Are Non-Financial (CSR) Reports Trustworthy? A Study of The Extent to Which Non-Financial Reports Reflect the Media' Perception of The Company's Behaviour

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Abstract

This study examines the strategies companies have adopted in their CSR or non-financial reporting when responding to media criticism related to poor CSR performance. Seven companies operation internationally and which have been criticized for irresponsible behavior (like environmental spills, child labor, poor working conditions, corruption, etc.) are identified. The Wilson response model, "Philosophy of Social Responsiveness," which suggests four distinct corporate responses to criticism (Reaction, Defense, Accommodation and Proaction), is applied. These four responses occupy a continuum with 'low response' on one end and 'encompassing response' on the other end. The findings reveal that, in contrast to the Wilson model, which proposes various degrees of response engagement, companies adopted an either/or response strategy (0-1). They either ignore the criticism (0) or, if they recognize the criticism (1), they respond in all four of the categories suggested by Wilson. Six of the companies chose the 1 approach. The remaining company chose the 0 response; ignoring the criticism. The 0 response strategy is not presented as an option in the Wilson model, but it is clearly an alternative that companies can take into consideration when evaluating and choosing strategies for non-financial reporting.

Keywords: *Criticism, CSR, media, non-financial reporting, responsiveness, scandal, Wilson model*

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Introduction

Corporate social responsibility (CSR) is receiving increased attention. Today, companies are expected to take on responsibilities beyond regulatory compliance and posting profits (Brammer and Pavelin 2004, Samuel and Ioanna 2007). How companies engage the environment, human rights, ethics, corruption, employee rights, donations, volunteer work, contributions to the community and relationships with suppliers are typically viewed as components of CSR. There are many different definitions of CSR, but a frequently used definition is that of the European Union (EU); a "concept whereby companies integrate social and environmental concern in their business operations and in the interaction with their stakeholders on a voluntary basis."(European Commission 2001)

CSR has received increased interest in media. Fig. 1 shows this growth by tracking the use of "Corporate social responsibility" in the media from 1989-2012. It is evident that interest in CSR grew dramatically at the turn of the century. The media coverage represented here includes both positive and negative coverage, though the coverage has mostly been negative.
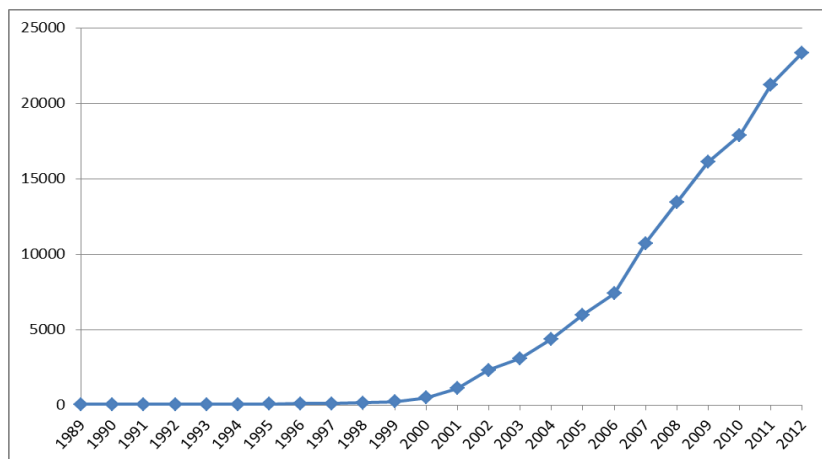

Figure 1. "Corporate Social Responsibility" mentioned in media 1989-2012, Factiva search

Alongside this increased media interest in CSR, we have the past 30 years seen a sharp growth in so-called non-financial reporting. While fewer than 50 companies provided non-financial reports in 1992, nearly 5,000 companies did so in 2010. Most of the largest companies in the world (around 90% of the FT 500) report on CSR. In some cases the reports are hundreds of pages long.

This paper will investigate the extent to which companies react to negative media coverage, and how they react. The remaining pages are organized as follows. I will start by providing an overview of prior research in this field. Following this, I will present the theoretical perspective applied in the paper and explain the methodology and data collection. The seven cases investigated will then be presented, and the findings con-

veyed in a common framework. Finally I will discuss the findings and the conclusions I've drawn.

Literature review

Given the increases in media attention and the volume of CSR reporting, it is not surprising that considerable research has been directed toward understanding the CSR phenomenon. A number of theories and approaches have been applied to address the issue, but the results have varied and have been largely inconsistent. The study "What Motivates Managers to Pursue Corporate [social] Responsibility?" (Ditlev-Simonsen and Midttun 2011) compares the different theoretical approaches to understanding the CSR phenomenon. What we know for certain is that, in addition to the increases in media attention and corporate reporting in the field of CSR, new and CSR reporting initiatives, both voluntary and mandatory, have emerged. An introduction to these will help to shed light on the corporate framework for CSR reporting.

There have been a number of new *voluntary* international initiatives related to non-financial reporting. The most significant of these are the UN Global Compact (UNGC) (www.unglobalcompact.org), launched by Secretary General Kofi Annan in 1999, and the Global Reporting Initiative (GRI) (www.globalreporting.org), launched in 2002. The UNGC outlines 10 principles of behavior in the fields of human rights, labor, environment and anti-corruption, while the GRI provides more than 80 indicators for financial, environmental and social reporting. Other initiatives related to non-financial reporting include the UN Principles for Responsible Investment, the OECD guidelines for multinational corporations and the Carbon Disclosure Project.

In addition to voluntary initiatives, increasingly stringent requirements have been imposed from a *government* point of view with respect to non-financial reporting. In Sweden, for example, state-owned companies have been required to adhere to the Global Reporting Initiative (GRI) format since 2007. In the UK, according to the Companies Act of 2006, companies listed on the stock exchange are required to include information about environmental matters, employees, and social and community issues in their annual reports. In Norway, companies are required to report on non-financial matters related to the environment and social issues including gender equality, discrimination and employment. In "The Consequences of Mandatory Corporate Sustainability Reporting," Ioannou and Serafeims provide, through a country-level analysis, a good overview of the development of CSR regulations related to international reporting since 1998 (Ioannou and Serafeim 2012). Their study concludes that, in some related areas, mandatory corporate sustainability reporting has improved corporate performance. Other studies have found, though that an increase in CSR reporting does not necessarily improve the responsibility performance of the company. Fry, for example, found an inverse relationship between volume of reporting and CSR performance: the more the company reported, the poorer its CSR performance (Fry and Hock 1976). The study "From Corporate Social Responsibility Awareness to Action?" shows that a focus on and increase in CSR reporting do not necessarily increase the company's CSR performance (Ditlev-Simonsen 2010).

So why publish non-financial reports that go beyond what is legally required? Again, many approaches have been tried to answer this question. Applying organizational sense making to CSR does to some extent capture this variety of theoretical approaches to CSR. The sense making approach recognizes that managers have, choose and face alternative paths to CSR – and that the path the manager chooses impacts his or her CSR outcome. Here, identity orientation, legitimacy, justification, and transparency are some of the possible reasons managers might choose the paths that they do (Basu and Palazzo 2008).

One important reason, in addition to the facts that it is expected and that it signals openness and presents the company as a responsible actor, is that investments in companies are increasingly tied to ethical investment criteria, known as Socially Responsible Investment (SRI). Investors expect companies in which they invest to provide documentation confirming that the companies comply with ethical requirements. "Nearly one out of every eight dollar under professional management in the United States today [] is involved in sustainable and responsible investing." (US SIF 2012) Between 2007 and 2010 social investing had a growth rate of over 13 percent.

What does this suggest about claims made in non-financial reports? Companies are not required to have their non-financial reports verified, and technically they can write anything they want in the reports. Intentions about proper behavior does not necessarily imply proper behavior. While regular annual reports generally must be verified by an auditor, this is not the case with non-financial reports (although there are a few companies that voluntarily have the reports verified). Naturally, businesses do not want to write anything negative about their activities. Therefore they focus on presenting themselves in a positive light. To what extent, then, can community (and investors) rely on what they read in these reports?

A review of various non-financial reports found very little mention of the dilemmas that businesses face, and very little mention of CSR-related issues for which companies have been criticized in the media. From an academic perspective, two relevant studies investigating the media impact on corporate CSR reporting have been consulted. One of these investigated H&M and Nike CSR disclosures from 1987-2005 and found that the more negative media coverage the company received, the more positively the companies reported their own CSR performance (Islam and Deegan 2010), The other reviewed the relationship between media coverage related to environmental issues and annual report disclosure in nine energy and/or resource-intensive industries from 1981-1994 (Brown and Deegan 1998). Both of these studies were based on legitimacy theory and media-related theory, and both found that media attention on a CSR-related topic was significantly associated with increased corporate disclosure on the same topic.

In this study, we will approach the topic in differently inasmuch as we will focus on specific events or scandals where particular companies were criticized for irresponsible behavior—i.e. not reporting using a timeline format but rather using a point-in-time approach. Seven companies which are operating internationally and have been

criticized for irresponsible behavior (violation of human rights, pollution, poor working conditions, etc.) will be investigated. We will explore the extent to which the issues for which these companies have been criticized have been represented and reflected in financial and non-financial reports representing the year of the most issue hits in media. From a theoretical perspective, the study will place the sense making and legitimacy approach to corporate disclosure in the framework of the five steps presented in Wilson & Carrolls's "Philosophy of the Social Responsiveness" (Carroll 1979). The focus, therefore, will be on the company's social *responsiveness* (CSR2), which is not necessarily, as addressed previously, the same as the company's degree of *responsibility* (CSR1). Accordingly, we will not investigate the extent to which the "media scandals" have led to actual changes in *responsibility* in the companies. Rather, we will study how the companies have *responded* to the criticism through disclosure using CSR or non-financial reporting.

The study has both academic and practical implications. On the academic side, it will test Wilson & Carroll's "Philosophy of the Social Responsiveness" model. At the same time, it will be useful for businesses (to evaluate different strategies and establish benchmarks) and authorities (to the extent that non-financial reporting has any value as long as they are not required to be verified).

Response Theory

Various methods are available for sorting and categorizing the ways in which businesses communicate. In his article "A Three-Dimensional Conceptual Model of Corporate Performance" Carroll gives an overview that describes types of corporate performance ranging from "do nothing" to "do much"(Carroll 1979). Carroll refers to Ian Wilson's "Philosophy of Social Responsiveness" model, originally presented by Wilson in 1975 in the chapter "What one company is doing about today's demands on business" in the book *Changing business-society interrelationship* (Wilson 1975). Here, he claims that "questions of social responsibility are, therefore, no longer peripheral, but central to decisions about corporate planning and performance (ibid page 25). (Given that this is very much in line with today's views of managers in leading companies, one wonders whether Wilson was ahead of time in 1975, or if little has happened in the CSR field since then). Wilson concludes that corporate social responsibility is, in effect, "essentially and primarily a matter of 'social responsiveness' " (ibid page 25). The importance of social responsiveness in the CSR setting is a key element of this study, with a focus on CSR-related responses to media criticism in non-financial reporting.

Wilson's model describes the continuity of response, and therefore fits well in this study as a means to assess companies' responsiveness to criticisms of CSR reporting. Other studies have also used this model to evaluate corporate social behavior (Clarkson 1995) and one of the most popular books for teaching CSR and ethics at the university level today, "Business Ethics" by Crane and Matten, uses the model when describing CSR and strategy - corporate social responsiveness (Crane and Matten 2007). In his study of Nike's responsiveness to critics in a given period of time, Zadek

(2004) found evidence of a similar, five-stage transformation process (Zadek 2004). This frequently application of the model is a relevant argument for testing it in this study.

The model is based on four types of responses to criticism. As neither Wilson or Carroll elaborate on the four strategies, a brief description of how they apply to response to media criticism in corporate non-financial reporting is suggested in parentheses.

1. **Reaction** (the company reflects the media criticism in its non-financial report)
2. **Defense** (the company defends itself against the criticism in the non-financial report)
3. **Accomodation** (the company acknowledges the criticism and reports that it will improve its behavior)
4. **Proaction** (the company acknowledges the criticism and sets out to improve its behavior beyond what is expected)

Figure 2 illustrates the degree of responsiveness. In this study, we categorized the seven companies studied based on their response strategy according to this model. We will provide practical examples of this categorization, and then consider whether Carroll and Wilson's model addresses the appropriate alternative response options, through their non-financial reporting.
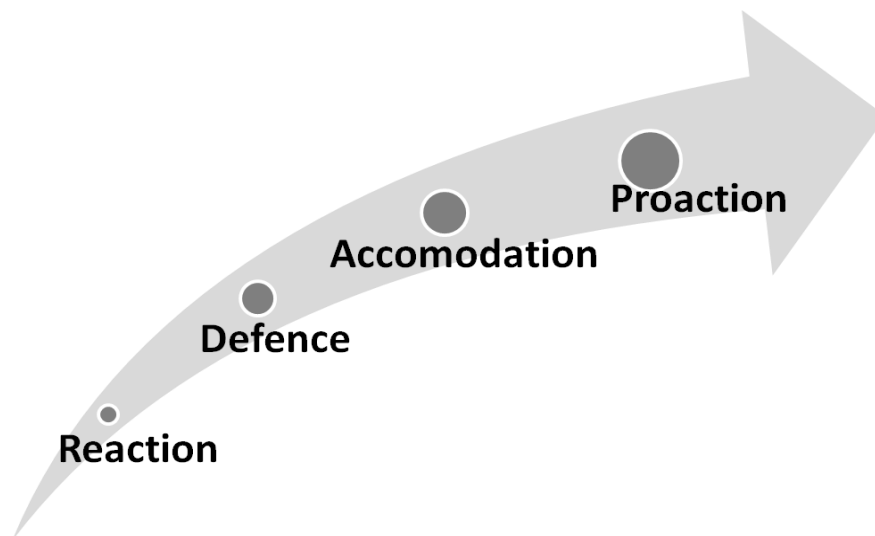
Proaction

Accomodation

Defence

Reaction

Figure 2. Carroll and Wilson's Philosophy of Social Responsiveness model

Methodology

In a study such as this, it would be optimal to consider a multitude of companies and compare the responses in various industries relative to nationality and size. This would be an extensive undertaking and since there is currently relatively little knowledge in this area it may be more appropriate to start by concentrating on a few companies to

test Carroll and Wilson's model. This is why we chose the below described case study method.

Case study method

The case study method can be useful when conducting qualitative research. There are a variety of approaches in this method and a variety of ways to categorize the different types of cases. Case study research is a good approach to testing, revising and building theories. Such theory-building research can lead to new insights (Eisenhardt 1989), which is the purpose of this study.

As the purpose of this study is to examine whether companies response to media criticisms, it is natural to use multiple cases and apply a so-called comparative case approach. Since we will examine the question of whether Carroll and Wilson's model covers alternative corporate responses to media criticism related to CSR, the study may be described as presenting evolving theories (Andersen 2003). This type of research design is based on a particular theory or concept, which is then developed or fine tuned during the study. This can be accomplished by addressing how a theory is applied to a particular area and testing whether this also applies to the cases under study. Also, this approach can help to clarify and deepen an existing theory. Moving from one to several cases allows us to generalize about a particular question based on the findings.

Selection of cases

The goal of this study is to assess how companies respond to media criticism of CSR in their non-financial reports. The first criterion in selecting companies, therefore, was that they had been subject to CSR-related criticism. As many companies have been criticized for unethical behavior, the selection of an "appropriate" subset of such companies was a challenge. To this end, companies in bank and investment sector were consulted. In January 2012 the Norwegian Financial Services Association held a meeting with stakeholders (representing leading international financial institutions based in Norway: DnBNor, Storebrand and KLP) to solicit feedback about possible case studies. Five of the companies suggested were used in the study: Statoil, Intex, Lundin, Ericsson and Telenor. Two more companies – Vale and Alstrom – were then added to represent a more international collection of case studies. Table 1 includes a list of the companies as well as sector, country of origin, the issue the company has been criticized for, the non-financial reporting form, and company size (number of employees and sales).

The seven case companies in this study are located in different countries: Norway, Sweden, Brazil and France. These countries have varying regulations pertaining to mandatory non-financial reporting (Ioannou and Serafeim 2012). There is contradictory findings concerning the extent to which such mandatory regulations related to CSR reporting actually change corporate behavior (Ioannou and Serafeim 2012, Ditlev-Simonsen 2012, Ditlev-Simonsen 2010). The "scandals" and media criticisms surrounding the case companies go beyond the non-financial reporting regulations, and I

have therefore chosen not to address issues related to country wise reporting regulations. I have, however, included in the table whether and when the companies have signed up to the voluntary initiative UN Global Compact (UNGC). Again, it is not clear to what extent such support actually changes a company's responsibility behavior. Unlike local regulations, though, the UNGC initiative is international. Thus it is easier to compare from company to company than it is with national regulations.

Whereas the previously presented Brown & Deegan study investigated the response of resource-intensive B2B industries to negative media coverage, and Islam & Deegan investigated similar responses among companies that sell to end-users (H&M and Nike), the present study includes both resource-intensive B2B industries (Statoil, Intex, Lundin, Vale and Alstom) and companies that sell to end users (Ericsson and Telenor). Furthermore, also as previously mentioned, the study will identify the point in time at which the company was most criticized in the media and review its disclosure response to the criticism.

Table 1. Overview of companies studied

Company	Statoil	Intex	Lundin Petroleum	Ericsson	Telenor	Vale	Alstom
Sector	Oil & gas producers	Mining	Oil & gas producers	Technology hardware & equipment	Mobile tele-communications	Mining	Industrial Engineering
Country	Norway	Norway	Sweden	Sweden	Norway	Brazil	France
Criticized for	Negative environmental impacts of tar sand extraction	Nickel production destroying ecosystems and water supplies in the Philippines	Possible involvement in war crimes in Sudan	Hazardous working and environmental conditions and child labor at sub-supplier in Bangladesh	Hazardous working and environmental conditions and child labor at sub-supplier in Bangladesh	Inhuman conditions and reckless exploitation of nature in connection with hydropower plants in the Amazon	Multiple cases of gross corruption over several years in different countries
When	2007	2009	2003	2008	2008	2011	2011
Reporting form	Separate non-financial report	Part of annual report	Annual report	Corporate responsibility and Sustainability Report	Part of annual report	Sustainability report	Sustainable development and social responsibility report
No. Of employees	30 344	ca 20	336	90 261	33 200	70 785	68 858
Turnover, revenues or net financial income	Revenues, USD 87,646 million (money.cnn.com)	Net financial income 2010, USD 1 million (intexresources.net)	Turnover 2011/12, 982 633 000 EUR (largestcompanies.com)	Revenues, USD 87,646 million (money.cnn.com)	Turnover, 2011/12 12 671 357 000 EUR (largestcompanies.com)	Revenues, USD 87,646 million (money.cnn.com)	Revenues, USD 87,646 million (money.cnn.com)
Supported UNGC since	2000	-	2010	2000	2001	-	2008

Evaluation method

A review of the seven companies was conducted based on the following procedure;

1. A presentation of the company. *Source: the company's own publicly available review site*
2. Data relating to industry, number of employees and turnover. *Source: mainly www.FT.com*
3. Whether the company participated in the UN Global Compact and, if so, when this happened. This information is included in order to demonstrate knowledge of corporate voluntary initiatives in the area of CSR and to identify when those companies confirmed their interest in the topic. *Source: www.globalcompact.org*
4. A description of the issue the company has been criticized for: when the criticism arose, what it covered and the result of the criticism. This description is based on media coverage.
5. In many cases the "issue" continued for several years. To limit the study to the year the "issue" received the most media coverage, we used Faktiva to provide an overview of annual media coverage. The company name, location and subject matter of the criticism were used as search terms. For example, the Statoil search used the terms "Statoil" and "Canada" and "oil sands." We selected and focused on the year the issue received the most "hits" on Factiva. *Source: Factiva.com*
6. When the year in which the issue had received the most hits on Factiva was identified, the financial and or non-financial report for this year was investigated. *Source: the company's own reporting.*
7. How the company addressed the criticisms in its reporting and how this related to Wilson and Carroll's model was studied. We developed a database for this containing electronic copies of pages that describe how the company has dealt with the issue criticized. This report is available from the author.

The above database is used to categorize responses according to the "Philosophy of Social Responsiveness" model by Wilson and Carroll and to document this through examples.

Result

In this section, we first describe what the company is criticized for and how it has responded to this criticism in its non-financial reporting. Thereafter we categorize their response in accordance with the Wilson and Carroll model in the spectrum between "do nothing" and "do much." It is important to note, however, that in this analysis that we apply the companies' self-descriptions. It is debatable whether such self-descriptions are true; one can expect an unwarranted amount of self-praise. At the same time, it is also possible that companies are doing *more* than what they describe, that they are more socially responsible than may be gleaned from reading annual and non-financial reports. This study therefore does not consider the degree of "truth" of what is reported in the annual financial and non-financial reports, but only what the company has written, that is, how the company presents itself.

It is important to note that the companies may have changed their reporting and response strategies in the wake of the criticisms and the responses described, so that reporting after and prior to the one with most media hits may be based on a different reporting strategy. This will not be covered here, because the scope of the study would otherwise be too complex and answer a different research question.

Statoil

Criticized for negative environmental impacts of oil sand extraction.

A search for "Statoil " and "Canada" and "oil sands" in Factiva yielded the most hits in 2007, which was 433 hits.

A search of the company's non-financial report "Going North - Sustainable Development 2007" yielded hits for "oil sands" on seven pages, but only four of these noted something relevant about the oil sands-related criticism. The report confirms that there has been considerable debate and criticism about the production and refinement of oil sands – "Our acquisition of a large oil sand deposit further west in Canada has been the subject of much debate and criticism, both in Norway and internationally" – and Statoil defends the company's response and work in this manner "We have started a comprehensive project in which we will study all possible options for reducing or offsetting carbon dioxide emissions" (p 15). In addition, the company has taken the initiative to ensure that their operations are as environmentally friendly as possible: "Extensive environmental monitoring is used to evaluate relevant impacts of discharge of emissions, both through legally required surveys and through other initiatives such as the global scientific and environmental ROV partnership overusing existing industrial technology (Serpent)" and "We have also continued to pursue an extensive portfolio of R&D projects for tailoring such response to Arctic regions" (p 28).

Statoil is thus open to the criticism it has received for its investment in the oil sands, though it defends its actions and argues that it has behaved properly. With respect to Carroll and Wilson's "Philosophy of Social Responsiveness" model, this reflects the reaction, defense and accommodation strategies. Moreover, the company argues that it has gone *beyond* the statutory requirements and notes specific examples as referred to above. This reflects a proaction strategy as well.

Intex

Criticized for its nickel production destroying ecosystems and water supplies in the Philippines.

A search for "Intex Resources" and "Mindoro" and "environment" in Factiva yielded the most hits in 2009, which was 115 hits.

Intex has no separate non-financial report, but a search in the annual report for 2009 yielded hits on 14 pages, three of which were relevant to the Mindoro criticism case (the remaining matches did not address the environmental or social impacts of the pro-

ject). In this non-financial section of the annual report, the company is very open about the criticism it has received. "In 2009, the company has faced opposition from anti-mining groups in the Philippines, Norway and internationally. This culminated with a 90-day suspension of the environmental permission ECC one month after the project had received the permission" (the report is in Norwegian and has been translated). Also, "Opposition to the project has also led to the group Future in Our Hands submitting a complaint to the Norwegian OECD Contact Point (NCP), a process that is ongoing. The Board considers this complaint unfounded" (page 5). The company defends itself: "The company has a comprehensive environmental program" (Page 7-2). Also, "Intex Resources wants to help develop sustainable communities. The program for good community activities for Mindoro Nickel includes five key areas: education and scholarships, health, water and sanitation, agriculture and livelihood, initiative for capacity development and support for the local infrastructure" (page 7-3). The report continues: "In the Mindoro Nickel project the company policy is to employ people from the local population with equal pay for equal work. The company has always had this policy, and was apparently the first company to introduce such a policy on the island of Mindoro" (page 7-4).

The various parties' negative views on Intex's behavior are clearly presented as the company defends its actions and argues that it has behaved properly. With respect to Carroll and Wilson's "Philosophy of Social Responsiveness" model, this reflects the reaction, defense and accommodation strategies. Moreover, the company maintains that it has gone beyond the statutory requirements and provides specific examples of this. This reflects a proaction strategy.

Lundin Petroleum

Criticized for possible involvement in war crimes in Sudan.

A search for "Lundin" and "Sudan" and "war" in Factiva yielded the most hits in 2001, which was 147 hits.

Lundin's 2001 annual report included 19 pages addressing Sudan. Seven of those pages addressed the criticism leveled at the company. In the report, the company recognizes that its engagement in Sudan "has also raised ethical issues, due to the ongoing conflict in that country. The question being asked is whether oil fuels the war or sets the conditions for peace by providing the country with the necessary means to lift itself out of poverty. We believe the latter" (page 2-3). In addition, the company describes its efforts to help the local population: "To try to enhance the well-being of this community and raise its living standards, Lundin Petroleum has initiated a Community Development and Humanitarian Assistance Program (CDHAP). After consulting with local leaders and development experts, it devised the following projects aiming at meeting some of the inhabitants' basic needs" (page 14-15). These initiatives include infrastructure development, water supply, health treatment of 6000 patients, education for over 500 pupils, capacity building and humanitarian assistance. Through CDHAP, "Lundin Petroleum remains committed to finding ways to help the local community

achieve long-term economic self-sufficiency." (page 14-15)

Lundin recognizes having being criticized for its operations in Sudan, defends its operations and describes the ways in which the company has exceeded what is legally required related to social behavior, by initiating the CDHAP. With respect to Carroll and Wilson's "Philosophy of Social Responsiveness," this reflects the reaction, defense and accommodation strategies. Moreover, the company claims to have gone beyond the statutory requirements and mention specific examples of how it has implemented voluntary measures to help the local community. This reflects a proaction strategy.

Ericsson

Criticized for hazardous working conditions as well as child labor at a sub-supplier in Bangladesh.

A search for "Ericsson" and "Bangladesh" and "child" in Factiva yielded the most hits in 2008, which was 10 hits.

In Ericsson's non-financial report entitled "Ericsson corporate responsibility and sustainability report 2008," searches for "Bangladesh" yielded hits on six pages (a search for "child labor" yielded 0 hits). Five of the pages contained information that was relevant to the criticism. The company recognizes early in the report that it has done something wrong "Our commitment to the UN Global Compact and human rights includes reinforcing human rights along the supply chain. We became aware that some of our suppliers in Bangladesh were not meeting our high social and environmental standards. This experience served to sharpen top management focus on this issue, and strengthened our approach to monitoring and engaging our supply chain on improvements" (page 3). Headings such as "Engaging stakeholders" (page 11), "Learning from Bangladesh" (page 14) and "New approach, changed mindset" (page 15) show that the company acknowledges its mistakes and is making changes. According to the report, Ericsson is now operating more "appropriately" through "Mitigating risk through audits and training" (page 15-1).

Ericsson is open to the criticism they received for poor working conditions with its suppliers, apologized and promised to address the issue, and thereby avoiding similar problems in the future. With respect to Carroll and Wilson's "Philosophy of Social Responsiveness" model, this reflects the reaction, defense and accommodation strategies. Moreover, the company says that it has gone beyond the statutory requirements and mentions specific examples of auditing and training fore example "Ericsson is a founding member of GeSI, the Global e-Sustainability Initiative. A multi-stakeholder organization. Its aim is to promote sustainability within our sector's sphere…" (p. 15-1). This reflects a proaction strategy.

Telenor

Criticized for hazardous working conditions as well as child labor at a sub-supplier in Bangladesh.

A search for "Telenor " and "Bangladesh" and "child" in Factiva yielded the most hits in 2008, which was 37 hits.

Telenor 2008 annual report offered limited coverage of CSR. A search for "Bangladesh" in this report yielded results on 13 pages. Four of these pages dealt with the issue of criticism in Bangladesh. The company is open and responsive to the criticism: "In April 2008, Telenor became aware of unacceptable working conditions at several suppliers to its subsidiary Grameenphone in Bangladesh. In response, Telenor initiated a group-wide project to review and improve health, safety, security and environmental standards across the supply chain" (Page 2). "Telenor has also initiated awareness building programs with suppliers in order to increase awareness of HSSE challenges" (p. 6). "We further strengthened our process for monitoring compliance through both announced and unannounced supplier visits" (p. 7).

Like Ericsson, Telenor is open to the criticism pertaining to the poor working conditions at its suppliers, apologizing and promising to address the issue, thus avoiding similar problems in the future. With respect to Carroll and Wilson's "Philosophy of Social Responsiveness" model, this reflects the reaction, defense and accommodations strategies. Moreover, the company holds that it has exceeded the statutory requirements and mention specific examples of awareness building and of extensive control. This reflects the proaction strategy.

Vale

Criticized for inhuman conditions and reckless exploitation of nature in connection with hydropower plants in the Amazon.

A search for "Vale" and "Belo Monte" and "environment" in Factiva yielded the most hits in 2011, which was 20 hits. Search on "Vale" and "Belo Monte" and "human rights," yielded nine hits the same year.

Vale offered a separate non-financial report, the 2011 Sustainability Report, and a search for "Belo Monte" in this report yielded hits on four pages. The company writes about its focus on sustainability, but also describes the criticism it has received and acknowledges the need for improvement in this area: "Vale needs to assume its role as a major player and be committed to supporting best practices to ensure that Belo Monte is a sustainable project. What today is a cost can become, with excellent management, a positive return."This is a quote from Sergi Bessserman, a professor of economics and ecology (page 8). "Vale is aware that the project [Belo Monte] has caused adverse reactions with regard to its social and environmental impacts, and the well-being of the indigenous communities in the region, during the construction and operational stages. Vale believes that the project will leave a positive legacy for the region.

Vale is acting proactively to implement best practices, particularly concerning issues related to sustainability" (page 74). The company documents its focus on and recognition for sustainability, among others through examples like "At the start of 2012 Vale was awarded the Sustainable Biofuels Award by World Biofuels Markets" (page 74). Vale ads to the project by "Strengthening of the project's public image and reputation as a result of proactive action to achieve continuous improvement in the quality of environmental attributes of the ecosystems in the region" (page 76).

Vale is thus open to criticism of its unsustainable behaviour in the Amazon. Even if the response is not comprehensive, the company still promises improvement. With respect to Carroll and Wilson's "Philosophy of Social Responsiveness" model, this reflects reaction, defence and accommodations strategies. Moreover, the company says that it has gone beyond the statutory requirements by proactive actions and mentions specific examples of this. This reflects a proaction strategy.

Alstom

Criticized for several cases of gross corruption over several years in different countries.

A search for "Alstom" and "corruption" in Factiva yielded the most hits in 2011, which was 199 hits.

A search for "corruption" in Alstom's separate non-financial report, Sustainable Development and Social Responsibility Report 2010/11, yielded hits on two pages. However, none of the results is related to allegations of corruption. Instead, the report describes the company's good behavior, for example "All employees are free to trigger a confidential alert if they suspect a violation of the rules with respect to securities, accounting, competition or corruption prevention" (page 26). Searching for "bribe," for more detailed information related to the criticism the company received, did not yield any hits.

Alstom does not acknowledge the criticism leveled at the company with respect to the alleged corruption. With respect to Carroll and Wilson's "Philosophy of Social Responsiveness" model, Alstrom cannot be placed in the model because it did not exhibit reaction to the criticism by recognizing it. The company's response strategy in the annual report is to ignore the criticism issue by not addressing it. Moreover, the company claims to be a frontrunner in the anti-corruption work. "The Group is a member of the United Nations Global Compact Working Group on Principle 10 and of Brazil's Ethos Institute, where it is a signatory of the anti-corruption" (page 26). The importance of this strategy will be analyzed further in the Discussion section of the article.

Discussion and Conclusion

Based on a study of these seven companies that have been criticized for irresponsible behavior, it appears that distinguishing between the different levels of response as sug-

gested by Wilson and Carroll's model, is not the most useful approach to understand and categorize corporate response to negative media coverage in financial and non-financial reports.

The most appropriate way to categorize the responses is not to place it on a spectrum from "little response" to "much response", but rather to note whether the companies chose to respond at all. Six of the seven companies (Statoil, Intex, Lundin, Ericsson, Telenor and Vale) did respond to the criticism. They acknowledged the criticism (react), immediately went on to explain why they had done what they had, and to some extent defend and excuse their actions (defense), and then explained what they had done to improve (accommodation) and how they had gone beyond what was required to improve the situation and prevent similar misconduct in the future (proaction). The extent of the review (the number of pages allocated) varied between the companies, though this can be tied to the size of the report (financial and non-financial) in which it appeared.

The most important related strategies is not how many pages are used to respond to the criticism, but rather whether the criticism is acknowledged at all. One of the seven companies, Alstom, chose a different response than did the companies noted above. This company choose not to acknowledge the criticism in its non-financial report. Alstom does not mention the fact that it has been criticized, but rather focuses on the positive aspects of its work related to social responsibility. To some extent, this supports Brown & Deegan's and Islam & Deegan's findings, that negative media coverage results in positive non-financial disclosure from the company (Islam and Deegan 2010, Brown and Deegan 1998). However, contrary to these studies, which followed the companies over time, the present study only investigated the company's response the year of most negative coverage.

Alstom reacted differently than the other six companies in that the company did not recognize or address the CSR performance criticism. Still, it can be argued that this supports the sense making model described by Basu & Palazzo: Alstom's management might not identify itself as a socially responsible company, but rather as an investor-responsible company – as long as the negative media coverage did not impact its share price, it did not need to respond (Basu and Palazzo 2008). The same is true for legitimacy: if the key stakeholders are the shareholders, focusing on other stakeholders (like society in general or critical NGOs) might not seem as relevant. To answer these questions, further studies are needed to follow up Alstom's management strategy related to the media criticism. It might well be, though, that the company did not have a specific strategy related to the criticism; it may have simply ignored it. Previous studies have shown that CSR engagement and disclosure can be very person-related (Ditlev-Simonsen 2010, 2009). It is very possible that in the next year, or in the previous year, the company's CSR disclosure was different and the criticism was recognized and responded to.

From a corporate perspective, it is interesting to note that it is possible to ignore the criticism in the annual report and proceed as if it never occurred. There are several

possible reasons a company might choose such a strategy. Not least, it is "easier" – or more convenient. The company will not have to engage in the area and will avoid negative consequences of admitting to inappropriate behavior. At least in the short term, it does not appear as if the company has "lost" anything in choosing this strategy.

From an academic perspective, it is interesting to note that Carroll and Wilson's philosophy of Social Responsiveness model is not as relevant in categorizing corporate strategies to meet societal criticism to which they are exposed. It is generally the case that, after the company has acknowledged the criticism (react), it proceeds immediately to the defense, accommodation and proaction stages. The degree and focus of each of these is related to the nature of the criticism, and of the behavior that led to the criticism. For Telenor and Ericsson, for whom working conditions at suppliers were below the quality the company wanted, it was acceptable to admit they had made a mistake and to claim that will not happen again. Statoil, Intex, Lundin and Vale however, must focus more on *defending* its operations as the company plans to continue with its operation. All of these responses, however, could support Basu & Palazzo's cognitive identity and legitimacy approach of sense making, with a linguistic balance of the justification and transparency approach, which might be linked to management strategy or to the person in charge of developing the non-financial disclosure (Basu and Palazzo 2008, Ditlev-Simonsen 2010)

Even faced with very different criticism, the companies that responded immediately, adopting all four strategies proposed by Carroll and Wilson. These findings support the argument that if a company reacts to criticism, it immediately have to go all the way applying a combination of these four strategies simultaneously (react, defense, accomodation or proaction). There is alternatively a different approach; null response, that is, not acknowledge the criticism of in non-financial reporting. Thus, from a theoretical perspective, this study has followed the Process of Building Theory from Case Study Research (Eisenhardt 1989), contributing to extending the Carroll and Wilson model to reflect new dimensions with an either or response: Either ignore criticism or fulfill the four strategies simultaneously. This theory extension also supports the sense making theory and extends the variety of responses that can make sense for companies. Further research could help to shed light on why companies might choose this strategy and what the effect of this might be, compared to those companies that chose to react and respond to criticism in their non-financial reporting.

This study suggest that if a company decided to recognize the criticism, it has to go "all the way" (react, defense, accommodation and proaction), but it is also possible to entirely ignore the criticism and not mentioning at all. It is also possible, like Alstom, to portray itself as a deeply engaged in an area where it has been criticized without recognizing the criticism. Maybe then, another way of categorizing response to media criticism is to reflect how "deep" into regret and remorse the company goes. Like Ericsson and Telenor, which can "afford" to be humble and poor working conditions were perceived as an "error", other companies as Statoil, Intex, Lundin and Vale want

to continue to performing the operation they have been criticized for, and therefore have to apply a different strategy for response, not as "deep" on regret and remorse.

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