

Research Project: Sustainable Business Models and Practices: Social and Environmental Reporting and Accounting.

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Background: How businesses report and communicate about their social and environmental performance to stakeholders is one of the most fertile areas for business sustainability and CSR research. It represented one of the key areas for early BRASS research and was a consistent theme during the Centre's lifetime. There was also a social and environmental reporting element to the CSR and Mining project (see A42).

Aims & objectives:

- To develop new approaches to measuring and reporting sustainability related elements of businesses including their use of natural resources;
- To determine the extent to which social, ethical and environmental disclosure is being integrated into institutional investment and to investigate the relationship between private and public SEE disclosure;
- To understand how particular tools of communication are used by companies in sustainability reporting such as their use of graphical presented information and particular types of language;

About the research: This project had several elements:

- **Valuing nature:** One aspect of the work was the development and testing of a 'natural inventory' model for valuing biodiversity to record, value and report the natural resources under an organisation's stewardship including habitats, flora and fauna. The model was tested on the Elan Valley Estate, a substantial area of land which at the time the research was conducted was owned by Hyder plc, a leading UK public company.
- **Motivations for, and perceptions of Social and Environmental Reporting (SER) and Social, Ethical and Environmental Disclosure (SEED):** This research involved an interview programme within the UK institutional investment community to explore the usefulness to investors of disclosed information, and also an exploration of the growth in SER and SER assurance (SERA) through an interview programme with CSR professionals from listed companies.
- **Graphical elements of SER/SEED:** This work examined the use of graphically presented information in SER, a voluntary process that creates unregulated documents that have a considerable potential to influence stakeholder perceptions. These documents make widespread use of graphs to present sustainability and CSR based information, and there is considerable potential for them to be used to manipulate the presentation of information to create favourable impressions.
- **Use of metaphor in sustainability reporting:** This work examined the sustainability reporting of companies (and other organisations) in their use of particular metaphors within the reports. This included a full metaphor analysis of the sustainability reports (or sections of their annual reports dealing with sustainability and/or CSR issues) of the 29 of the Fortune Top 30 companies who produce them.

Results and outputs: The work on accounting for biodiversity demonstrated the feasibility of a natural inventory approach to valuing the natural capital within land owned and managed by business and other organisations.

The research into SEED found that institutional investors did not find current public SEED adequate in informing investment decisions and so sought to develop sophisticated private SEED

channels involving dialogues with business on sustainability issues. This has a range of implications in terms of equity and information asymmetry amongst stakeholder groups.

The interviews amongst CSR managers on SERA revealed a split between those believing that external SERA would enhance credibility and trust (confirming the existing literature view) and those believing it unnecessary because SERA was predominantly a managerial tool, useful for checking the efficiency of internal management control systems, rather than a mechanism for enhancing corporate accountability to stakeholders and building credibility and trust. The potential for SERA to be a mechanism whereby greater dialogue is created between companies and their stakeholders on social and environmental issues is therefore not yet being harnessed. It is however becoming an important mechanism for driving forward more stakeholder-inclusive SER, with the SERA process beginning to transform attitudes of management towards their stakeholders through more stakeholder-led SER.

This investigation of graph usage in SER showed a managerial preference for graphs of air pollution, waste output, energy usage and employees. High profile industrial sectors, particularly the extractive industry, used graphs the most, and were more prone to distort graphs to present information more favourably. There was clear evidence of impression management in graph usage. In terms of trends selected and in the distortion of those trends, there was an overwhelming portrayal of good rather than bad news.

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Impacts achieved/potential for impact: Social and environmental reporting assurance (SERA) is a relatively new element of accounting practice that grew rapidly during BRASS's lifetime as an ESRC Centre, and the BRASS research into it provided some of the first in-depth research evidence of this emergent discipline. The work on accounting for the environment and for biodiversity specifically has made an important contribution to the debate in both academic and policy/practice circles on the topic, and in the case of the testing of the innovative biodiversity valuation framework was tested for the landholdings of a major UK company with the results informing their future land management strategy.