.

As the above remarks perhaps make all too clear, research in counter accounting faces a challenging future if it is to fully realise its emancipatory and radical potential. The next section discusses the future research area in respect of silent and shadow reporting.

## **7.2 COMMENTS ON FUTURE RESEARCH**

This research has investigated the impacts of shadow reporting through intensively analysing two sites. The selected reports for both sites have been examined in-depth with interpretation of their contents, language, structures and images. The findings from the investigation can be seen as that the initial anticipation for this research has been achieved. However, there are still some questions that cannot be answered from this research but that may be interesting for further research.

Firstly, there are only two sites examined in this research. Researchers may want to know whether other cases have similar outcomes as those found in this research. Future research can replicate the same method for other cases, or they can design a new method to analyse the current cases. Secondly, further interests may reside in the future framework for shadow reporting in conjunction with facilitating the educative impacts on current SER practice, which is the essential purpose for counter accounting. Thirdly, knowing the underlying reasons for corporations turning silent on some sensitive issues after the issues arise in shadow reports would be also important for future shadow reporting practice. Therefore, future research can investigate the different reactions from corporations, especially those negative effects on SER, and the prevention for shadow reporting from those unexpected impacts. Such research is likely to require interviews with corporations and/or shadow report preparers.

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