

Theoretical development of sustainability disclosure in management's reporting of disastrous events

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ABSTRACT

Sustainability reporting and disclosure is a topic of increasing interest, and companies' willingness to volunteer environmental and social information in annual reports is changing the platform for traditional financial, quantitative information to be more inclusive and integrative. At the high end, sustainability means much more than recycling and reducing unfavorable emissions—it could reach the extreme of catastrophes and raise issues for the information user's consideration of a company to continue to operate as a going concern, as well as numerous effects on the environment. The paper concludes that while entities may voice their theory of disclosure to be an attractive approach toward serving specific "stakeholders," in reality companies may be responding to society as a whole, rendering the appearance that the company provides "legitimate" functions. In demonstrating legitimacy theory, the paper notes the case of British Petroleum (BP) and management's response to the crisis following the Gulf of Mexico oil spill, showing the divergence between the company's official position on environmental reporting and the actual developments that occurred as result of the catastrophe. Progress is being made through several international organizations devoted to environmental, social, and governance (ESG) reporting. If a unified theoretical framework can be developed, disclosure guidance can be established which would be helpful to all users of company information.

Keywords: Integrated reporting, legitimacy theory, stakeholder theory, sustainability reporting and disclosure, environmental, social, and governance (ESG) reporting, corporate social responsibility reporting, British Petroleum (BP) Deepwater Horizon oil spill

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INTRODUCTION

As times have changed, globally there has been a shift in thinking regarding what should be the purpose and responsibilities of corporations. Whereas previously the focus was primarily on the company's shareholders, now other stakeholders are also viewed as important. In addition, whereas previously major attention was focused on short-term profit maximization, now the value of long-term success of the company has gained increasing recognition. According to Mervyn King, former chair of the International Integrated Reporting Council (IIRC) and Global Reporting Initiative (GRI) and King Committee on Corporate Governance, "We have moved from short-term profit at any cost— 'The sole purpose of the corporation is to make profit without deception or fraud,' Milton Friedman, 1977—to a value creation process in a sustainable manner." King, 2017a, p. 32). King notes "Stakeholder relationships have changed completely. The concept of just looking at the shareholder and the company is yesterday's thinking" ...and "We have moved from share value to *shared* value." (King, 2017b, p. 1). King suggests that the board's role in company operations is to generate long-term value for both the business and society. The president and CEO of the American Institute of CPAs, Barry Melancon indicates that if every business just focused on short-term profits the sustainability of our free enterprise system would be at risk. He notes that the global movement of integrated reporting involves looking at the business world in an integrated way, and developing a communications framework understandable by multiple stakeholders (Melancon, 2017).

EMERGING TRENDS IN REPORTING

Companies that spend resources on sustainability may actually become more profitable in the long-term than those that do not. Katz (2017, p. 28) notes how investor demand for sustainability data has surged and "For their part, many money managers are indeed starting to see sustainability data as a proxy for alpha, an indication of above-average returns." Neil Amato, Senior Editor of CGMA Magazine of the Chartered Global Management Accountants (Amato, 2017, p. 1) recounts that according to a 2016 report compiled by Boston Consulting Group and MIT Sloan Management Review, "Sixty per cent of investment firm board members say they are willing to divest from companies with a poor sustainability footprint, and nearly half of investors say they won't invest in a company with a poor sustainability record." The importance of reporting on sustainability issues is also expressed by Becker, Stead and Stead (2016, p. 31) who state "Whether they are mandatory or not, companies throughout the world are issuing sustainability reports because stakeholders are demanding corporate transparency as well as environmental and social accountability. These authors go on to say that "Integrated reporting—the integration of sustainability data into firms' financial reports—is rapidly gaining popularity across the globe" and that "Even though sustainability reporting in the United States has historically lagged Europe and Asia, U.S. firms are beginning to catch-up, with Southwest Airlines, Pfizer, Inc., and PepsiCo, Inc. among the U.S. early adopters of integrated reporting (Becker, et al., 2016, p. 32).

Eccles (2016) notes an exponential growth in the number of companies producing reports based on the Global Reporting Initiative (GRI), even though such reporting is mostly voluntary, including in the United States. This author indicates the EU passed regulation related to non-financial information which would require that every EU public or private company with 500 or more people produce annually a sustainability report or report related to non-financial

information—and that the member states are working out how they are going to do this. Eccles recounts meeting with the Swedish industry products company Atlas Copco that has been utilizing integrated reporting, and notes how they produce a materiality map where the x axis is related to materiality to the company, and the Y axis is the company's perception of importance to stakeholders—and how Atlas notes that this is their strategy of sustainable, profitable growth.

Challenges in Providing Expanded Reporting and Disclosure

The Corporate Register (CR), the global online directory of corporate responsibility reports, posts tens of thousands of reports past and present, and reporter profiles on its website. They note on their site that they provide access to 88,585 CR reports across 14,519 organizations (Corporate Register, 2017).

Despite the advances in sustainability reporting for many companies, there are challenges in developing sustainability programs, including in particular those faced by developing countries. Bateh, Arbogase, Thornton, and Horner (2015) note the U.N. Department of Economic and Social Affairs (2013) authored the World Economic and Social Survey, focusing on the challenges that developing countries face in pursuing sustainability programs, and finding that technology plays a vital role in developing countries' difficulties in sustainability initiatives. Bateh et al. also recount how the United Nations report found variation by country, with countries where basic economic objectives, needs, and goals are lacking fulfillment, sustainability development is considered a luxury—and that until basic societal needs are met, developing countries will prioritize human resource and energy developments on decreasing poverty levels (U.N. Department of Economic and Social Affairs in Bateh et al., 2015).

Challenges for even the most successful companies arise with sustainability reporting. Comparability and consistency issues are apparent without required principles and guidelines similar to financial reporting guidelines found in U.S. Generally Accepted Accounting (GAAP) or International Financial Reporting Standards (IFRS). These issues have been addressed in recent research. For example, Cao, Feng and Wang (2016) studied corporate social responsibility (CSR) reports of ten S&P 500 companies in different industries in the U.S. and found that differences in structure and content exist making comparability of social performance difficult for users of the statements. In order to facilitate the comparison of corporate social performance across industries, these authors recommend a universal standard for CSR reporting. Wang, Feng and Chen (2016) examined CSR performance ratings across business sectors and geographical scope, including study of the strategic importance and implications of CSR for firms with different geographical scope, and for the three business sectors of manufacturers, merchandisers, and service providers. They found significant differences on CSR performance/ratings among firms in different business sectors and different geographical scope.

Evolving Requirements for Integrated Reporting

Currently many companies make a mandatory report about their financial activities in an “Annual Report” and their ESG (Environmental, Social, and Governance) activities in a voluntary “Sustainability Report”. There is a growing demand from stakeholders for integrated reporting, or one report that combines the information from both. This new kind of reporting will expand the traditional financial reporting model by including some non-financial information and information related to ESG issues. A draft framework for this reporting was

issued in 2011 by the IIRC (International Integrated Reporting Committee) (Monterio & Watson, 2011).

This movement is driven by a need to communicate information about enterprise activities to a broad range of stakeholders. These interested parties include the stockholders of the company as well as companies who want to partner with like-minded companies, socially conscious investors, government agencies, employees, and a variety of other groups impacted by the activities of the organization. At the same time, there is a growing need for one standard format to be used around the world for reporting financial and non-financial and ESG information.

In a parallel process, International Financial Reporting Standards (IFRS) are currently used by a large number of countries, and continue to be developed as a single set of global financial reporting standards. As noted on the IFRS (2017) website, “Our mission is to develop standards that bring transparency, accountability and efficiency to financial markets around the world. Our work serves the public interest by fostering trust, growth and long-term financial stability in the global economy.” The Securities and Exchange Commission (SEC) in the United States accepts IFRS financial statements from listed foreign companies. Potential separate IFRS initiatives for global, integrated financial and sustainability reporting will radically change the practice of accounting and the nature of reporting in the future.

Focus on Environmental Reporting

Environmental information is one element of integrated reporting, and there has been quite a bit of research examining required and voluntary disclosures. A wide variety of theories have been studied, but there is still a need to understand more about the environmental information reported by companies. Some of the new elements that will likely be required in integrated reporting might evolve from a number of voluntary reporting structures. The Global Reporting Initiative (GRI) has been a leader in this area. According to the GRI as stated on their website, “With thousands of reporters in over 90 countries, GRI provides the world’s most widely used standards on sustainability reporting and disclosure, enabling businesses, governments, civil society and citizens to make better decisions based on information that matters.” GRI continues to note that “92% of the world’s largest 250 corporations report on their sustainability performance” (Global Reporting Initiative, 2017).

There have been many terms used to describe voluntary environmental reporting during the last few decades. The newest language in the U.S. is ESG, which will be used as the umbrella term for this paper for reporting that includes environmental, social, and governance items. Some authors to be cited refer to sustainability reporting, CSR (Corporate Social Responsibility), TBL (triple bottom line), citizenship accounting, or SA (Social Accounting), which is the ESG of their times. Social Accounting (SA) refers to reporting about the Social, Economic, and Environmental activities of an entity.

CR or Corporate Responsibility is another variation. The terms are used in this paper in context with the appropriate time. ESG reporting began in the early 1970s and has changed significantly during the last approximately 45 years. A number of theories have been proposed to explain ESG reporting. It is also important to know that an “annual report” is required to be filed each year with the US Securities and Exchange Commission each year for companies that trade on US stock exchanges like the NYSE (New York Stock Exchange) and the NASDAQ. Some ESG information is included in annual reports and voluntary environmental reports.

SUSTAINABILITY

Sustainable and Non-Sustainable Defined

“Sustainable” is often thought of as treating the environment in the present in such a way as to meet the needs of the future. In 2006 the organization GRI declared “The goal of sustainable development is to meet the needs of the present without compromising the ability of future generations to meet their own needs (as cited by Caron & Turcotte, 2009, p. 6). To be able to be enjoyed by future generations, the environment must be able to regenerate itself. In 2017 the GRI states on its website that “Our vision is to create a future where sustainability is integral to every organization's decision-making process” and “Our mission is to empower decision makers everywhere, through our sustainability standards and multi-stakeholder network, to take action towards a more sustainable economy and world.” (Global Reporting Index, 2017). With the acceptance of the above definitions of “sustainability,” then the term “non-sustainable” with regard to the environment means that the environment cannot meet the needs of present and/or future generations.

BP Oil Spill as a Major, Non-Sustainable Event Demonstrating Legitimacy Theory

The authors selected the crisis surrounding the British Petroleum BP Deepwater Horizon oil spill as a non-sustainable event because it is so notable as one of the largest, most significant man-made disasters. BP is responsible for the Gulf of Mexico oil spill, the largest accidental ocean oil spill in the history of the world (Robertson and Krauss, 2010), killing 11 workers. The event is “non-sustainable” in both a micro and macro sense. BP cannot incur such losses every year, as the company would not be able to continue due to bankruptcy. The spill resulted in BP setting up a \$20 billion fund to settle issues relating to the spill (Robertson, 2010). This is the largest criminal penalty assessed in the U.S. Eventually, the final tab cost \$53.8 billion dollars (Heavey, 2015). In the big picture, the tremendous damage as a result of the spill has had a devastating impact on the ability of the area to sustain itself environmentally.

In analyzing the motivation and behavior underlying the sustainability comments, the CEO actually demonstrated legitimacy theory in trying to justify the company to the public. This is contrary to stakeholder theory where his concern would be not only for his company but for the local community, the people who lost their lives, and for the environment. According to their previous sustainability reports, it appeared that BP espoused stakeholder theory. However, while companies such as BP write GRI reports to show they are looking to stakeholder interests, in reality management may become concerned with self-serving interest, and attempt to justify the disastrous events through defensive statements and actions. With BP, the CEO did not behave in accordance with the company's award-winning sustainability values. He behaved in accordance with legitimacy theory. Analysis of the BP case advances the development of legitimacy theory. In the event of a significant environmental disaster where management needs to respond quickly, management is likely to do so in accordance with legitimacy theory.

PREDOMINANT THEORIES IN THE LITERATURE

Legitimacy and stakeholder theories have been the most prevalent theories used to research environmental communications, yet neither theory is very well-developed when applied to this reporting. Legitimacy theory addresses the company's desire to "ensure their behavior is perceived to be legitimate" (Aerts & Cormeir, 2009). On the other hand, stakeholder theory considers the information needs of multiple stakeholders. Examining management response to a non-sustainable event such as the BP oil spill, and applying the tenants of legitimacy and stakeholder theory reveals the need for a theoretical framework in sustainability disclosure.

Legitimacy Theory

While management may state that it is taking a stakeholder-based approach, based on multiple user groups and the economics of the situation, it may in fact be applying a legitimacy-based environmental, and global societal approach to its disclosure of important events. Ceremonial reporting by oil companies is not without precedent. Bell and Lundblad (2011) examined archival data contained in Exxon Mobil's CSRs, annual reports, 10-K reports, and information in news reports and online about the company's sustainability behavior and concluded that "ExxonMobil originally engaged in ceremonial reporting about sustainability issues to seek legitimacy from its shareholders" (p. 17).

This also became the reality of the BP oil spill as politics takes priority over the stakeholder needs. With legitimacy, there is less need for specific metrics, as general corporate disclosures and defensive boilerplate language is used. Also, with legitimacy, stewardship is assumed to be a value held by management, but more importantly, stewardship without leadership and accountability, is abusive to stakeholders of the organization. In developing a theoretical framework of sustainability reporting, the needs of multiple stakeholders must be addressed.

Stakeholder Theory Proposed to Explain New Economic Realities

Some BP stakeholders were impacted by the Gulf of Mexico oil spill. Stakeholder theory may also be useful in understanding voluntary environmental reporting after a non-sustainable incident. Stakeholder theory was developed in the mid-1980s by business ethicists to formalize the recognition of rights of a number of parties (customers, suppliers, creditors, employees, the community, etc.) that have influence on or are influenced by a company. Some stakeholders are powerful, and can significantly influence the company. Those stakeholders with little to no power may be ignored. A corporation is a separate legal entity from its stakeholders. It has its own bank accounts and tax identification number. Stakeholder theory requires the company accommodate and balance the needs of its stakeholders. There is no comprehensive list of stakeholders as stakeholders and their needs would vary by company. Freeman, Wicks and Parmar (2004) note that stakeholder theory first asks what is the purpose of the firm, encouraging managers to articulate the shared sense of the value they create, and what brings its core stakeholders together. These authors then suggest a second question asked by stakeholder theory is, "what responsibility does management have to stakeholders?" (p. 346) which pushes managers to articulate what kinds of relationships they want and need to create with their stakeholders to deliver their purpose.

Primary stakeholders impact the organization's ability to continue and include customers, suppliers, employees, government, and investors. Secondary stakeholders are groups who sway or are swayed by the organization. They are not involved in the business and business does not depend on them to continue. Secondary stakeholders include the media, special interest groups, competitors and critics. Freeman and Reed (as cited in Zakhem, 2008, p. 51) propose one definition of stakeholders includes groups that are in concert with as well as opposed to the organization, "any identifiable group or individual who can affect the achievement of an organization's objectives or who is affected by the achievement of an organization's objectives." They suggest "Public interest groups, protest groups, government agencies, trade associations, competitors, unions, as well as employees, customer segments, shareowners, and others are stakeholders" (p. 51).

CONFLICTS AMONG THE THEORIES

The Environment Is Not a "Stakeholder"

There is some theoretical weakness with the concept of the environment as a stakeholder. A more appropriate management concept might be stewardship. This is interesting in terms of stakeholder theory and the concept of sustainability. Sustainability involves the management of the environmental, social and governance policies of an organization, but not all of these elements directly involve stakeholders. The "environment" might be considered in terms of stewardship. To be sustainable, the environment must be able to continue to renew itself. Organizations must conduct their business so that the natural environment will continue to be enjoyed by future generations. The "social" involves some stakeholders with direct influence with the organization (labor, government, etc.), and some who also require stewardship. The environment cannot speak for itself, and neither can children, mentally challenged and some elderly. Accordingly, there are elements of stewardship for both environmental and social sustainability matters. One or more stakeholders would need to be stewards for both the environment and some social stakeholders. Most stakeholders have their own unique, distinctive purpose (culture, politics, economy), and it is the coordination of those purposes while appreciating the diversity that is the desired end result (Thompson & Driver, 2005 as cited by Zakhem, 2008).

Stakeholder theory and the law

Stakeholder theory has not been given a lot of credence by legal scholars because it is not directly related to the traditional legal branches of property, contract, or tort law. Fiduciary duty requires that managers put the purpose of the company above their own and others. However, there is evidence of support in the law for stakeholder theory. The law supports the notion of many parties that have a claim on the organization. Employees, customers, creditors, suppliers, and the community all have legal claims on the company. The law also indicates that shareholder interests are not the primary interest of the activities of the company. "Courts did not historically encumber corporate management with a fiduciary duty toward company stockholders in order to privilege shareholders vis-a-vis other stakeholder groups. Rather, it was designed to prevent self-dealing on the part of directors and top management that fell short of criminal behavior such as embezzlement" (Maren & Wicks, 1999, as cited by Zakhem, 2008).

Companies can legally consider the needs of many different stakeholders in managing the business. Laws protect consumers, the environment, and labor. Laws prioritize the interests of all stakeholders, and indicate that stockholder interests are not primary. The relatively young stakeholder theory is supported by legal theories and United States law. Owners of a company are not the only interested parties to a corporation and their interests are not considered first by definition. Legal foundations for stakeholder theory are still under development, but provide a basis for the application of stakeholder theory. “. . . it is possible to use an understanding of the law, in terms of legislation, judicial reasoning, and general jurisprudence, to defend stakeholder theory” (Radin 2002, as cited by Pava & Primeaux, 2002, p. 32).

Socially Responsible Investment Organizations (SRIOs) and Stakeholder Needs

Socially responsible investors have organized into groups to create their own “code of conduct” reflecting the investment strategies employed by these groups. Technology, through the availability and use of computers and the Internet, has increased both the access to information and the ability to disseminate that information. Information can travel quickly and cheaply to a variety of interested parties, creating a network of stakeholders. The use of this information by groups concerned with responsible business practices drives higher expectations for quality socially responsible performance. Socially responsible investment organizations (SRIOs) have grown and evolved. In 1990 there were 12 social mutual funds in the U.S. (Johnson & Brennan, 2002, as cited by Pava & Primeaux, 2002 p. 115) concerned primarily with NOT providing resources to products like weapons, alcohol, tobacco, gambling, and nuclear power. However, with the increased information available through technological advances, SRIOs have evolved a more proactive approach to evaluating appropriate investments. SRIOs now consider the value of an organization’s products or services as well as the company’s contribution to the community, environmental stewardship, and socially advanced policies related to customers, employees and suppliers. By prioritizing social issues and providing a venue for discussion of the needs of various stakeholder groups across the globe, SRIOs provide important information to managers of corporations to help plan and direct their future business activities. GRI reports are a combination of information management wants to communicate to stakeholders and information stakeholders need from managers. With scarce resources, the most efficient and effective GRI presentation is the best outcome. Concise, comparable, consistent, complete, timely, transparent information is needed.

Stakeholder Theory and Society

Freeman describes business and stakeholders operating together, defending both capitalism and the need for organizations to collaborate with others. “For the pragmatist, business (and capitalism) has evolved as a social practice; an important one that we use to create value and trade with each other... The spirit of capitalism is the spirit of individual achievement together with the spirit of accomplishing great tasks in collaboration with others. Managing for stakeholders makes this plain so that we can get about the business of creating better selves and better communities.” (Freeman, 2008, as cited by Zakhem, 2008. p. 86).

In 2002, Buchholz and Rosenthal (as cited by Pava & Primeaux, 2002, p. 10) coin the term “concrete growth,” a process by which human beings, communities, and business entities alike achieve fuller, richer, more inclusive, and more complex interactions with the multiple

environments in which they are relationally embedded. To speak of economic growth as enhancing quality of life while ignoring the enhancement of the community webs in which it is concretely embedded shows the abstract and non-relational understanding of the quality of life incorporated in the concept of economic development.” The fact that authors must create language to explain what is needed for corporations to function with full rights and responsibilities to society illustrates the complete separation of those rights and responsibilities currently. The authors call for a new code of conduct to be adopted by business people similar to such codes followed in the Professions of medicine, law, etc. This code would require corporations adopt a holistic approach to the environments in which they exist. There are elements concerning the oil spill that speak to BP’s functioning as a member of a larger community.

The Rise of the Socially Conscious Investor

Social consciousness was a response to owners and managers with conflicting interests, as well as the interests of parties outside the company. During the 1980s, the need for additional information grew and various theories were proposed to explain social accounting. Capital market research continued and socially responsible investing emerged as an investment strategy. The demand for information related not only to labor, but for a broader range of topics arose. Concerns about the environment and other parties impacted by the activities of corporations arose. An awareness of stakeholders other than investors developed, as the need for information of various government agencies, other corporations, non-profits, and individuals grew.

At the end of the 1980s, a shift in thinking related to sustainability accounting occurred. Rather than merely reporting what the law requires about what has happened, there is a need to address what actions and information are needed by others outside the company. Over time the need for additional information not required by law became apparent. The law does not address all the information needs of other public and private interested parties.

Profit Maximization Fails to Address a More Complex, Global Economy

Milton Friedman’s classic view of economics described the responsibility of business as maximizing profit for shareholders while following the law. Business management has been narrowly focused on generating a return on investment to the shareholders. Maximizing shareholder interests as a strategy for company plans and goals has resulted in some negative outcomes for non-shareholder parties who are impacted by the company. This resulted in the growth of external pressure groups concerned about the environment, the rights of consumers, equal rights, and other issues. At the same time, business became an increasingly global activity. Business experienced unexpected losses due to externalities. A new conceptual framework for business operations that included the effects on parties outside the organization was needed to respond to challenges presented by a more complex, global business world.

A corporation is an organization of people, who have joined together voluntarily, for each to realize economic benefits. In a capitalist society, the corporation exists for economic purposes. But the corporation also impacts nature, and is a component of a larger society with its own cultural richness. By separating the economic goals of a corporation (production of goods and services) from the goals of the society in which it exists, the corporation is not focused on the long-term best interest of society.

Halal (as cited by Louche & Idowli & Filho, 2010) summarizes the practice of governance during the last approximately 100 years:

- 1900-1950: The profit-centered model focused on making the most income.
- 1950-1980: The social responsibility model recognized business has an obligation to contribute to meeting society's objectives while upholding society's values.
- 1980-2000: The corporate community model focuses on what the company should do to make the world a better place.

This analysis explains the evolution from the profit-centered business of the past to the more community-centered businesses today. Examining the voluntary disclosures of the company help us to understand how the company sees itself in terms of the larger community.

REALITIES OF THE MARKETPLACE AND ENVIRONMENTAL CASTRAPROPHES

Sole Focus on Free Market and Shareholder Value Recognized as Flawed Strategies

This weakness in the free market system was noted by Alan Greenspan when testifying before Congress in 2008 about the factors leading to the sub-prime mortgage crisis and the current recession. Alan Greenspan was chairman of the Federal Reserve Board in the United States for eighteen years until he stepped down in 2006. During his tenure, the U.S. had economic growth with low inflation. In his testimony, "a humbled Mr. Greenspan admitted that he had put too much faith in the self-correcting power of free markets" (Andrews, 2008).

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Immediate Managerial Response to Gulf of Mexico Oil Spill

The BP 2009 Sustainability Review "defines sustainability as . . . contributing to a sustainable environment. . . and retaining the trust and support of the customers, shareholders and communities in which we operate". This stated policy is consistent with stakeholder theory. Comments by CEO Tony Hayward during the months of the spill (April, May, and June 2010) do not appear to align with the company's stated sustainability values:

First, his statements downplay the impact of the non-sustainable incident:

- "The Gulf of Mexico is a very big ocean. The amount of volume of oil and dispersant we are putting into it is tiny in relation to the total water volume" (Snyder, 2010).
- "I think the environmental impact of this disaster is likely to be very, very modest," (Snyder, 2010).

These comments do not examine the incident in terms of contributing to a sustainable environment, but rather dismiss these concerns as not applicable to the current situation. Failure

to correctly assess the damages that might result illustrate a lack of focus or concern for the environment, and the surrounding communities.

Second, he appeared to try to distance BP from responsibility for the non-sustainable incident, while agreeing they must clean it up. The incongruous quote follows:

- “This was not our accident ... This was not our drilling rig. This was not our equipment. It was not our people, our systems or our processes. This was Transocean’s rig. Their systems. Their people. Their equipment” (Wray, 2010).

The Ernst and Young “Independent assurance statement to BP management” report on the 2009 Sustainability Review noted that BP could have covered more depth in reporting about “influencing the performance of business partners in relation to sustainability issues” (Ernst and Young, 2010). BP chose to partner with Transocean to drill for oil in the Gulf. Yet, the CEO pins the responsibility for the accident itself completely on the partner. He assumes responsibility for the results, for the cleaning up, but not for the incident itself which is inconsistent with an integrated set of sustainability practices.

Third, Mr. Hayward claimed to be victimized:

- "What the hell did we do to deserve this?" (Snyder, 2010).

This inward focus is contrary to the stated policy of retaining the trust and support of stakeholders. While BP represents itself as concerned about stakeholders and the environment, the way business is conducted appears contrary to the stated objectives. Management implied that the company operates under stakeholder theory, but when the crisis developed, the response reduced to defensiveness, operating under the veil of legitimacy. Based on this case, there appears to be a need for improved accountability.

MOVING FORWARD—AREAS TO RESEARCH

Importance of Voluntary Environmental Disclosure to a Global Society?

As globalization progressed and communist countries fell, capitalism has been adopted in many forms. It is likely capitalism will be an important economic system for the future. Traditional capitalist economies do not require companies to incorporate environmental management goals in their plans. Voluntary reporting attempts to bridge this gap. Certification of voluntary environmental reports is growing and addresses the criticism that such reports are window dressing whose purpose is to enhance the image of the company without any underlying substance to the claims in the report.

An international framework for voluntary environmental disclosures is complicated by differences in cultures and values, politics and law, and economics and financial structures. Legitimacy theory may not directly apply in countries where the laws and their enforcement are different. Different constituencies may be identified as “powerful stakeholders” (stakeholder theory) depending on the method of financing in the region and the extent of government intervention. Better analysis of reporting is possible when regional differences are understood. If there are regional strengths and weakness in the quality of reporting, transfer of knowledge across borders would be challenged. Studying stakeholder theories in historically non-Western countries would expand our understanding of international ESG reporting. In addition, there is precedent for voluntary frameworks evolving into international legal instruments. Christian Aid (as cited by Thompson & Driver, 2005, in Zakhem, 2008) documents how since 1997 thirty-five

rich countries of the OECD have signed up to a convention that outlaws bribery of foreign public officials by representatives of businesses. Visser (2010) calls for research to fill the gaps in knowledge regarding international CSR which would result in the development of “Radical CSR” (p. xxvi). Radical CSR is envisioned to be a holistic, scalable and embedded model. A Transnational (Bostrom & Garsten, 2008) system for reporting about CSR matters is needed. The ISO 26000 standards were released in July 2010. This is the first set of voluntary guidance standards developed by ISO. These standards were developed by a group of international stakeholders and purport to integrate the needed elements of a world-wide system of ESG reporting (ISO 26000, 2011). The development of these standards demonstrates the growing international interest in a common set of guidelines and standards.

Carol Adams (2017) produced a report for the International Integrated Reporting Council (IIRC) and the Institute of Chartered Accountants of Scotland (ICAS), describing how organizations can achieve *Sustainable Development Goals* (SDGs), evolving from agreement across many governments worldwide to pursue seventeen goals in response to global, economic, social, and economic challenges. Promoted by the United Nations in 2015, the SDGs define global priorities and aspirations for 2030, relying on the value-creating role of business in delivering sustainable development. As organizations world-wide identify and execute sustainable strategies with key drivers of their vision and business models, the concept is to apply SDGs for both future business opportunities and stakeholder engagement (Busco, Fiori, Frigo and Riccaboni, 2017).

The seventeen sustainable development goals, while extremely broad in scope, ranging from poverty and hunger relief to climate action and economic growth, may serve to accelerate interest world-wide about entities communicating value creation and the obstacles they face. As the United States moves away from global arrangements such as the Paris Agreement, incentives for some companies may be lacking to advance sustainable goals and responses. However, there are still grounds for optimism in improving sustainability disclosure in management’s reporting of disastrous events.

Possible Conceptual Framework for Voluntary Environmental Reporting

The Global Reporting Initiative (GRI) has created guidelines for companies to report their results on human rights, labor, environmental, and other governance matters. More companies file GRI Reports than any other voluntary ESG report in the world. Companies file GRI reports “to report their activities . . . manage the impression given concerning their activities . . . and (improve) the bottom line profitability of the company . . .” (Crowther, 2004 as cited in Crowther & Bacchus, 2004). In 2015, over 24,000 companies filed a GRI report (GRI Sustainability Disclosure Database, 2015). The GRI guidelines are the most popular reporting mechanism because a wide range of international parties with an interest in sustainability reports contributed to the development of the guidelines. As the world and its needs change, the guidelines must change, which complicates the task. The sustainability movement accelerating and reporting related to ESG issues is increasingly important. Having a variety of interested groups write the GRI guidelines serves three purposes. First, with a wide representation of interest groups, most or all of the important sustainability issues will be raised and addressed. Second, when world governments, businesses, social groups, educators, investment advisors, unions, and accounting work together to come to agreement on how and what should be reported, there is a greater likelihood that companies will voluntarily participate. And third,

guidelines provide a format for measuring performance so organizations can demonstrate where their performance is weak, strong, improved or slipping.

The emerging Sustainability Accounting Standards Board (SASB) offers mission and vision that appears promising to corporate issuers and users—trying to arrive at shared understanding of corporate sustainability performance and hence balanced stakeholder participation (Sustainability Accounting Standards Board, 2017). The SASB's work continues to emphasize the need to complement financial accounting standards, thereby providing the financial statement user with a more complete view of corporate performance and opportunities.

As companies establish development goals and action plans, the conceptual framework for voluntary environmental reporting advances. Busco, et al. (2017) illustrates PepsiCo, the U.S. diversified food and beverage entity, and Eni, the Italian energy company, including oil and gas production, showing key pages of their annual reports and how committed they are to sustainability. Eni's proactive approach may be an attempt to mitigate the horrors of catastrophes, such as BP--a turnkey, almost non-sustainable event, with disclosure of a performance dashboard including the volume of their operational oil spills over a 3-year comparative period.

The evolution in risk management is also seen directly with the International Federation of Accountants (IFAC) guidance on regulatory models for accounting (International Federation of Accountants, 2017). IFAC's goal is to assist professional groups world-wide to develop strong regulatory modes so that all stakeholders, including government and broader society, are provided with information and support for economic growth.

Consideration of the communities impacted by a company, (stakeholder theory) may be reflected in the sustainability goals and values of organizations. Sustainability practices do not always align with these goals and values. The evolution of Corporate Sustainability Reporting must continue. Sustainability lags and gaps with financial reporting appear to offer researchers many avenues of investigation for future work.

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