

SOCIOLOGY OF RADICAL CHANGE

Radical Humanist (Subjective)	Radical Structuralist (Objective)
Interpretive (Subjective)	Functionalist (Objective)

SOCIOLOGY OF REGULATION

SOCIOLOGY OF RADICAL CHANGE

<p>Radical Humanist (subjective)</p> <ul style="list-style-type: none"> ✓ Revolutionary change/emancipatory for individual consciousness ✓ Perfect opposite of functionalist view <p>Critical accounting research fits remarkably well into this paradigm and is greatly hosted</p>	<p>Radical Structuralist (Objective)</p> <ul style="list-style-type: none"> ✓ Concentrate upon structural relationships within a realist world ✓ « Mature » marxism? <p>Besides its contribution to conflict theory, this paradigm has received little attention in the U.S</p>
<p>Interpretive (subjective)</p> <ul style="list-style-type: none"> ✓ Understand the world as it is ✓ Understand the fundamental nature of the social world <p>Ethnomethodology, phenomenological symbolic interactionism, and hermeneutics; did not lead to much org. theory</p>	<p>Functionalist (Objective)</p> <ul style="list-style-type: none"> ✓ Status quo ✓ Social order ✓ Consensus ✓ Integration <p>Positivist theory and capital market research</p>

SOCIOLOGY OF REGULATION

DOES CORPORATE SOCIAL AND ENVIRONMENTAL REPORTING REALLY MATTER?

If a (researcher?) views the world:

- ✓ From a functionalist perspective (Burrell and Morgan, 1974)
- ✓ **Y** is explained by, or 'associated with, **X**
- ✓ With a (narrow?) focus on financial/capital markets as the dominant institution of our society
- ✓ From an investor's standpoint only or mainly...

Then...

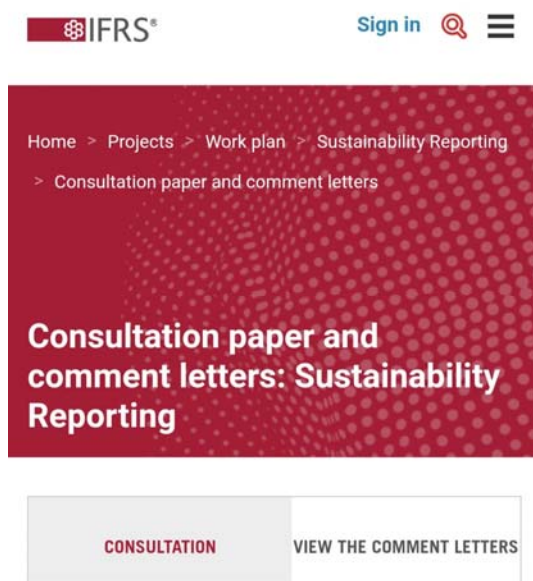
YES, corporate social and environmental reporting matters (a lot)!

The 'easy' position would then be '*It Depends*' (??), but here I am... 😊

Should(n't) **social and environmental** reporting address (or at least aim to) **social and environmental** issues?...

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IFRS FOUNDATION CONSULTATION PAPER ON SUSTAINABILITY REPORTING




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Consultation paper and comment letters: Sustainability Reporting

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Home > News and events > News
> IFRS Foundation announces ISSB, consolidation with CDSB and VRF, & prototype publication

03 November 2021

IFRS Foundation announces International Sustainability Standards Board, consolidation with CDSB and VRF, and publication of prototype disclosure requirements

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The Trustees welcomed the February 2021 [public statement by the IOSCO Board](#), announcing IOSCO's intention to work with the IFRS Foundation in developing a plan to establish a new board for setting sustainability reporting standards that meet the needs of the capital markets. This will include consideration of future endorsement of the new board and its standards. The Trustees recognise the importance for the **public interest** of reporting standards that address enterprise value, which captures expected **value creation for investors** in the short, medium and long term and is interdependent with value creation for society and the environment.

Based on the feedback to the 2020 Consultation, and encouraged by the IOSCO Board statement, the Trustees have reached the following views about the strategic direction of a new board:

- **Investor focus for enterprise value:** the new board would focus on information that is material to the decisions of investors, lenders and other creditors.
- **Sustainability scope, prioritising climate:** due to the urgent need for better information about climate-related matters, the new board would initially focus its efforts on climate-related reporting, while also working towards **meeting the information needs of investors** on other ESG (environmental, social and governance) matters.

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As world leaders meet in Glasgow for COP26, the UN global summit to address the critical and urgent issue of climate change, the IFRS Foundation Trustees (Trustees) announce three significant developments to provide the global financial markets with high-quality disclosures on climate and other sustainability issues:

- The formation of a new **International Sustainability Standards Board (ISSB)** to develop ~~in the public interest~~ a comprehensive global baseline of high-quality sustainability disclosure standards to **meet investors' information needs**;
- A commitment by leading **investor-focused** sustainability disclosure organisations to consolidate into the new board. The IFRS Foundation will complete consolidation of the **Climate Disclosure Standards Board** (CDSB—an initiative of CDP) and the **Value Reporting Foundation** (VRF—which houses the Integrated Reporting Framework and the SASB Standards) by June 2022;

Proven demand

Financial markets need to assess the risks and opportunities facing individual companies which arise from environmental, social and governance (ESG) issues, as these affect enterprise value. This is driving significant demand for high-quality information. Investors and other providers of capital want global sustainability disclosure standards that meet their information needs. Voluntary reporting frameworks and guidance have prompted innovation and action, although fragmentation has also increased cost and complexity for investors, companies and regulators.

Many investors and regulators have called for the IFRS Foundation to build upon **market-led** initiatives and to use its experience in creating accounting standards used in more than 140 jurisdictions to bring globally comparable reporting on sustainability matters to the **financial markets**.

***Neo-classic economics-based* underlying theoretical reasoning**

CSR disclosure is important “in **reducing information asymmetry** and uncertainty” regarding CSR projects with implications for future cash flows (Dhaliwal et al., 2011, p. 62).

“Investors can infer **useful information** from nonfinancial disclosures such as those concerning CSR activities” (Dhaliwal et al., 2012, p. 726).

Companies use CSR reporting “to create transparent reports that provide **accurate and reliable data**, as well as a fair picture of overall performance” (Ballou et al., 2006, p. 65-66).

- Focus is on the **value** of social and environmental information in explaining firm **financial** performance and **investor-based capture** of that value.
- Such perspective “can only **hinder** the ultimate development of better accounting and disclosure for all of the impacts of business.”

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***Sociopolitical-based* underlying theoretical reasoning**

“The vast majority of corporate reporting practice is . . . **voluntary, partial**, and, mostly, fairly **trivial**” and “with such data, **no reader** could make any kind of **reliable** estimate of the organisation's social or environmental performance” (Gray, 2006, p. 803).

- **Legitimacy** and **impression management** tool

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DOES CORPORATE SOCIAL AND ENVIRONMENTAL REPORTING REALLY MATTER?



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The role of environmental disclosures as tools of legitimacy: A research note

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The relation between environmental performance and environmental disclosure: a research note

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The language of US corporate environmental disclosure

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ORIGINAL PAPER

The Frontstage and Backstage of Corporate Sustainability Reporting: Evidence from the Arctic National Wildlife Refuge Bill

Charles H. Cho¹ · Matias Laine² · Robin W. Roberts³ · Michelle Rodrigue⁴



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Organized hypocrisy, organizational façades, and sustainability reporting

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Companies with poorer environmental performance:

- ✓ exhibit higher levels of environmental disclosure (Cho and Patten, 2007; Patten, 2002)
- ✓ exhibit more optimistic & less certainty in their language (Cho et al., 2010)

Companies claim that they care about the environment but lobby hard to push for environment-damaging (i.e., drilling) legislation (Cho et al., 2018)

Organizations engage in hypocrisy & develop façades, severely limiting prospects that sustainability reports will ever evolve into substantive disclosures (Cho et al., 2015)

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DO THESE SOCIAL AND ENVIRONMENTAL DISCLOSURES REALLY MATTER?

“ExxonMobil is committed to **operating responsibly everywhere** we do business by implementing scientifically sound, practical solutions to meet energy needs in an **environmentally responsible manner**.”

“**Environmental stewardship** means more than keeping track of emissions and waste statistics. It is a genuine commitment to **minimize the impact** our operations have in the communities where we live and work.

“Chevron works to **protect sensitive ecological habitats and species** around our operations by focusing on **biodiversity conservation**.”

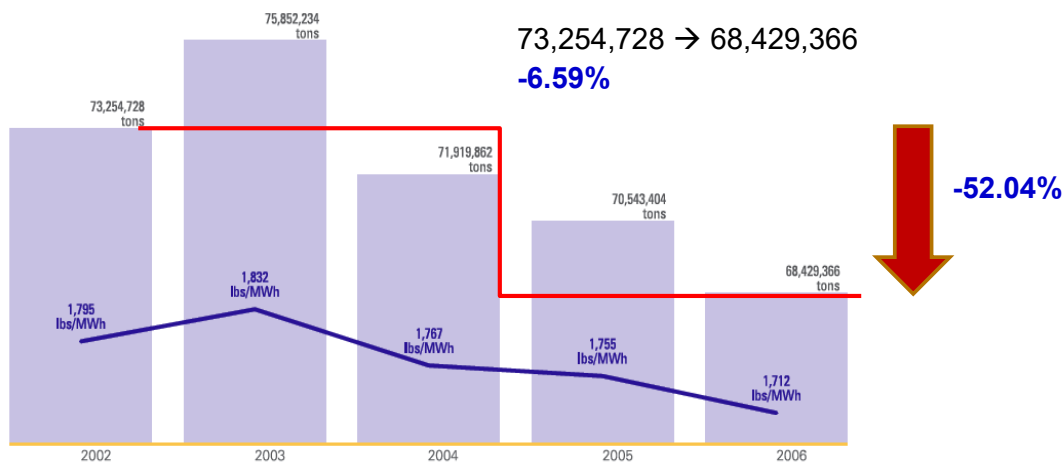
“XYZ facilities budget for and contribute to **community-specific needs** and charities. XYZ employees **give generously** of their time, talents and resources to local charities and civic organizations.”

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Impression Management in Sustainability Reports: An Empirical Investigation of the Use of Graphs

Charles H. Cho, Giovanna Michelon, and Dennis M. Patten

Carbon Dioxide



This chart shows carbon dioxide emissions from Xcel Energy's owned generating fleet in total tons and by intensity (pounds per megawatt hour).

Graph Discrepancy Index

$$-52.04\% / -6.59\% = \mathbf{689.98\%}$$

ENVIRONMENTAL REPUTATION

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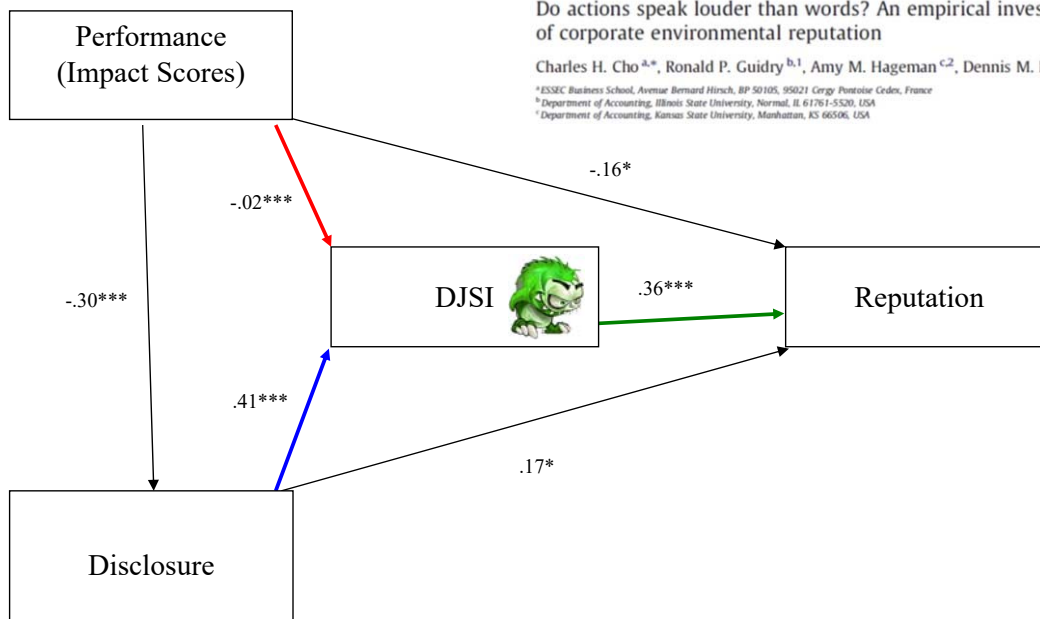
Do actions speak louder than words? An empirical investigation of corporate environmental reputation

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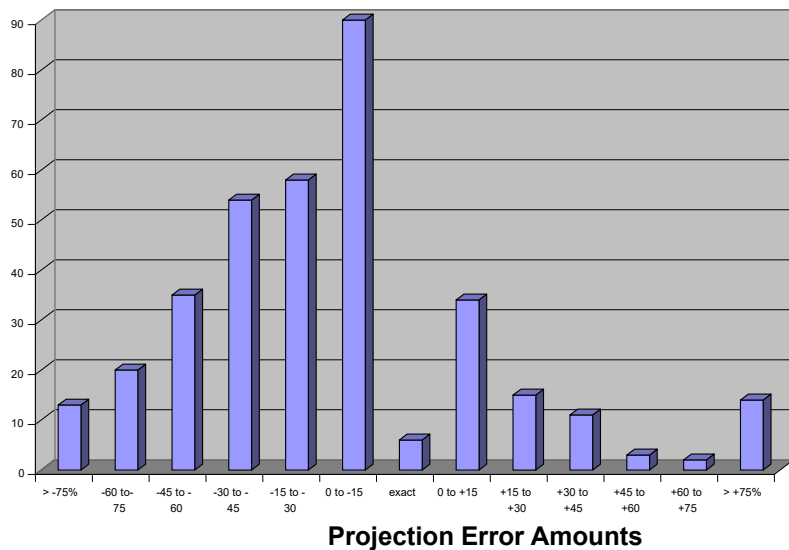
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ENVIRONMENTAL CAPITAL EXPENDITURES

1 Year Projection Errors



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Accounting, Organizations and Society 30 (2005) 457–468

Accounting,
Organizations
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The accuracy of financial report projections of future environmental capital expenditures: a research note

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ENVIRONMENTAL DISASTER: EXXON VALDEZ

Accounting, Organizations and Society, Vol. 17, No. 5, pp. 471–475, 1992.
Printed in Great Britain

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Pergamon Press Ltd

INTRA-INDUSTRY ENVIRONMENTAL DISCLOSURES IN RESPONSE TO THE ALASKAN OIL SPILL: A NOTE ON LEGITIMACY THEORY

DENNIS M. PATTEN
Illinois State University



European Accounting Review
Vol. 18, No. 1, 33–62, 2009

**Legitimation Strategies Used
in Response to Environmental
Disaster: A French Case Study of
Total SA's *Erika* and *AZF* Incidents**

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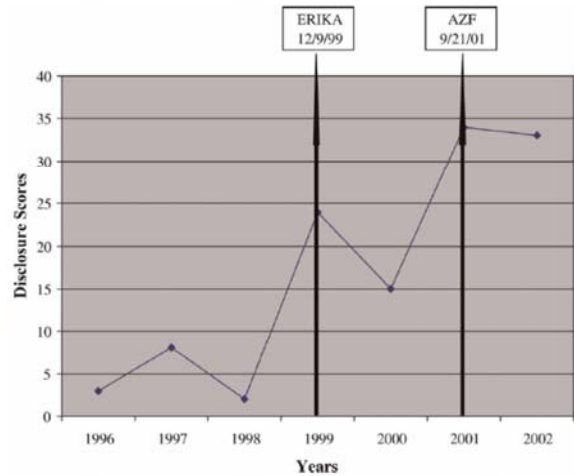


Figure 1. Total's levels of annual report environmental disclosures 1996–2002



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**DOES CORPORATE SOCIAL AND ENVIRONMENTAL
REPORTING REALLY MATTER?**

If we only care about investors...

- ✓ Then, yes, it matters because it's ESG disclosure ≠ social and environmental (or planetary sustainability) disclosure (e.g., see the ISSB fiasco)...because they need to maintain and grow their stock portfolio to become richer?! ☺

Impact
Materiality
Opportunities
Risks
Investors
Integration

Hmmm... maybe our world and society are (should) not exist around financial markets and investors, especially when it comes to social and environmental issues... (?).

- ✓ The hope is (**was!**) to increase the accountability of business through the provision of better information (via SER).
- ✓ However, we are still a long way from having relevant and reliable disclosure that truly addresses the social and environmental accountability and sustainability of organizations.



- ✓ So, no, SER does **not** really matter (yet?) for broader societal stakeholders.

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THANK YOU FOR YOUR ATTENTION!
COMMENTS AND QUESTIONS ARE WELCOME 😊



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