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The Failure of Transparency as Self-Regulation

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THE FAILURE OF TRANSPARENCY AS SELF-REGULATION

Abstract

Purpose: This article examines the existence of a transparency gap between voluntary external sustainability reporting and internal sustainability performance of an organisation arising from the operationalisation of transparency as an instrumental tool.

Method: We combined an analysis of a firm's sustainability report (secondary data) with a qualitative case study data (primary data comprising interviews, meetings and internal documents) to understand how the Global Reporting Initiative (GRI) sustainability reporting guidelines are applied in practice.

Findings: By comparing what is reported with a range of primary case study data, we find evidence of transparency gaps, particularly in terms of the quality of measurement of sustainability performance, the materiality of issues covered, and the completeness of the report. We posit that voluntary disclosures following the GRI guidelines (transparency *technique*) shape the external expression of acceptable corporate behaviour (transparency *norm*) that is nevertheless at odds with actual behaviour or performance.

Practical implications: Our findings indicate the importance of mandatory sustainability reporting requirements that facilitate accountability to all key stakeholders and that are externally assured and enforced. Such requirements might take the form of Standards that put boundaries on judgement and address material sustainable development impacts and that are accompanied by implementation guidance. Non-financial assurance practices must be developed to cover adherence to reporting principles and processes.

Social implications: Transparency gaps that result from voluntary disclosure guidelines or standards being used to imply a transparency norm may undermine accountability for the impacts of the organisation and hinder alignment of business models and corporate strategies with sustainable development.

Originality/value: The paper contributes to a theoretical understanding of transparency as a form of self-regulation and has implications for the further development of sustainability reporting standards.

Keywords: CSR reporting, Sustainability reporting, Transparency; Global Reporting Initiative; Self-regulation

1. Introduction

Sustainability reporting[i] and disclosure is increasing in response to growing societal pressure for more corporate transparency (Doorey, 2011; Fernandez-Feijoo *et al.*, 2014). In 2017, 93% of the world's largest 250 firms produced a sustainability report (KPMG, 2017). In North America where the case company's Head Office is located, an average of 85% of the top 100 companies by country produced sustainability reports in 2017 increasing to 94% by 2020 (KPMG, 2020). Throughout this period, the GRI was the dominant sustainability standard setter world-wide. The belief that enhanced transparency leads to greater responsibility has gained traction amongst businesses (Wilkin, 2009). However, research has also highlighted numerous cases of greenwashing and window-dressing, where firms' actions are decoupled from their reports (Aravind and Christmann, 2011; Graafland and Smid, 2019; Marquis *et al.*, 2016) leading academics to question the value of voluntary sustainability reports (see, for example, Barkemeyer *et al.*, 2015; Böhling *et al.*, 2019; Hess, 2019).

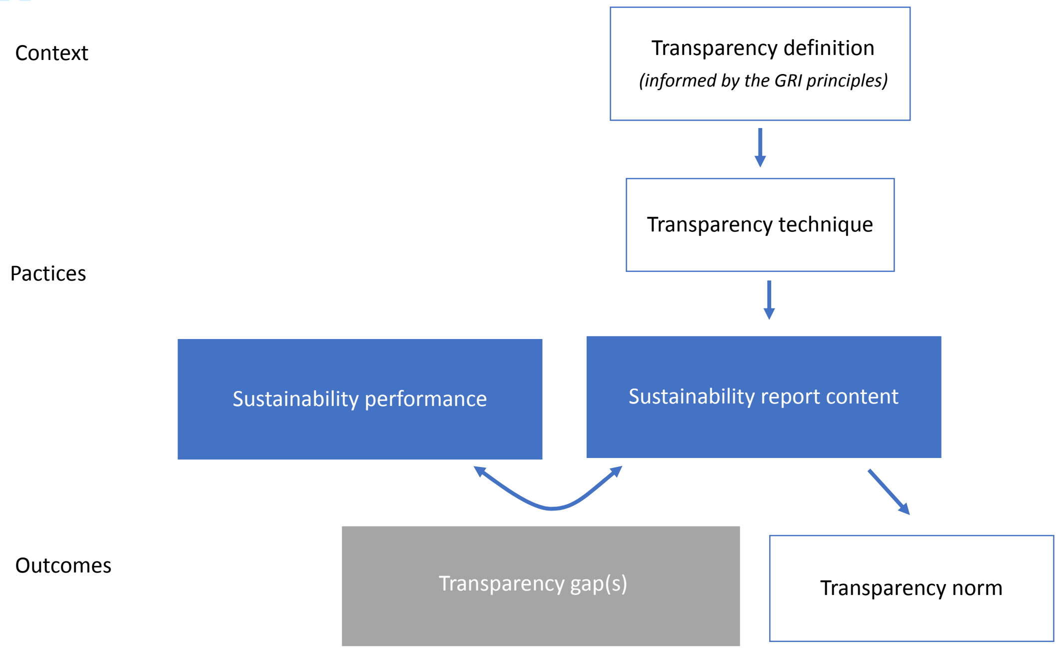
The study therefore addresses the extent of transparency - defined as the disclosure of clear, valuable, accurate information for stakeholders (Schnackenberg and Tomlinson, 2016) - in sustainability reporting. Specifically, it examines the existence of a transparency gap between voluntary external sustainability reporting and the internal sustainability performance of an organisation. To examine this possibility of a gap we draw on Backer's (2018) dichotomy of transparency as both a disclosure *technique* and a *norm* of legitimacy, addressing the following questions: [1] how does the operationalisation of transparency as an instrumental tool shape the expression of acceptable corporate behaviour (transparency *norm*)? and [2] how do firms produce information for sustainability reports (transparency *technique*)? We do this by examining the extent to which information made public by a large multinational enterprise, Beta[ii], claiming to follow GRI guidelines, reflects the internal sustainability systems, processes, strategies and practices as observed. Primary data was collected from the company through 24 interviews, 26 hours of recorded observations and the examination of internal documents (e.g., minutes from meetings and strategy documents). Secondary data includes the firm's sustainability reports and website. Our methodological approach combining these two data sources is informed by Basu and Palazzo's (2008) corporate social responsibility (CSR) character model. Any inconsistency in the way Beta represents its CSR character would signal a 'transparency gap' or in Adams' (2004) terms, a reporting-performance portrayal gap. Transparency gaps are significant to efforts to build stakeholder trust and also have implications for the further development sustainability reporting standards and practice.

The article contributes to our theoretical understanding of transparency as a form of self-regulation (Backer, 2018; Hess, 2019) by demonstrating how a firm is putting transparency into practice through sustainability reporting. In doing so, it provides empirical evidence on specific reporting-performance discrepancies revealing issues with respect to the credibility and hence value of information provided in the report and connectivity between the report and the actual processes and performance. We demonstrate that sustainability reports are lacking with respect to: quality measurement of sustainability performance; materiality of issues covered; and completeness of information provided. Reports are found to provide limited information on the decision-making, reporting and implementation processes involved in sustainability management. In this way they shape the expression of acceptable behaviour (transparency *norm*) by legitimising disconnected, flexible and selective reporting. Our study shows how transparency, often perceived in research as a messy concept (Albu and Flyverbom, 2019), can be operationalised in practice through a narrow definition which enables firms to maintain legitimacy without engaging in moral development (i.e., a change of behaviour leading to the "incorporation of sustainability issues into the operating ethos of the corporation" Hess, 2008, p.460). By identifying specific transparency gaps, we provide an in-depth illustration of the current pitfalls of reporting. This demonstrates the current limited potential of transparency as an effective form of self-regulation, thus answering the call for more empirical research on the operationalisation of transparency (Albu and Flyverbom, 2019; Gold and Heikkurinen, 2018; Parsons, 2019) that can help inform the future development of GRI Standards and legislated disclosure requirements.

2. Conceptualising sustainability reporting: transparency, the GRI and self-regulation

In this section we present a conceptual framework that illustrates the process of sustainability reporting (see Figure 1). We build this framework by drawing on the theoretical global governance literature on sustainability standards (e.g. Backer, 2018; Frynas, 2010; Hess, 2008, 2019) and the more empirical sustainability accounting and reporting literature (e.g. Michelon *et al.*, 2015; Moneva *et al.*, 2006). This section introduces the framework, defining its key concepts, to shed light on the context, practices and outcomes of sustainability reporting.

Figure 1. Transparency framework



2.1 Context: defining transparency through the GRI

The concept of transparency has been defined through various lenses including accounting (Boiral, 2013; Roberts, 2009), global governance (Backer, 2018; Frynas, 2010; Hess, 2007), stakeholder management (Fernandez-Feijoo et al., 2014; Schnackenberg and Tomlinson, 2016), and corporate communication (Coombs and Holladay, 2013; Wehmeier and Raaz, 2012). Schnackenberg and Tomlinson (2016) have identified three main ingredients of organisational transparency: [1] the *disclosure* of relevant information; [2] the level of *clarity* (or comprehensibility) of the information provided; and [3] the perceived *accuracy* of the information.

The GRI, along with other sustainability standards such as the United Nations Global Compact (UNGC), has long sought to promote this concept for firms. The GRI defines transparency as "the complete disclosure of information on the topics and indicators required to reflect impacts and enable stakeholders to make decisions, and the processes, procedures, and assumptions used to prepare those disclosures" (GRI, 2011, p.6). The GRI guidelines[iii] (now Standards) effectively provide guidance for corporations on *what* and *how* to report their impacts on economies, society and the environment. The *what* involves three types of information: [1] the firm's profile (strategy, profile and governance); [2] the firm's management approach to addressing the issues; and [3] performance indicators (GRI, 2011, p.5). Whereas the *how* relates to two main areas: [1] the content of the report (materiality of information; stakeholder inclusiveness, sustainability context and completeness); and [2] the quality and presentation of information provided (balance; clarity; accuracy; timeliness; comparability; and reliability of the data) (GRI, 2011).

By providing those guidelines, the GRI influences the method and structure of reporting, which Backer (2013) has called the *technique* of transparency. According to Backer, transparency can be seen as both a *technique* to enhance accountability and also a *norm* of behaviour: "as technique, transparency is the aggregate of methods of producing information for use in managing and policing power relationships. As norm, transparency expresses the normal and acceptable – right conduct, right rule and right relations" (Backer, 2018, p.478). The GRI influences the method of producing reports (transparency *technique*) which in turns influences the content of firms' reports, mediated by how the firm choses to apply the *what* and the *how* (see above).

2.2 Practices: sustainability reporting as self-regulation

The effectiveness of the GRI Standards, or any other standard applied voluntarily, in changing firms' behaviour has often been questioned (Aravind and Christmann, 2011; Benham and MacLean, 2011). Prior literature has illustrated how firms use the voluntary GRI guidelines in developing their sustainability reporting to enhance their legitimacy rather than provide a comprehensive portrayal of their sustainability performance (Adams, 2004; Coombs and Holladay, 2014; Diouf and Boiral, 2017; Vigneau *et al.*, 2015). Recent decades have witnessed a growth in the adoption of this type of voluntary sustainability reporting initiatives (e.g., Aravind and Christmann, 2011; Delmas and Montes-Sanchos, 2011; KPMG, 2020), that is, an increase in self-regulation that has not been matched with 'hard' law such as formal regulation and sanctions (Hess, 2007; Scherer and Palazzo, 2011; Mena and Palazzo, 2012; Vogel, 2010). Globalisation brought challenges to national legal systems (Ruggie, 2004) resulting in this new system of global governance to address emerging global societal issues, such as climate change, through multi-stakeholder approaches. This has not been sufficient.

Many sustainability initiatives have put emphasis on reporting as a crucial mechanism of this new global governance regime of 'soft' regulation (Hess, 2007). However, high levels of adoption have not led to satisfactory or greater firm accountability (Adams, 2004; Clapp, 2005) because voluntary initiatives are not enforced. As a result, research has focused on compliance, shedding light on the discrepancies between talk and action in standard adoption (e.g., Aravind and Christmann, 2011; Behnam and MacLean, 2011). Different internal and external factors have been found to influence the level of compliance. For example, Simpson *et al.*, (2012) found that a lack of technical capabilities within a firm can lead to hiding poor performance while Christmann and Taylor (2006) demonstrated that companies choose their level of compliance based on the perceived expectations of stakeholders. This has led to a disconnect between firms' sustainability performance and their reports with many studies questioning the quality and credibility of current reporting (Malola and Maroun, 2019; Michelon *et al.*, 2015).

2.3 Outcomes: the operationalisation of transparency in sustainability reporting

The current literature raises important questions on the role of reports as accurate reflections of the reality of sustainability performance. The sustainability accounting and reporting literature has identified several issues in the application of the GRI guidelines and raised questions about the influence of the reporting standards on the accountability process in practice (Michelon *et al.,* 2015). A key issue relates to their use whilst nevertheless concealing irresponsible behaviour (Moneva *et al.*, 2006). Adams (2004) and Boiral (2013) have shown how firms tend to hide negative events from their reports which therefore lack transparency. Adams (2004) referred to a reporting-performance portrayal gap (prior to the development of GRI guidelines) which she identified by comparing external reporting with secondary data reflecting stakeholder knowledge of performance gathered from sources external to her case company ('Alpha') including newspapers, scientific literature and NGO reports. She noted (p. 751) "that simply telling companies what they should report on is insufficient to ensure accountability". Boiral (2013) found that up to 90% of negative events were not reported in his sample of A and A+ GRI reports[iv]. Firms use sustainability reporting to create an impression of transparency while in fact producing reports that are disconnected from their actual sustainability performance in order to improve their sustainability image (Vigneau *et al.*, 2015). Additional strategies to enhance the legitimacy of sustainability reports include: the use of assurance statements from third-party auditors; the use of statements showing the firm's leadership in sustainability (for example, mentioning reporting awards received from a third-party); and the disclosure of a large amount of data (i.e., "data dumping") (Coombs and Holladay, 2013). We define those issues as transparency gaps between claims made in reports and firms' sustainability performance.

Furthermore, the global governance literature tells us that in order for transparency to be an efficient tool of self-regulation, it needs to increase accountability and become a manifestation of values such as trust and integrity (Fox, 2007; Peters, 2018). This is a crucial part of the new polycentric regime of new global governance (i.e., the multiple sustainability standards and other centres of authority creating a new network of 'soft' regulation) where transparency can be seen as a 'principle of democratic governance" (Bianchi, 2018, p.4). As an outcome of the reporting process, we know from the literature that published sustainability reports shape the transparency *norm* (i.e., the model of acceptable corporate behaviour) (Backer, 2018, Hess, 2008). The disclosure of corporate information helps "verify a particular state of affairs" and potentially enhance stakeholder trust (Albu and Flyverbom, p.281). Indeed, the GRI contributes to this effort to increase corporate transparency. In practice however, sustainability reporting has become an important process in the quest for enhanced legitimacy (Coupland, 2005; Palazzo and Richter, 2005), and firms are not necessarily operationalising transparency as a mechanism for corporate moral development (Hess, 2008).

3. Research design

Prior research examining transparency gaps, known as reporting-performance portrayal gaps (Adams, 2004; Boiral, 2013) or disclosure gaps (Böhling *et al.*, 2019), using external sources has contributed to a better understanding of the incompleteness of sustainability reporting. We extend this research through a robust approach comparing sustainability reports and website disclosures (secondary data) with information on sustainability actions and performance obtained through a single case study (primary data). Basu and Palazzo's (2008) CSR character framework is used as a methodological tool to help us identify transparency gaps. Their model informed our data collection and analysis processes and enabled us to identify misalignment between primary and secondary data (i.e., transparency gaps) (see Figure 2).

3.1 The case study

We used a single case approach to obtain detailed descriptions and provide persuasive arguments to illustrate conceptual ideas (Alvesson and Kärreman, 2011; Siggelkow, 2007). We gathered a rich account of sustainability management at Beta which we used to highlight discrepancies between reality (the actual practices and performance) and the rhetoric in sustainability reporting. Our case study involved an 18-month investigation in a North American MNE between October 2011 and March 2013. Beta is a manufacturing MNE with offices across 30 countries and approximately 80,000 employees. In 2013, the firm generated revenues of approximately US$20 billion. The firm is composed of two divisions, each operating in different sectors. Sustainability was managed through a CSR committee composed of 20 employees located in three different offices: the head office (located in North America) and two divisional offices (located in North America and Europe). Beta first published a sustainability report in 2007 and has been using the GRI guidelines since 2009. Since then, it has been listed many years in the *Dow Jones Sustainability Index*. The firm was chosen as a case study because it provided a good example of an average MNE involved in sustainability (neither a leader nor laggard in the field) with an established sustainability reporting practice.

3.2 Data collection

In order to assess Beta's sustainability report's ability to reflect its sustainability performance, we collected both primary and secondary data. The primary data includes interviews, meeting observation and internal documents (see Table 1). Basu and Palazzo's (2008) CSR character model was used as a guide to structure and define the interview questions (see figure 2 for information on how each characteristic was assessed). For example, to evaluate the consistency of the firm's CSR character, we asked questions related to the implementation of sustainability into the subsidiaries and the firm's day-to-day activities. Our qualitative single case approach enabled an in-depth understanding of the organisational processes concerning sustainability (Yin, 2009). The secondary data includes the firm's sustainability overall report, divisional report and sustainability website (see Table 1). The primary and secondary data offer complementary perspectives and enable a robust analysis of the firm's sustainability reporting practices (Dobbs and van Staden, 2016).

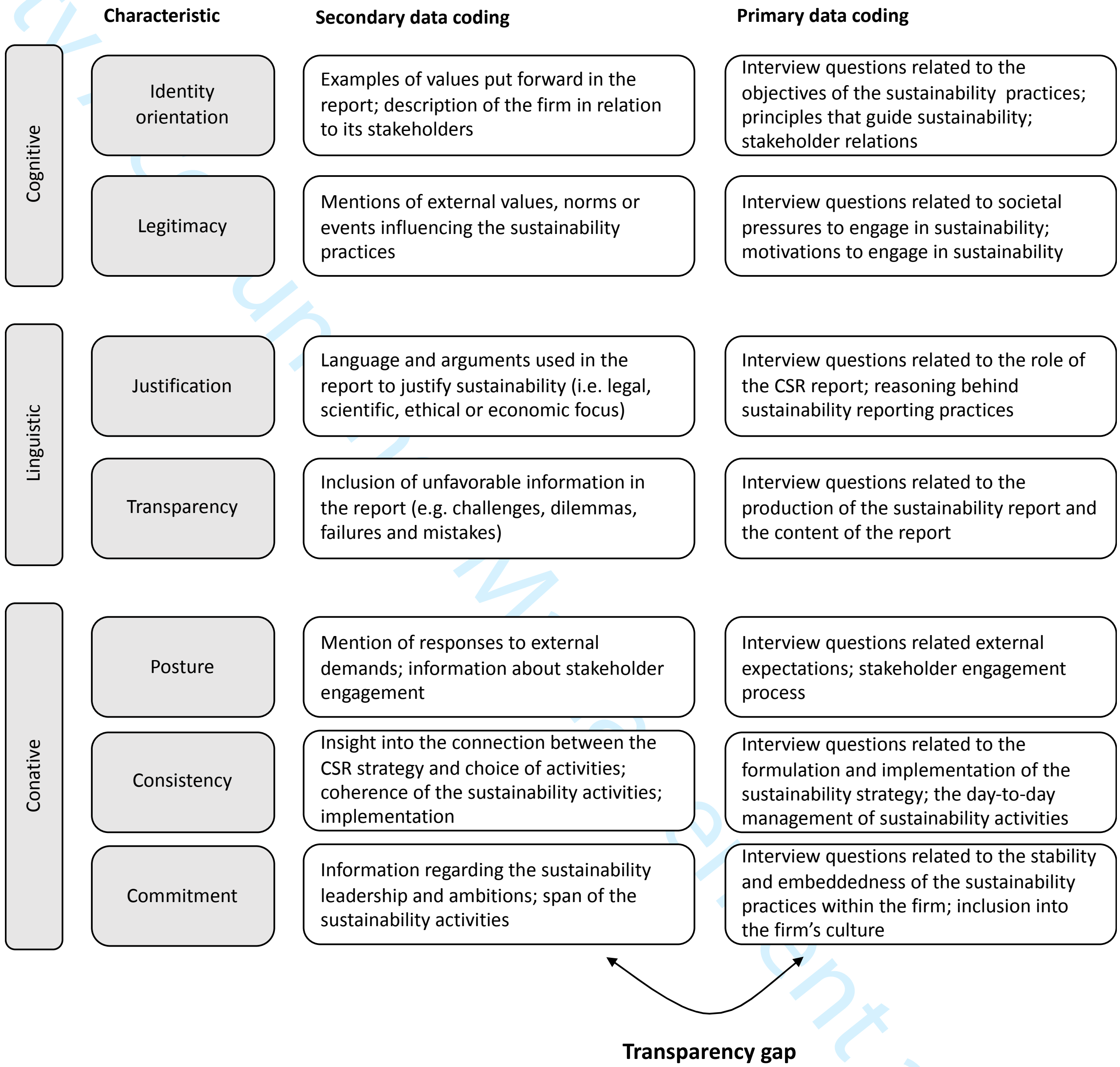
Table 1. Summary of the collected data

Data type	Description	Volume of data
Primary data		
Interviews	2 types of interviews were conducted in three locations in Europe and North America (the head office and two divisional offices): [1] 13 interviews with members of the CSR committee to better understand the firm's approach to sustainability and reporting; [2] 11 interviews with employees from other divisions (finance; operation; HR; strategy, etc.). to get more information on the day-to-day sustainability activities happening across the firm.	24 semi-structured interviews (average interview time was 53 minutes); 21 hours of recording; 163,000 words of transcription
Observations	2 types of meetings were recorded: [1] 27 CSR committee weekly conference calls, which generally involved around eight core members of the CSR committee and focused on the production of the sustainability report and general sustainability management issues; [2] 7 occasional CSR committee meetings which included a larger number of participants (between 15 and 20) including members of the top management team who would not attend the weekly calls. They focused on the sustainability strategy (e.g., sustainability mission/vision exercise; sustainability reporting post-mortem; stakeholder engagement strategy).	34 meetings (27 conference calls and 7 committee meetings); 26 hours of recording; 234,000 words of transcription
Internal documentation	The documentation included minutes and notes from workshops and strategy meetings.	35 pages
Secondary data		
Sustainability reports	3 sources of data: [1] the firm's 2012 sustainability report, [2] 2012 divisional sustainability report (focused on one side of the business operations) and [3] dedicated sustainability website. All the reporting was following GRI G3.1 guidelines. The firm's main report received an application level B+ from the GRI.	Sustainability report (28 pages); divisional sustainability report (17 pages) and website

3.3 Data analysis

In order to compare the primary and secondary data, a template analysis was conducted (Cassell, 2009; King, 2012). The approach is particularly suited for this study since it enables systematic examination of a large amount of data and structures it around certain themes in order to provide a rigorous comparison of the sustainability claims and actual practices. This method involves the "design of a template into which different chunks of data can be categorized" (Cassell, 2009, p.221). We used Basu and Palazzo's (2008) CSR character framework as a methodological tool to help us identify the transparency gaps between Beta's sustainability report and its performance. Their framework adopts a process-oriented view of CSR to evaluate how firms think (cognitive dimension), talk (linguistic dimension), act (conative dimension) in relations to sustainability. In order to assess those three dimensions, seven specific characteristics of sustainability were identified (see second column in figure 2). Basu and Palazzo's (2008) model was designed to evaluate and compare sustainability performance between companies. Rather than comparing different companies, we compare Beta's 'character' as displayed in its sustainability report (secondary data) with Beta's 'character' as demonstrated through its actual processes and performance (primary data). That is, we use Basu and Palazzo's model to shed light on potential transparency gaps between Beta's report and its activities and performance. The seven characteristics of their process model (first and second column of Figure 2) were used as *a priori* themes for the analysis. Figure 2 provides an overview of the use of the framework in both the primary and secondary data analysis.

Figure 2. How the Basu and Palazzo (2008) 'CSR character' model informed data collection and analysis



To analyse Beta's CSR character, a three-step analysis was conducted. The first step involved coding the sustainability reports and website disclosures. Basu and Palazzo (2008) provide definitions for each characteristic and insight on how to measure it. For example, they defined transparency as the value of the information provided which can be assessed by the disclosure or non-disclosure of unfavourable information and result in either a balanced or biased account of the firm. Coding was conducted to assess the firm's orientation for each characteristic (e.g., individualistic, relational or collectivistic identity orientation). This provided an overview of Beta's CSR character from publicly available sources. In the second step, the primary data (interviews, meeting observations and internal documents) was coded using the same *a priori* themes (i.e., Basu and Palazzo's (2008) seven characteristics were used as interview guides, see figure 2). This approach allowed comparison of the firm's CSR character derived from the primary versus secondary data. By comparing Beta's sustainability claims versus its practices, we were able to reveal the extent to which information was or was not accurately disclosed in the secondary data. For the final step of the data analysis, once those transparency gaps had been identified, we used the GRI's principles for reporting (related to the content and quality of reporting) to provide further details on the nature of those gaps in relations to the production of a GRI-compliant report. The principles of materiality, stakeholder inclusiveness, sustainability context, completeness, balance, clarity, accuracy, timeliness, comparability and reliability enabled us to identify specific areas of misalignment between the claims and practices. We used those ten principles as sub-themes to help us code the primary and secondary data identifying transparency gaps.

To ensure the methodological rigour of the study and the validity of the findings we relied on the triangulation of the data and performed accuracy checks throughout the data analysis. For the primary data analysis, we drew on interviews, observations and internal documents to corroborate the claims and identify convergent findings (Reinecke *et al.*, 2016). The findings are therefore supported by different sources of evidence. Furthermore, to ensure the accuracy of the coding we performed accuracy checks (Bluhm *et al.* 2011). The first author coded the data and the second author verified the findings to make sure that the coded data accurately represented the *a priori* templates used. This allowed us to provide a thorough analysis of Beta's transparency gaps.

4. Findings

Drawing on the framework of Basu and Palazzo (2008), we assessed Beta's CSR character through seven characteristics (ranging from their identity orientation to their commitment to CSR). Through this comparison of primary and secondary data, we showed discrepancies in terms of the 'transparency' and 'consistency' characteristics of the firm. Table 2 offers an overview of the findings. This section considers and compares the primary and secondary data findings for each characteristic of the Basu and Palazzo's model and presents the areas of alignment and misalignment for those characteristics.

Table 2. Summary of the comparative CSR character analysis

Characteristic	**Performance orientation**[1]	**Summary of the key findings (primary data)**	**Reporting orientation**	**Summary of the key findings (secondary data)**
Identity orientation	**Individualistic** Relational Collectivistic	- Self-interested approach to sustainability (business case for sustainability) - Sustainability as a strategic tool aimed at increasing brand reputation and profits	**Individualistic** Relational Collectivistic	- Report focuses on leadership around sustainability
Legitimacy	**Pragmatic** Cognitive Moral	- Sustainability as a reaction to societal pressures - Motivations to engage in sustainability include reputation and economic goals	**Pragmatic** Cognitive Moral	- Communication focused on usefulness of products
Justification	Legal **Scientific** Economic Ethical	- Sustainability is centred around data collection, analysis and reporting - Focus on reporting GRI and DJSI indicators	Legal **Scientific** Economic Ethical	- Use of scientific language to discuss sustainability reporting (e.g., data verification, validity, reliability) - Report relies on 'neutral' external criteria by expert organisations such as the GRI and DJSI
Transparency	Balanced **<u>Biased</u>**	- Issues with the quality of the measurement of the sustainability performance (accuracy, comparability and reliability of information provided in the report) and completeness of the report - Transparency seen as an instrumental tool	**<u>Balanced</u>** Biased	- Tables indicate progress on goals (including justifications for delays) - Report includes information on weaknesses and challenges

[1] The firm's orientation is highlighted in bold, both for their reporting and performance. The areas of discrepancy between the reporting and actual performance are underlined.

Posture	Defensive Tentative **Open**	- Sustainability practices started as a response to external pressures - Willingness to engage with stakeholders on issues to enhance sustainability practices	Defensive Tentative **Open**	- Report includes a materiality matrix and information on the stakeholder engagement process
Consistency	Strategically consistent **Strategically inconsistent** Internally consistent **Internally inconsistent**	- Choice of sustainability activities lacks coherence with overall strategy - Lack of materiality in the choice of the activities - Lack of involvement of different divisions (limited scope of sustainability activities) - Lack of a systematic approach in the adoption and implementation of activities	**Strategically consistent** Strategically inconsistent **Internally consistent** Internally inconsistent	- Report provides information on the firm's systematic approach to choosing sustainability activities (core priority; six areas; range of activities) - Report includes a goal table that tracks implementation of activities
Commitment	**Instrumental** Normative	- Sustainability practices as a reaction to external pressures - Sustainability is not completely implemented in the firm's activities	**Instrumental** Normative	- Report focuses on business imperatives not moral considerations

4.1 Alignment between the sustainability report and performance

The first characteristic is the ‘identity orientation’, which represents the ideology of firm - namely its set of values (Basu and Palazzo, 2008). In this case, both the primary and secondary data showed the firm as following an individualistic orientation to sustainability. Employees from all three offices often discussed how sustainability was used to add value to the firm. For example, an employee said “why do we do CSR? Because we believe that it is a good business investment” (manager, subsidiary 1). The report also showed Beta’s desire to become a sustainability leader with comments such as: “we take the lead”, “playing a leadership role within our industry” and “best environmental choice” in the industry.

The second aligned characteristic is ‘legitimacy’, which relates to the firm’s desire to conform to external social norms (Basu and Palazzo, 2008). The primary and secondary data demonstrated a similar pragmatic approach to legitimacy where the organisation convinces its stakeholders of its conformity to established norms (Suchman, 1995). In the case study, employees often mentioned early external pressures on the firm (in the form of protests outside the head office), which marked the starting point of the sustainability engagement: “the starting point for many of the activities had to do only with some students getting a bit angry. Corporate woke up and started taking some action.” (manager, subsidiary 2). The sustainability report focused on pragmatic arguments around their products’ usefulness (e.g., technological capabilities).

The third characteristic, ‘justification’, concerns the firm’s use of language (Basu and Palazzo, 2008). In our study, both the primary and secondary data illustrated the firm’s emphasis on a scientific justification of their sustainability engagement. The primary data showed that sustainability practices at Beta were centred on data collection, analysis and reporting. The members of the CSR committee focused their efforts into increasing the number of GRI indicators included in the report. The report also put emphasis on the scientific nature of sustainability reporting in the firm, using words such as data verification, validity, audit, reliability to describe the reporting practices.

In terms of the firm’s ‘posture’ (defensive, tentative or open), both primary and secondary data highlighted the firm’s open posture to external demands. During the data collection period, the firm underwent an extensive stakeholder engagement exercise, where they hired a consultancy firm to interview external and internal stakeholders (such as suppliers, labour unions, NGOs and employees) in order to identify the issues that were important to them. The sustainability report disclosed information about this third-party led stakeholder consultation. However, as the misaligned characteristics will show, although the firm was apparently open to stakeholders’ demands, it struggled to implement change based on the stakeholders’ recommendations.

Finally, the primary and secondary data consistently showed instrumental ‘commitment’ to sustainability at Beta. As mentioned above, the firm developed its sustainability policy as a reaction to external pressures. Furthermore, many employees expressed concerns related to the level of embeddedness of sustainability within the firm. The report showed that the firm’s commitment to sustainability was focused on three business areas: operations and supply chain;

product development and communities around the plants. This approach to sustainability focussed on business considerations such as minimising waste in the production stages and developing efficient products rather than on moral imperatives.

4.2 Misalignment between the sustainability report and performance

Transparency. The analysis showed inconsistencies in terms of 'transparency', defined by Basu and Palazzo (2008) as the value of the information provided. According to Basu and Palazzo, a firm can either provide a balanced or biased view of their performance which can be assessed by the disclosure or non-disclosure of unfavourable information in the sustainability communications. The analysis of primary and secondary data showed discrepancies in the level of transparency in relation to two key aspects: the completeness of the report and the quality of measurements (namely the accuracy, comparability and reliability of the data disclosed). On one hand, Beta's sustainability report represented the firm as putting forward balanced information, as the report included information on the challenges they face as well as areas for improvement. The report also included a table showing progress on goals (each goal identified as being either achieved, on track or behind) and a justification for delays in achieving goals. For example, they discussed a fatality in a plant in France, which resulted in them not achieving their target of zero occupational injuries.

However, primary data indicated that the report did not provide a balanced view of the firm's sustainability practices. An employee in subsidiary 1 noted that qualitative social indicators, as distinct from quantified environmental indicators such as litres of water used, presented a particular measurement challenge. Others discussed issues around the completeness of the report:

> *"We follow the GRI and we are level B, but there are a lot of [indicators] that we do not fully report on. For example, the social indicators, the human rights indicators, the impact assessment, etc. Sure, we do impact assessments but are they at the same level everywhere globally? Can we quantify that? No."* (manager, head office)

> *"The data is the biggest challenge […] because we have no hard KPIs on CSR except for certain aspects like health, safety and environment […] When it comes to this big question - who is the best CSR company? - I am not sure whether you can use GRI to answer that question."* (manager, subsidiary 2)

This manager in subsidiary 2 also pointed to a disconnect between stated objectives and the organisation's strategy. Another manager in subsidiary 2 who was also on the CSR committee noted that there was no discussion as to whether the reduction targets reported were even feasible. In fact, all employees indicated that the firm's report did not portray the firm's practice and performance accurately and completely, but rather focused on their efforts. As one employee put it:

> "*We do a terrific job talking about efforts: 'here are the different initiatives that we have launched' but as we progress I'm thinking: 'where is the data?' We need to get information about results and getting the measurements.*" (manager, head office)

Many issues were highlighted around the measurement of sustainability practices and the quality of the data provided in the report. For example, the accuracy of the data was often questioned. One employee explained that this issue was well-known inside the firm:

> *"[the internal audit team] presented a very exhaustive audit report and the findings were mostly to do with our processes and issues with data validity. […] A lot of it had to do with the aggregation of information, the necessity to have a central repository of information, roles and responsibilities and data flow."* (manager, head office)

Other employees also mentioned the report's lack of comparability (i.e., lack of clear benchmarks) and reliability (i.e., issues with the veracity of the information):

> *"We have invalid statements in our report. The comparisons [of different CSR indicators such as energy and water consumption] are based on figures which are not comparable. The comparisons are invalid because the values are based on different scopes. If we use valid values, we would have a valid comparison but then we would have an increase in use of water, waste, etc." (manager, subsidiary 2*)

Furthermore, when a CSR manager in charge of producing the sustainability report discussed her role, she explained that: "I do not have a duty of quality control on data provided by [my division]. My role is to consolidate this data and then amalgamate it all to make a debrief summary for [the head office]." (manager, subsidiary 1). This lack of internal controls has implications for the quality of the information provided in the report. Rather than take responsibility for the completeness and quality of reporting, some employees blamed GRI guidance and the detailed nature of the indicators:

> *"[The GRI] is so flexible that it becomes questionable if it is helpful. Are different reports really comparable? Is the information comparable? […] The level of adherence to GRI guidance [between companies] is very debatable*." (manager, subsidiary 2)

> *[GRI indicators] are so fuzzy and there are too many indicators. When you start talking about things like the percentage of local suppliers that blah blah blah, you know, these really granular indicators… For a company like us, who has so many suppliers, to calculate that information, the sheer number of people who would have to work compiling that information and never mind the systems and the money. What is the value added? […] It is just really tough and I am not always sure that it is necessary"* (manager, head office)

The comparison between the primary and secondary data therefore highlighted issues with the quality of data in the report and the completeness of information. The case study showed that the report portrayed a biased account of sustainability performance as it did not capture internal issues with the measurement of the performance. In their report, Beta followed the GRI guidelines and adopted a scientific justification using words such as verification, validity and audit giving the impression of reporting rigour. However, the case study shed light on issues with the measurement of the sustainability performance particularly in terms of the accuracy (i.e., lack of validity of the performance measures), comparability (i.e., lack of clear benchmarks) and reliability (i.e., issues with the veracity of the information and lack of internal controls).

Consistency. The data analysis also showed a misalignment related to the firm's degree of 'consistency' between their policy and practice. Basu and Palazzo (2008) established two levels of consistency: coherence between strategy and practice (strategic consistency); and coherence between the different internal sustainability activities (internal consistency). According to the authors, the level of consistency can influence the firm's credibility and the level of effectiveness of its sustainability practices. The data showed discrepancies in both aspects. In the secondary data analysis, the report showed that sustainability was included in the firm's core long-term priorities (alongside goals related to talent, finance and risk management); and that sustainability activities were organised into six categories (products, governance, employees, supply chain, operations and citizenship). The choice of activities appeared to follow a clear plan and the report highlighted the progress of implementation (using a goal table identifying the activities as completed, on track or behind) for each activity. The report gave the impression that the firm followed a systematic approach to choosing sustainability activities, by first establishing sustainability as a core priority, then organising it into six main areas (each with a clear aim) and finally establishing a list of activities related to each aim.

However, the primary data pointed to inconsistencies at both levels. First, at the strategy level, the firm lacked a clear sustainability agenda. A number of interviewees critiqued the lack of integration of sustainability in the firm's overall strategy with comments such as:

> *"We are just taking the existing strategies and somehow incorporating CSR into it, but CSR is not the guiding principle […] if we come up with such a strategy or mission or vision [for sustainability in the firm], it must really be supported by the top management team and they must be aware of the fact that people will check it and will question it. It should not be about lip service or the publication of communication. It should be about having verifiable facts in place that support the statements made. I am not sure that they are aware of this situation"* (manager, subsidiary 2)

The lack of processes in place to implement the sustainability policy was often cited as the primary issue with sustainability at the company. According to the employees, the selection of sustainability activities lacked coherence with the overall strategy. For example, the firm underwent a stakeholder engagement process, which identified corruption as a key material issue for stakeholders. However, this issue was not addressed by the firm. As a member of the CSR committee put it:

> *"…based on that [the fact that corruption ranks high on the materiality matrix], you would expect us to have an entire chapter in our report on corruption. […] We do not really report on it but then we have corruption sitting in the upper right corner there."* (manager, head office)

Employees blamed the complexity and scale of the reporting process to justify the report's lack of focus on material issues:

> *"There are some of these indicators where I just do not know how material they are for anybody, never mind us. The GRI wants us to go through a process to define materiality for each indicator but they are so diverse that I do not know how we could possibly do that in a way that would not take decades. Overall, we all find it incredibly overwhelming and one of our challenges is really to keep up to all of the changes [to the GRI guidelines] given the limited resources that we have"* (manager, head office)

Second, at the internal level, it was also noted that sustainability was not well implemented across the divisions. Employees deplored the fact that many divisions were not involved in the CSR committee: “The questions are: how can we manage CSR to get it more integrated in the business and also; should the CSR committee include representatives from the different divisions?” (manager, subsidiary 2). In particular, the operation-side of the company was not involved in the CSR committee, which limited the scope of the sustainability activities: “we have to start planting the right things to develop CSR and really integrate it and make it part of everyday in everybody’s life.” (manager, subsidiary 2). The case study showed that Beta lacked a systematic approach in the adoption and implementation of activities across the firm. CSR committee members recognised the discrepancies between the report and the practices: “we can come up with a CSR vision [in the report] but the content needs to be driving it.” (manager, subsidiary 2). They did little to address those gaps as they were able use the GRI guidelines to structure their report without having to implement substantive internal changes to their operations.

The data analysis therefore highlighted that Beta’s sustainability report did not have a rigorous approach to materiality (i.e., selection of activities was disconnected from stakeholder engagement) and completeness (i.e., limited integration of sustainability into the day-to-day operations). The analysis showed that the firm built a sustainability report fulfilling GRI criteria without a systematic approach to the implementation of activities and limited involvement from the operational side of the company. The case study showed the narrow scope of the sustainability activities and their disconnection from strategy. Resources were allocated to the production of a GRI-compliant report. For example, the firm conducted a thorough stakeholder engagement exercise to develop a materiality matrix (a key element in the GRI methodology) but did not use the results to inform practices.

5. Discussion

By using Basu and Palazzo's (2008) 'CSR character' framework as a methodological tool, we were able to highlight discrepancies between Beta's report and performance with respect to two of the seven characteristics - 'transparency' (i.e., value of information provided in the report) and 'consistency' (i.e., coherence between the strategy and activities). This analysis provided insight into issues related to the quality of the measurement of the sustainability performance as well as a lack of adherence to the materiality concept and completeness of the report. Beta implied that the GRI guidelines[v] were (unwittingly) complicit in this by promulgating a notion of transparency which could be used to deliver disconnected, flexible and selective reports. Table 3 summarises the findings and their implications in terms of the role of transparency as both a *technique* for accountability and a *norm* of behaviour.

Table 3. Implications for transparency as a *technique* and a *norm*

Findings	***What information is missing from reports?*** **Implications for transparency as an accountability *technique***	***What are the implications for self-regulation through reporting?*** **Implications for transparency as a *norm* of behaviour**
Lack of materiality	Decision-making processes: *Development of the sustainability strategy and choice of activities*	Disconnected reporting: *Current reporting practices put forward a simplified definition of sustainability that lacks any reflexivity*
Lack of data quality	Reporting processes: *Data collection and analysis*	Flexible reporting:

		Current reporting practices allow for inadequate measurements of sustainability performance which leads to the presentation of biased information
Lack of completeness	Implementation processes: *Scope of the sustainability activities inside the firms*	Selective reporting: *Current reporting practices provide an incomplete assessment of the practices which hides limited sustainability implementation*

5.1 Materiality of sustainability reports: normative vs instrumental decision-making around sustainability

The findings have revealed the firm's internal and strategic inconsistencies. This was particularly visible through the disconnect between the selection of activities and the stakeholder engagement process. Hence Beta's report lacked information on the decision-making processes involved in developing the sustainability strategy and choosing the sustainability activities. As more resources were used to identify rather than address sustainability indicators, Beta participated in the operationalisation of transparency as an instrumental tool. Indeed, the firm adopted an individualistic identity, pragmatic legitimacy and instrumental commitment to sustainability but it lacked implementation of sustainability and was not comfortable engaging with stakeholders' demands. This illustrates a dichotomy between the normative underpinnings of sustainability and the firm's instrumental approach. As companies face paradoxical ethical and business logics when managing sustainability, they can struggle to respond accordingly (Bjerregaard and Lauring, 2013; Margolis and Walsh, 2003). The CSR character comparison highlighted Beta's difficulty in dealing with stakeholder pressures as Beta's report lacked a rigorous approach to materiality.

Transparency (along with ensuing accountability) through reporting, has become the holy grail of sustainability (Brown *et al.*, 2009). Our study highlights how the question of transparency cannot be solved by simply studying the disclosure (or non-disclosure) of unfavourable information (as described by Basu and Palazzo (2008) 'transparency' characteristic); and may need to include reflexive accounts of how the firm interprets its own transparency agenda. In the case of Beta, our interviews indicate that an honest reflexive account would highlight that the company was not integrating sustainability into its vision, strategy and performance management. This was illustrated by the disconnect between the report's materiality matrix (highlighting corruption as a very important issue) and the content of the report (providing very limited information about anti-corruption policies and practices). The update of the GRI Universal Standards in 2021 requires disclosure of how sustainable development is integrated into strategy is thus a welcome addition.

Hess (2008) identifies reporting as a mechanism for the moral development of firms. In this regard, reporting should foster a change of ethos through self-reflection and self-criticism, therefore promoting change of behaviour for firms. Beta focussed on an instrumental definition of transparency but failed to use its reporting to promote moral development. The firm was open to stakeholders' demands (i.e., they engaged with stakeholders to develop a materiality matrix and identify issues of interest) but struggled to implement change based on the stakeholders' recommendations. Beta focussed on the *what* and *how* to report sustainability related information but not on *why* report and therefore neglected the normative underpinnings of sustainability and reflexivity.

5.2 Quality of data in sustainability reports: objective vs subjective reporting

The findings also highlighted issues around the quality of the information provided in the report (particularly in terms of accuracy, comparability and reliability of the data), which raised concerns about the (lack of) objectivity of Beta's reports. Inadequate measurements of sustainability performance led to the presentation of biased information, but Beta presented this information as an objective illustration of sustainability practices. The study's findings demonstrated that the report lacked information on the processes of data collection and analysis involved in the production of the report. This adds to our understanding of transparency as a verification process (Albu and Flyverbom, 2019) by highlighting some of the pitfalls of its organisational operationalisation.

The study also illustrates the role played by early iterations of the GRI guidelines which focussed on the disclosure of indicators that allowed flexibility and were used by Beta to provide an appearance of objectivity (Boiral, 2013). According to Coombs and Holladay (2013), society tends to believe the corporate discourse around transparency because it assumes constant monitoring of the transparency claims. However, they found that "corporations have considerable freedom to engage in highly selective CSR reporting." (Coombs and Holladay, 2013, p.215). According to Boiral (2013), this idea of transparency is associated with a positivist approach, which assumes that the reality can be observed and measured rationally. There lies a central problem with the concept of transparency. By viewing the report as a realistic and truthful representation of the sustainability practices of the firm, we implicitly agree with a positivist view of the world. The reporting exercise, in this light, lacks a reflective attribute and does not disclose the objectives, bias and strategies of the company in producing the report. Beta used the GRI guidelines in a way that favoured the firm as the producer of sustainability reports (as opposed to the receiver) giving the impression of organised rigor. This reveals the unreliability of transparency as a voluntary, self-regulating process and the importance of assurance engagements addressing the extent to which the reporting firm has adhered to the GRI principles.

5.3 Completeness of sustainability reports: substantive vs symbolic implementation

Finally, the findings identified issues around the completeness of the report which demonstrated instances of decoupling between reporting and actual performance at Beta. Beta used the voluntary, flexible and scientific nature of the GRI guidelines to decouple claims from practice (Meyer and Rowan, 1977) and camouflage for unsustainability (Moneva *et al.*, 2006). Beta's reports lack information on processes of strategy development and implementation of activities. According to Christensen *et al.* (2013) discrepancies between sustainability talk and actions may lead to decoupling or they may also encourage change through aspirational talk. However, for reporting (with its inconsistencies between talk and actions) to lead to change, it needs to involve many actors and encourage discussion.

As a key feature of reporting is to encourage stakeholder engagement (Hess, 2007; GRI, 2011), companies should aim to report information that is relevant for stakeholders. Sustainability reports achieve transparency by, amongst other things, including balanced information (positive and negative facts on the company), which can then be used by stakeholders to engage with firms. However, the relationship between transparency and accountability has also often been questioned and reports have been found to fail to empower stakeholders (Dingwerth and Eichinger, 2010; Levy *et al.*, 2010).

5.4 Transparency as self-regulation?

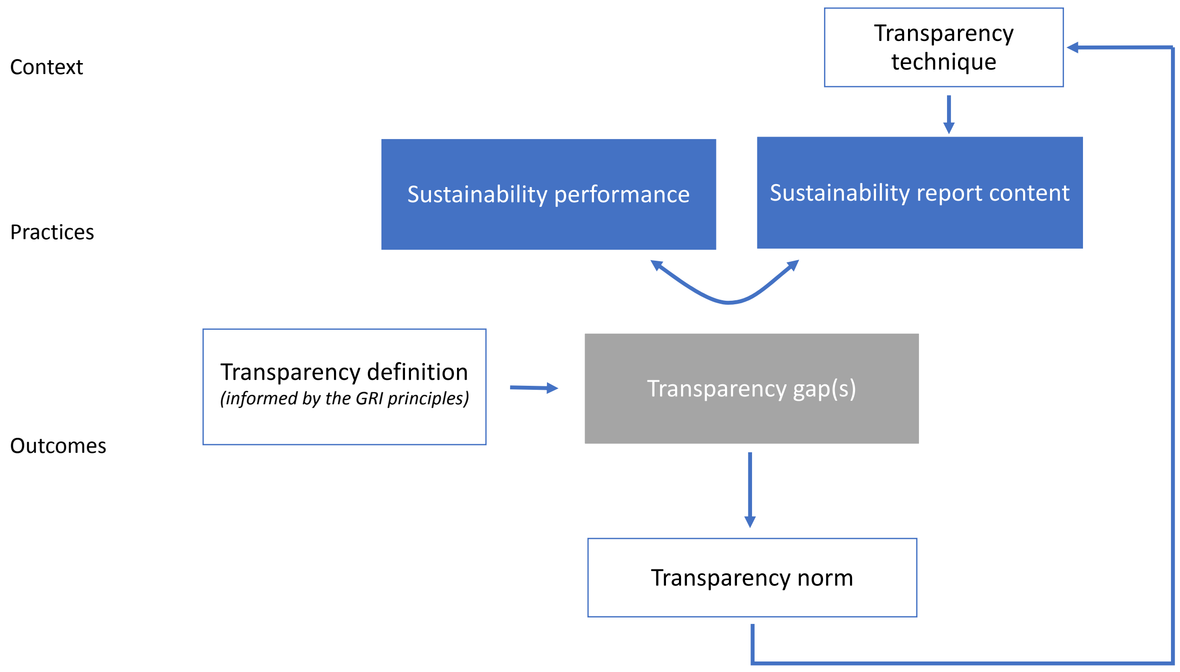
As shown in Table 3, the lack of materiality, data quality and completeness has implications for transparency both as a technique and a norm. Backer (2018) defines the transparency *technique* as the method of gathering, compiling and disclosing data. We know from the literature (see Figure 1) that GRI influences reports' content (i.e., *what* is reported) and method (i.e., *how* it is reported). We have shown that Beta's reports fail on three levels. First, the reports examined do not include information on the decision-making processes around sustainability. This allows for a disconnect between the stakeholder engagement and sustainability activities which leads to a cherry picking of indicators to include in the reports. Second, there is a lack of internal controls over data and quality controls over processes at Beta which leads to inaccurate, incomparable and unreliable information in its reports which is not drawn to the reader's attention. Finally, Beta's reports do not provide a clear overview of its operations and provide an incomplete assessment of its sustainability performance. Thus, Beta has allocated resources to reporting using the GRI guidelines while implementation of practices is lacking. The nature of Beta's application of transparency thus provides a limited potential for increased accountability through reporting. Reporting can only help increase corporate accountability if the information provided is relevant, accurate and accessible for stakeholders (Peters, 2018). In this sense transparency is relational – it needs to matter for both disclosers and users. The study therefore demonstrates that whilst GRI defines transparency broadly as the technical qualities of the report and the selection of topics to be included in it, Beta applied a narrow definition of transparency which has a limited potential in terms of increasing corporate accountability.

Our case company has gained limited insight into the normative underpinnings of sustainability reporting (*why* report and to *whom*). Backer (2013, p.3) conceptualised the transparency *norm* as an external measure of legitimacy which "serves as the expression and policing of the normal and thus, the acceptable right conduct". Our findings suggest that Beta has used the GRI guidelines to legitimise disconnected, flexible and selective reporting leading to a new *norm* of behaviour. Beta's narrow operationalisation of transparency has limited potential as an effective form of self-regulation since "transparency, participation and accountability constitute the tryptichon of good global governance" (Peters, 2018, p.568). These findings have implications for the new global governance infrastructure around sustainability, which is actively promoting self-regulation through reporting (Scherer and Palazzo, 2011). Beta used sustainability reporting standards to simplify the idea of transparency and limit engagement with the normative underpinnings of the concept. Further, Beta's GRI-compliant reporting draws on inadequate measurements to provide an incomplete assessment of its sustainability practices masking limited implementation.

The study's findings can help highlight power imbalance between sustainability reporters and end users (i.e., stakeholders interested in corporations' sustainability performance). Our findings have shown that although transparency was meant to empower end users, it can be used by firms as a symbolic exercise to deflect our attention from their actual sustainability performance, thus effectively becoming a commodity within the global governance markets (Backer, 2013). Our findings show that following the GRI has resulted in the operationalisation of a narrow definition of transparency by Beta enabling it to maintain legitimacy without engaging in moral development. We contend that the current definition of transparency should be expanded beyond being a function of information disclosure (GRI, 2011; Schnackenberg and Tomlinson, 2016) to the idea of transparency as norm for responsible behaviour which focuses on moral development (Backer, 2018; Hess, 2008). The paper has shown that when firms engage in disconnected, flexible and selective reporting they are treating transparency as a commodity, therefore focusing on the end result (the report) rather than the process (reporting). By doing so, they limit the ability of reporting to lead to organisational change (Hess, 2019).

Those findings enable us to adapt our original transparency framework (see Figure 1) to better explain for the role of transparency as both a *technique* for accountability and a *norm* of behaviour. (see Figure 3 below). In this case, Beta applied a narrow interpretation of the GRI principles and produced a report which failed to provide information on the decision-making, reporting and implementation processes involved in sustainability management inside the firm. Beta therefore used the GRI guidelines to legitimise this limited operationalisation of transparency and influence the *norm* of acceptable behaviour. Yet the principles in the GRI Universal Standards are important to driving change towards sustainable development. Since reporting was perceived as a symbolic exercise in the firm, this new *norm* influenced their *technique* of gathering, compiling and disclosing information and led to inconsistencies in data collection and presentation (i.e., issues related to the quality of data collected, lack of comparability of data, lack of materiality of report). This further underscores the importance of principles and mandatory reporting that is enforced and externally assured.

Figure 3. Adapted transparency framework



How to make sustainability reporting more effective? To enhance the effectiveness of transparency as a mechanism for governance, we need to make improvements at different levels. The findings suggest that current sustainability reports lack information on three key aspects: decision-making, reporting and implementation processes related to sustainability management. Based on this, it would be useful to increase the focus on sustainability as a process rather than a measurable outcome. Sustainability reporting standards and assurance standards could require better disclosure/assurance of decision-making processes around the sustainability strategy and choice of activities; processes of data collection and analysis; and the scope of the sustainability activities inside the firms. Ideally, such disclosures would be mandatory for large organisations – and enforced. Further, they could provide more precise methodological guidelines and requirements on the measurement of sustainability which would help establish clear boundaries for reporting. At the moment, the data collection and analysis methods are left to the discretion of corporations (Backer, 2013). This also has implication for Basu and Palazzo (2008) CSR character model. Our findings have shown that we currently cannot accurately assess firms' sustainability practices based solely on their reports, particularly through the dimensions of 'transparency' (i.e., value of information provided in the report) and 'consistency' (i.e., coherence between the sustainability strategy and practices as well as between sustainability activities). To further develop their CSR character model and help improve the external assessment of firms' performance using their reports, we need to pay more attention to the quality and choice of information provided in reports. Reports users should encourage the demonstration of internal controls of quality and reflexive statements on the processes of strategy development and implementation of activities. In this sense, Basu and Palazzo's (2008) model could be extended to include those requirements. Finally, the level of flexibility involved in GRI-based reporting practice reinforces the need for regulatory pluralism – moving towards a combination of disclosure requirements from firms, mixing soft and hard regulatory approaches (Fung *et al.*, 2007; Hess, 2019; Vogel, 2010). In order to ensure that reporting influences the integration and implementation of sustainability practices, a reflexive statement by the Chair of the Board should be required. It might be useful to use voluntary transparency as a complement for other mechanisms of governance which could, for example, facilitate external monitoring (Hess, 2019).

6. Conclusion

As we evolve into what has been called the 'age of transparency' (Tapscott and Ticoll, 2003) this article raises concerns about how corporate transparency is applied in practice through sustainability reporting. We adopted an intra-organisational perspective on the reporting-performance portrayal gap to allow us to better understand the discrepancies between the proposed use of reporting and its application in practice, which we refer to as a 'transparency gap'. Our analysis identified gaps particularly in terms of the quality of measurement of sustainability performance, the materiality of issues covered, and the completeness of the report. The findings raised important issues for our understanding of transparency as a *technique* of disclosure as Beta provided limited insight into decision making and processes through its GRI reports. We have also shown that Beta used this narrow application of transparency to shape the expression of acceptable behaviour (transparency *norm*) through disconnected, flexible and selective reporting practices. Beta presents as having a misaligned CSR character. This demonstrates that the current narrow operationalisation of transparency has limited potential as an effective form of self-regulation as promoted by the new global governance infrastructure.

On a theoretical level, a key contribution of the article is to provide an account of the failings of transparency as self-regulation. This is achieved through simultaneous consideration of the empirical literature on sustainability reporting (e.g., Adams, 2004; Michelon *et al.*, 2015) and the theoretical literature on global governance and international law (e.g., Hess, 2007, 2008, 2019). The global governance literature critiques the role of transparency as a mechanism for self-regulation (e.g., Backer, 2018), whereas the reporting literature provides empirical evidence questioning the level of transparency of sustainability reports (e.g., Boiral, 2013). Engaging with these two literatures allows consideration of both the intended and actual role of transparency through sustainability reporting.

In terms of policy implications, we need to look at the level of flexibility in reporting which enables those transparency gaps, something which the current GRI Standards have sought to address. We can also try to better understand the impact of the reporting demands on firms. As reporting pressures grow and reporting requirements become more comprehensive, companies must allocate increasing resources to this activity. Some are slow to do this and the need to do so is something that the GRI could emphasise. Our research also points to the desirability of reports considering how sustainable development issues are incorporated into their business model and strategy (see Adams, 2017a) and the importance of Board involvement in the reporting process and sign off (Adams, 2017b).

It is appropriate here to consider the extent to which the work of the European Commission and the European Financial Reporting Advisory Group (EFRAG) with GRI on the one hand and the IFRS Foundation's International Sustainability Standards Board (ISSB) on the other, might address the issues raised by our case study. The two approaches are conceptually very different (see Giner and Luque-Vílchez (2022) for a discussion). The European Commission approach will be incorporated into law, making it mandatory for many companies. However, it remains to be seen to what extent and in which jurisdictions, standards issued by the ISSB will become mandatory. Our findings indicate that the level of judgement required in *Exposure Draft IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information* (IFRS Foundation, 2022), including regarding terms that are understood differently across stakeholders and jurisdictions, will present a challenge to achieving transparency and comparability. Based on our findings, the ISSB's focus on enterprise value would also appear likely to make disclosures on the (negative) impact of organisations on economies, society and the environment secondary unless disclosures required by the GRI Standards are also made mandatory. To this end the MOU announced[vi] by the IFRS Foundation and the GRI in March 2022 could, depending on how it is implemented, hold the best prospect of avoiding greenwashing and increasing transparency on an international scale. We suggest that the GRI should seek to have GRI Standards made mandatory at least on an equal footing with ISSB Standards and should seek to inform updates to European Directives as far as the concern reporting on the impact of organisations. This would assist in achieving global alignment of impact reporting.

Our findings on the practical application of transparency demonstrate that our case company is operationalising transparency in a narrow definition which enables firms to maintain legitimacy without engaging in moral development. This raises questions such as: To what extent will following the proposed ISSB Standards encourage or discourage this approach to reporting? What is the consequence of following the proposed ISSB Standards for reporting on an organisation's impacts (as required by GRI Standards)? Is mandatory reporting per se sufficient to increase accountability and moral development? What characteristics of mandatory reporting will be required to address greenwashing? Or to make internal processes and decision-making more robust? Furthermore, as our study was based on a single case study, it would be interesting to perform a transparency gap analysis on a broader range of firms to help point out other areas of discrepancies between reporting and activities, including processes, and performance. As we know that decoupling is still prevalent (Graafland and Smid 2019), it would be useful to continue identifying specific areas of decoupling in order to better assess firms' sustainability performance using reports. Future research could extend Basu and Palazzo's (2008) CSR character framework to identify specific elements, such as external assurance or board involvement, that could help mitigate transparency gaps.

More broadly, research is also needed on how users perceive reports. Both the reporting and global governance literatures assume that stakeholders will use the information provided in reports to assess and compare firms but we lack research on how stakeholders use of sustainability reports. Can stakeholders really hold firms accountable for their actions based on sustainability disclosures? Or do stakeholders accept transparency claims too readily? Further, given the emphasis placed on investors by the IFRS Foundation, research could focus on the information use of this particular stakeholder group. Finally, this article also has implications for research and the ongoing developments in non-financial assurance. The information revealed through primary data collection would not likely be provided to assurance providers. It seems unlikely that sources of evidence available to an assurance provider would reveal the extent of discrepancies found here. This brings into question the value of non-financial assurance to external stakeholders and points to the need to consider other approaches to enhancing the credibility of sustainability reports.

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[i] We define sustainability reporting as multi-dimensional form of extra-financial reporting which entails the disclosure of environmental, social and governance policies and practices.
[ii] The firm has been anonymised and will be called Beta for the purpose of the study.
[iii] The GRI has transitioned from providing guidelines (moving from G3.1 to G4.0 in 2013) to a new GRI Standard in 2016. In this study, Beta followed the G3.1 guidelines. Wagner and Seele (2017) have compared both versions and found limited improvement between the two versions.
[iv] The GRI G3.1 framework supplies different application levels (A to C) which provide the reader with a measure of the quantity of information included in the report (e.g. number of indicators fulfilled). The "+" sign (e.g., A+) is added when a report is externally assured.
[v] Although this study is based on the use of the GRI's G3.1 guidelines, the findings would continue to apply to the G4 guidelines and the subsequent Standards based on them. Wagner and Seele (2017) claim that the G4 guidelines include lower requirements in terms of materiality and comparability of the report content which leads to increase in the subjectivity of reports.
[vi] See https://www.globalreporting.org/about-gri/news-center/ifrs-foundation-and-gri-to-align-capital-market-and-multi-stakeholder-standards/ (Accessed 6th May 2022).

Appendix A. Examples from the comparative CSR character data analysis

Characteristic	Orientation	Illustrative quotes from interviews and recorded observations (primary data)	Illustrations from the sustainability reports and website (secondary data)
Legitimacy	**Pragmatic** Cognitive Moral	- "The CSR initiatives started due to outside pressure, which is not the official policy" (manager, subsidiary 2) - "…strengthen[ing] your reputation and managing your non-economic and non-operational risks [those are] clearly [two] of the […] motivations for CSR" (manager, subsidiary 2) - "[we] report on CSR related issues applying the reporting standard […] GRI…" (manager, subsidiary 2)	- The report states that CSR in the firm is about "identify[ing] growth opportunities" - The report mainly focuses on the characteristics of the products (e.g. technological capabilities) "while respecting planet and people" - "We are committed to creating products that meet the world's […] needs"
Posture	Defensive Tentative **Open**	- "For whom do we do this [CSR]? For our stakeholders, for today and for the future." (manager, head office) - "we love the word materiality, materiality, materiality. Having said that there are some of these [GRI indicators] that I just do not know how material they are for anybody never mind us" (manager, head office)	- The report mentions the firm's commitment to engaging with stakeholders in various places, including their mission statement - The report provides information on the consultation process ("we completed a third-party led external stakeholder assessment", which included interviews with a varied range of stakeholders such as suppliers, community organisations, labour unions, NGOs, employees.) - The report includes an updated materiality matrix

Authors' response to reviewers and guest editors on Manuscript ID SAMPJ-01-2022-0051.R1

Reviewer and guest editor comments	**Authors' response**
Guest editor comments: We would also like to ask you to try to more specifically link the implications/ conclusions to the SI by talking more detailed about what your findings means for GRI in the future. This aspect can be also be more specified in the abstract (Originality/value).	We have better drawn out the implications in relation to the SI aims and mentioned this in the abstract.
We would also like to draw your attention to the following comments: -First section of the paper does not have a title (Introduction). -Pay attention to SAMPJ Manuscript requirements, especially to Article length, References (e.g. instead of writing "Michelon, Pilonato & Ricceri, 2015", write "Michelon et al., 2015") and to how to number sections (1., 2.,) and subsections (1.1., 1.2, 2.1, 2.2).	We are now following all the SAMPJ manuscript requirements.
Referee: 1 **Comments to the Author** Dear Authors, thank you for your efforts in improving this paper. I think it is now more solid and better structured and results are presented in a more clear and effective way.	Thank you

Referee: 2 **Comments to the Author** Dear Authors, I thank you for revising the manuscript in line with my comments and suggestions. I find the revised version better situated and I have only some minor suggestions for further improving your work before publication. 1. Remove the sentence "From our review of the literature" at the beginning of the theoretical section (pg5) and explain clearly in the text where the framework comes from or, alternatively, move the figure of the framework after the discussion of the literature.	We have removed this sentence and amended the first paragraph of this section (p.5) to better indicate the literatures used to develop our framework.
2. Further streamline the discussion of results to reduce the length of the section and make it more direct and compelling.	We have further reduced the length of the findings section. We hope that the new section provides a more focused discussion of the key results.
3. Insert an appendix providing some direct examples of how the data from secondary sources have been interpreted/coded as well as information from the interviews assessed in support of Figure 2 and Table 2.	We provided an appendix which includes illustrative quotes from interviews and recorded observations (primary data) as well as information from the firm's sustainability reports and website (secondary data) to better illustrate the data analysis process.
4. Discuss the theoretical contribution at the beginning of the concluding section, before the implications.	The theoretical contributions have now been positioned before the implications.
5. Expand the discussion of the implications and better connect them with the development of the sustainability reporting regulations.	We have discussed the implications for GRI and in light of the ISSB and EFRAG proposals.

6. Related to this, future avenues for research in the direction of examining whether the transparency gap has been overcome by the new reporting requirements could be also mentioned. Overall, I find this research interesting. My congratulations to the authors.	Future avenues for research are discussed and additional avenues have been added. Thank you.
Referee: 1 **Originality:** As I wrote in my previous review, this paper contains several parts adequate for its publication. The author improved the paper and I am now satisfied with their efforts. **Referee: 2** **Originality:** Yes	Thank you Thank you
Referee: 1 **Relationship to Literature:** The authors improved this part and it is ok for me now. The paper is now well connected with the literature. **Referee: 2** **Relationship to Literature:** Yes, the revised version provides a sound discussion of the theoretical issues. Small changes are recommended.	Thank you Thank you – see response to your comments above
Referee: 1 **Methodology:** No particular issue after the revision **Referee: 2** **Methodology:** Yes, but the paper could benefit from an appendix - see comments below.	Thank you Thank you – see response to your comments above

Referee: 1 **Results**: Yes. The authors' efforts in improving this part were very effective and the results are now presented in a more clear and effective way. **Referee: 2** **Results:** Yes, although I still find the discussion of results a bit long.	Thank you Thank you – see response to your comments above
Referee: 1 **Practicality and/or Research implications:** See my previous review. The paper presents a new approach to this topic. Now t **Referee: 2** **Practicality and/or Research implications:** Yes, but additional changes are recommended.	Thank you Thank you – see response to your additional comments above.
Referee: 1 **Quality of Communication:** Yes, the paper is clear and well written **Referee: 2** **Quality of Communication:** The quality of the communication is good	Thank you Thank you