

# **The quality of sustainability reports and impression management: A stakeholder perspective**

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## **Abstract**

*Purpose* – The purpose of this research is to analyze the perceptions of stakeholders – more specifically, socially responsible investment (SRI) practitioners – of the quality of sustainability reports using the Global Reporting Initiative (GRI) framework.

*Design/methodology/approach* – This paper is based on 33 semi-structured interviews carried out with different stakeholders and experts (e.g. consultants, fund managers, analysts, consultants) in the field of SRI in Canada.

*Findings* – The perceptions of SRI practitioners shed more light on the elastic and uncertain application of the GRI principles in determining the quality of sustainability reports. Their perceptions tend to support the argument that sustainability reports reflect the impression management strategies used by companies to highlight the positive aspects of their sustainability performance and to obfuscate negative outcomes.

*Originality/value* – First, undertake empirical research on stakeholders' perceptions – which have been largely overlooked – of the quality of sustainability reports. Second, shed new light on the impression management strategies used in sustainability reporting. Third, show the reflexivity and the degree of skepticism of practitioners with regard to the reliability of information on sustainability performance.

**Keywords:** Stakeholders, Impression management, Global reporting initiative, Corporate sustainability reporting, Socially responsible investment

## **Introduction**

The number of organizations that disclose information on their sustainability performance has increased considerably in recent years. According to the Governance & Accountability Institute Inc. (2012), 53 percent of the 500 largest companies listed on the US stock exchange follow the S&P 500 (SPX) stock index-published sustainability reports, whereas 63 percent follow the Global Reporting Initiative (GRI) indicators. A report published by KPMG (2013) indicated that nearly 93 percent of the 250 largest companies around the world publish this type of report. This data demonstrates that sustainability reporting is now a common practice whose standardization improves with the increasing use of the GRI (KPMG, 2013; Berman et al., 2003). Despite the differences in terms of sustainability practices between countries worldwide (Schaltegger et al.,

2013, 2014), the GRI provides a unified standard for sustainability reporting and, in principle, offers the possibility of comparing information, proceeding with benchmarking between various organizations and informing investors about corporate sustainability performance (Marimon et al., 2012; Dingwerth and Eichinger, 2010).

Generally speaking, the implementation of the GRI indicators tends to increase the rigor and reliability of the reporting process (Dando and Swift, 2003; KPMG, 2013). Nonetheless, the quality and reliability of sustainability reports have been largely questioned in the literature (e.g. Cho et al., 2012; Hopwood, 2009; Milne and Gray, 2007; Moneva et al., 2006). The disclosure of information on corporate sustainability performance, despite the efforts for standardization, remains problematic due to observed inconsistencies that limit the quality and credibility of information (Moneva et al., 2006; Fortanier et al., 2011; Hahn and Kühnen, 2013). In this perspective, sustainability reports are often interpreted in the literature as marketing instruments, tools for social legitimation (e.g. Duchon and Drake, 2009; Milne et al., 2006; Deegan et al., 2006; Cho and Patten, 2007) or impression management strategies (e.g. Cho et al., 2012; Merkl-Davies and Brennan, 2007, 2011; Merkl-Davies et al., 2011) rather than as a source of reliable information for stakeholders. Despite these criticisms, which have been addressed by academics, stakeholders' perceptions of the quality of sustainability reports, and more specifically the perceptions of those who use GRI reports, remain understudied. These perceptions are particularly important in the area of socially responsible investment (SRI), where various stakeholders scrutinize the corporate sustainability performance, which is supposed to be based on reliable and transparent information (e.g. Willis, 2003; Dhaliwal et al., 2011; Schadewitz and Niskala, 2010; Berthelot et al., 2012).

The main objective of this paper is to analyze the perceptions of the quality of GRI reports held by stakeholders involved in the field of SRI. SRI can be defined as “an investment process in which sustainability criteria relating to a company’s social and/or environmental behavior play a decisive role in the admittance of that company’s stocks to the investment portfolio” (ABN AMRO, 2001, p. 6). This study addresses two main research questions:

- RQ1. What are the SRI users’ perceptions of the quality of GRI sustainability reports?
- RQ2. To what extent do these perceptions support the argument – highlighted in the literature – that sustainability reports represent vehicles for impression management strategies aimed at influencing stakeholders’ perceptions?

This research does not cover all of the GRI requirements and indicators. Rather, it focuses on the six principles for defining the quality of sustainability reporting as recommended by the G3 version of the GRI: balance, clarity, accuracy, timeliness, comparability, and reliability. Although the GRI separately addresses the principles for defining report quality and content – materiality, stakeholder inclusiveness, sustainability context, and completeness – it is worth noting that the two categories of principles are interdependent. This paper focuses more specifically on the application of the GRI principles for defining the quality of information according to the perceptions of SRI practitioners. Although criteria on the quality of information such as comparability, reliability, clarity, and so on are essential to SRI decisions (Ioannou and Serafeim, 2014; Boiral, 2013; Willis, 2003), the application of those criteria has been overlooked in the literature.

Drawing on impression management theory, this paper explores to what extent the possible discrepancies between these principles and the quality of sustainability reporting reflect impression management strategies. These strategies are used by companies to enhance the positive aspects of sustainability performance and to obfuscate negative outcomes (Merkl-Davies et al., 2011; Cho et al., 2012; Hahn and Lülfs, 2014; Adams, 2008). In the context of sustainability reporting, impression management occurs when managers “select the information to display and present that information in a manner that is intended to distort readers’ perceptions of corporate achievements” (Godfrey et al., 2003, p. 96). We argue that rather than providing incremental information, sustainability reports might represent tools that project impression management strategies aimed at influencing or distorting stakeholders’ perceptions.

This paper provides three main contributions to the existing literature on sustainability reporting. First, the sustainability reporting literature remains essentially based on content analysis of sustainability reports or theoretical analysis of the reporting process, and it has therefore overlooked the perceptions of stakeholders (Unerman, 2000; Parker, 2005; Hahn and Kühnen, 2013). This paper provides new insight into the quality and reliability of sustainability reports by analyzing the perceptions of experienced practitioners in this area. Second, the paper sheds more light on the reflexivity and critical judgment of SRI practitioners with regard to both the transparency of sustainability reports and their use as reliable tools in assessing sustainability performance. Third, by examining stakeholders’ perceptions of the quality of sustainability reports, this study contributes to the literature on the compliance of those reports and the reliability of certification or assurance practices in this area (O’Dwyer and Owen, 2005; Laufer, 2003; Dando and Swift, 2003; Boiral, 2013; Pflugrath et al., 2011; Simnett et al., 2009).

The rest of the paper is structured as follows. First, we present the reporting principles for defining quality according to the GRI and the literature on impression management strategies, taking into account the stakeholders who are involved in the sustainability reporting process. Second, we describe the research methodology. Finally, we present and analyze the key results.

### **The GRI principles for defining report quality**

The main objective of the Global Reporting Initiative (GRI) (2006) is to provide “a trusted and credible framework for sustainability reporting that can be used by organizations of any size, sector, or location” (p. 2). The GRI operates under guidelines that establish the list of information to be included in sustainability reports, most notably environmental, social, governance, and economic issues.

In order to ensure the quality of information disclosed, the GRI has defined reporting principles that focus on the quality of sustainability reports. These principles for defining report quality are particularly important for stakeholders, including investors, since they allow the latter to “make sound and reasonable assessments of performance, and take appropriate action” (GRI, 2006, p. 13). These principles cover six main aspects – balance, comparability, accuracy, timeliness, clarity, and reliability – the analysis of which is essential for understanding the objectives of sustainability reporting, as well as of certain impression management practices that tend to

question the transparency of information. Although a new version of the GRI was launched in 2013, its principles for defining report quality have not changed.

### *Balance*

According to the GRI (2006), “the report should reflect positive and negative aspects of the organization’s performance to enable a reasoned assessment of overall performance” (p. 13). Failure to comply with these criteria, as evidenced by the predominance of positive events over the so-called negative events (Niskanen and Nieminen, 2001; Cho et al., 2012; Boiral, 2013), is often understood as a form of greenwashing, which constitutes one of the main criticisms of sustainability reports (e.g. Adams and Frost, 2006; Owen, 2006; Tregidga and Milne, 2006). For the purpose of applying the principle of balance, the GRI (2006) formulated three essential recommendations (p. 13). First, companies should present the sustainability report so as to avoid omissions, selections or any form of presentation that could unduly influence the decisions or judgments of the reader. The GRI then recommends including both adverse and favorable results, as well as any topics that might influence the decisions of stakeholders. Finally, the report should clearly distinguish between the presentation of facts and the company’s interpretation of information.

### *Comparability*

Comparability is an essential criterion that allows users to evaluate the performance of organizations (GRI, 2006; Langer, 2006). The difficulty in comparing sustainability reports can sometimes explain the reluctance of stakeholders – in this case, investors – to use the information disclosed regarding corporate sustainability performance (Harte et al., 1991; Friedman and Miles, 2001; Bartels et al., 2010). To deal with such difficulties, the “reported information should be presented in a manner that enables stakeholders to analyze changes in the organization’s performance over time, and could support analysis relative to other organizations” (GRI, 2006, p. 14). In the context of SRI, comparative analysis is essential for evaluating the progress of companies and benchmarking their performance for related activities: for example, ratings in making investment decisions (Langer, 2006; Peck and Sinding, 2003; Dragomir, 2012). To do this, users of GRI reports should be able to compare the information disclosed on the social, environmental, and economic performance of companies with information on the past performance of these same companies. They must also be able to compare their performance with that of other companies. A quality report should therefore allow for the measurement of the performance of an organization over time, as well as comparing its performance with those of other organizations in the same sector.

### *Accuracy*

The accuracy of information is one of the main issues in sustainability reporting (e.g. Dando and Swift, 2003; Perez and Sanchez, 2009; Cho et al., 2012). According to the GRI (2006), “the reported information should be sufficiently accurate and detailed for stakeholders to assess the reporting organization’s performance” (p. 15). The fundamental characteristics that determine a report’s accuracy are the nature of the information and its usefulness for stakeholders (GRI, 2006). The factual accuracy refers both to the exactness and the margin of error (Lozano, 2006).

To take into account such requirements, organizations must adequately describe their data measurement techniques, as well as their basis of calculation, and must also demonstrate that they are replicable with similar results. Furthermore, the margins of error should not be so significant that they compromise the ability of readers or reviewers to make informed conclusions about the sustainability performance of companies. Finally, organizations should ensure that “the qualitative statements in the report are valid on the basis of other reported information and other available evidence” (GRI, 2006, p. 15).

### *Timeliness*

Although it is potentially a significant principle for determining the quality of sustainability reports, timeliness has not been seriously investigated in the literature dealing with sustainability reporting issues (Rosenström and Lyytimäki, 2006). According to the GRI (2006), it is essential that the reporting occur on a regular schedule and that information be available in time for stakeholders to make informed decisions (p. 16). The timeliness principle allows for the most recent information to be communicated in an expedient manner (Bishop, 2003). For the GRI (2006), the “usefulness of information is closely tied to whether the timing of its disclosure to stakeholders enables them to effectively integrate it into their decision-making” (p. 16). Frequency and periodicity are two important aspects of timeliness that contribute to allowing information to be both accessible to stakeholders and comparable with that of other companies.

### *Clarity*

The lack of clarity in sustainability reports and the confusing language used to obfuscate poor performance has been highlighted in the literature (Rutherford, 2003; Cho et al., 2015; Boiral, 2013). According to the principle of clarity, information disclosed in sustainability reports should be presented in a manner that is understandable, accessible and usable by all stakeholders. The clarity of sustainability reports should allow readers and users to find and understand specific information without great effort (GRI, 2006). For this to happen, the sustainability report must contain the level of information required by stakeholders while avoiding excessive and unnecessary details, technical terms, jargon, and acronyms, as well as any other content that potentially limits understanding (GRI, 2006). To this end, the GRI recommends the use of indices, maps, links, tables, graphics, and any other potentially helpful content.

### *Reliability*

According to the principle of reliability, “information and processes used in the preparation of a report should be gathered, recorded, compiled, analyzed, and disclosed in a way that could be subject to examination and that establishes the quality and materiality of the information” (GRI, 2006, p. 17). However, there is often a credibility gap that undermines the use of these reports by financial analysts, investors, and other stakeholders (Gray, 2001; Manetti and Becatti, 2009; Dando and Swift, 2003). External audits (or assurance processes) are generally considered to be a way of addressing this credibility gap. Thus, several organizations “have promoted the practice of independent assurance for sustainability as an instrument to improve credibility and quality of sustainability reports” (Junior et al., 2014, p. 3). The assurance process is increasingly used worldwide, particularly by large companies, to strengthen the reliability of sustainability reports

(KPMG, 2013; Junior et al., 2014). Nevertheless, although the dominant literature argues that external audits contribute to strengthening the credibility of the information for stakeholders (e.g. Adams and Evans, 2004; Wheeler and Elkington, 2001; Simnett et al., 2009), the reliability and independence of the assurance process of sustainability reports have been seriously questioned (e.g. Laufer, 2003; Dando and Swift, 2003; O'Dwyer and Owen, 2005).

Generally speaking, the application of these six principles is assumed to ensure the quality of sustainability reports, that is to say, “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, 2006, p. 6). The improvement of the quality of sustainability reports tends to enhance their usefulness for stakeholders and to facilitate the evaluation of corporate sustainability performance. From this point of view, sustainability reporting is assumed to produce useful information for decision making and to reduce information asymmetry between managers and stakeholders, including investors (Dhaliwal et al., 2011; Schadewitz and Niskala, 2010). In this optimistic perspective, the GRI contributes by providing clear, reliable, and comparable information disclosed in a timely manner. However, this optimism is not shared by those researchers who call into question the quality of the information disclosed, the emphasis on positive rather than negative aspects and the use of impression management strategies (e.g. Niskanen and Nieminen, 2001; Adams and Evans, 2004; Cho et al., 2012).

### **Impression management and sustainability reporting**

Research on impression management initially focused on behaviors that individuals display with the intention of winning a favorable impression from other individuals (Schlenker, 1980; Hooghiemstra, 2000; Leary and Kowalski, 1990). For example, in his dramaturgical approach to individual behavior, Goffman (1959) showed that we are staging our self-performance to manage the impressions others have of us. Applied to the organizational context and to corporate reporting, impression management theory argues that companies disclose information in ways that operate to manage the perceptions of stakeholders (e.g. Deegan et al., 2000; Elsbach, 1994; Hooghiemstra, 2000). The disclosure of information reflects opportunistic behavior on the part of the firms, resulting in both the exploitation of information asymmetry between companies and stakeholders and the manipulation of information disclosed in the sustainability reports (Merkl-Davies and Brennan, 2007). Such practices seem to be primarily motivated by the quest for social legitimacy, the improvement of their image among relevant stakeholders and the desire to conceal poor performance (Duchon and Drake, 2009; Milne et al., 2006; Boiral, 2013; Rutherford, 2003).

Various impression management strategies have been identified in the literature (Purba, 2011; Merkl-Davies and Brennan, 2007). For example, according to Merkl-Davies and Brennan (2007), seven main impression management strategies are used in corporate narrative documents. Two of them are aimed at obfuscating the under-performance of the companies either through “reading ease manipulation” or “rhetorical manipulation.” Four other strategies are intended to emphasize good news by manipulating verbal or digital information: thematic manipulation, visual and structural manipulation, performance comparisons, and choice of earnings numbers.

The seventh strategy is the attribution of organizational outcomes. These different strategies are manifested through disclosure of biased information that focuses on positive aspects or is presented in a selective manner. While impression management can be used in several ways, enhancement and obfuscation or concealment seem to be the two impression management strategies most commonly used by companies (Merkl-Davies and Brennan, 2011; Cho et al., 2012; Khazaeli, 2013). Obfuscation is “a narrative writing technique that obscures the intended message, or confuses, distracts or perplexes readers, leaving them bewildered or muddled” (Curtis, 2004, p. 292). As an impression management strategy, enhancement consists of emphasizing positive organizational outcomes (Merkl-Davies et al., 2011).

Although most studies on impression management and corporate reporting have been based on the analysis of financial reports, some critical studies have focused on sustainability reports. The optimistic and auto-laudatory character of selective sustainability reports has been highlighted in several studies (e.g. Archel et al., 2011; Criado-Jiménez et al., 2008; Boiral, 2013). Some authors have also explored to what extent the influence exerted by management limits the credibility and accountability of sustainability reports (Owen et al., 2000; O’Dwyer and Owen, 2005; Smith et al., 2011). For others, sustainability reports do not meet the principles of balance, exhaustiveness and transparency, which questions their credibility (Boiral and Henri, 2015; Boiral, 2013; Dingwerth and Eichinger, 2010). Dingwerth and Eichinger (2010) indicate that “quantitative data are not always gathered systematically and reported completely, while qualitative information appears unbalanced and often fails to include a credible assessment of the sustainability impacts of various measures taken by a reporting organization” (p. 88). In his study based on a counter accounting of GRI reports, Boiral (2013) showed that 90 percent of negative events are not clearly reported. Moreover, because of their dissociation from any real impact, as well as their use of misleading images, sustainability reports appear as a form of spectacle and simulacra in the terms of Debord (2002) and Baudrillard (1994). In the same vein, Solomon et al. (2013) argue that sustainability reporting is a way of creating and disseminating myths about social and environmental accountability. Finally, according to Merkl-Davies and Brennan (2007), the voluntary nature of sustainability reporting and the lack of regulation in this area facilitate the development of impression management strategies. These strategies appear to be an attempt to control and manipulate the impression of the users of sustainability reports (Yuthas et al., 2002; Godfrey et al., 2003). The use of standards such as the GRI and the application of principles such as balance, accuracy, clarity, and reliability should, in principle, contribute to preventing or limiting impression management strategies. Some research shows that external standards represent powerful resources that contribute to standardizing the external requests inside organizations and to “disciplining” the behaviors of companies (Espeland and Sauder, 2008; Sauder and Espeland, 2009; Slager et al., 2012). However, while external standards have the effect of disciplining companies, they can also be used as tools to manage impressions.

Although these studies shed more light on the optimistic and unbalanced nature of sustainability reports, they remain essentially focused on the perspective of those preparing the documents. Nonetheless, it is worth mentioning a few studies conducted from a user perspective. Studies on share price reaction (e.g. Henry, 2008, 2006; Davis et al., 2006) and behavioral aspects (e.g. Huang, 2005; Mullainathan and Shleifer, 2005) are part of this perspective. Evidence from both types of studies suggests that, at least in the short term, users perceive disclosures as impression management rather than as incremental information (Merkl-Davies and Brennan, 2007).

However, these studies mainly focus on economic and financial disclosure strategies. They attempt to examine investor reactions to managerial impression management strategies through capital market tests or experiments involving users (Merkl-Davies and Brennan, 2007). More qualitative research (Merkl-Davies and Brennan, 2007), especially on users' perceptions of sustainability reports, is therefore needed.

### **Stakeholders' perceptions of sustainability reporting**

While the importance of taking stakeholder's expectations into account in sustainability reports has been widely highlighted in the literature (Hahn and Kühnen, 2013; O'Dwyer and Owen, 2005; Dando and Swift, 2003; Unerman, 2000; Parker, 2005), the views and perceptions of these stakeholders remain under-explored (Tilt, 2007; O'Dwyer, Unerman and Bradley, 2005; Belal and Roberts, 2010). For instance, most studies are based on the content analysis of sustainability or annual reports (e.g. Cho et al., 2012; Clarkson et al., 2008; Moseñe et al., 2013; Brennan and Conroy, 2013; Roca and Searcy, 2012; Merkl-Davies et al., 2011; Neu et al., 1998), or use theoretical approaches (Merkl-Davies and Brennan, 2007, 2011; Brennan and Merkl-Davies, 2013; Hooghiemstra, 2000). To fill this gap, some authors have called for a greater integration of stakeholders' views, especially those of non-managerial stakeholders (e.g. Solomon and Lewis, 2002; Belal, 2002; O'Dwyer, 2002; O'Dwyer, Unerman and Bradley, 2005; O'Dwyer, Unerman and Hession, 2005; Solomon and Solomon, 2006; Owen et al., 2001). Although some empirical studies based on individual interviews were conducted (e.g. O'Dwyer, 2002; Belal and Owen, 2007; Daub, 2007; Hedberg and von Malmborg, 2003; Brown De Jong and Lessidrenska, 2009; Brown De Jong and Levy, 2009), such interviews were essentially held with business leaders. As a result, the perceptions of stakeholders, including those who directly use the sustainability reports, have remained overlooked (Wong, 2012; O'Dwyer, Unerman and Bradley, 2005; Tilt, 2007; Hahn and Kühnen, 2013).

Nevertheless, it is worth noting that a few studies have been undertaken from the perspective of stakeholders. For example, through in-depth interviews, O'Dwyer, Unerman and Bradley (2005) have investigated both Non-Governmental Organizations' (NGOs) perceptions of corporate social disclosure in Ireland and the resistance of Irish companies to engaging in complete and credible sustainability reporting. Through survey questionnaires, O'Dwyer, Unerman and Hession (2005) have also analyzed the views of Irish stakeholders, especially the NGOs, in order to see whether sustainability reports have met their needs. O'Dwyer, Unerman and Bradley (2005) and O'Dwyer, Unerman and Hession (2005) found that from the perspective of the representatives of Irish NGOs, there is a demand for the development of stand-alone, mandated and externally verified sustainability reports. Such a demand is motivated both by the fact that Irish NGOs are advocating for increased rights to information for stakeholders and by a desire to gain knowledge of companies' real commitment to responsible business practices. Similar studies conducted in Bangladesh (Momin, 2013; Belal and Roberts, 2010) have also highlighted the importance of giving a voice to the non-managerial stakeholders participating in the social reporting process. Nevertheless, the above-mentioned studies have focused primarily on the people's right to access information rather than the stakeholders' perceptions of the quality of sustainability reports in terms of comparability, clarity, reliability, and so on.



Beyond the studies of non-financial stakeholders' perceptions of sustainability reports, some academic research has been dedicated to so-called financial stakeholders. For instance, Milne and Chan (1999) found that analysts often ignore narrative disclosures when making investment decisions. Dawkins and Lewis (2003) surveyed 93 analysts, 50 investors, and 30 journalists and found that 45, 54, and 63 percent, respectively, think that disclosed information on corporate sustainability performance is of poor quality. In addition, a few early studies (e.g. Harte et al., 1991; Deegan and Rankin, 1997; Friedman and Miles, 2001) explored the views of certain stakeholders, such as financial analysts, fund managers, investments managers, and bank officers. More recent studies (e.g. Solomon and Solomon, 2006; De Villiers and Van Staden, 2010, 2012) targeted other stakeholders, such as shareholders and institutional investors. Solomon and Solomon (2006) attempted to determine the extent to which social, environmental, and ethical disclosure is integrated in investment decisions. They found that institutional investors did not consider that disclosed public social and environmental information was adequate for their investment decisions. De Villiers and Van Staden (2010, 2012) examined the attitudes and requirements of shareholders toward corporate environmental disclosure. They found that shareholders are positive about the disclosure of environmental information but want such information to be made compulsory, to be audited and to be published both in the annual report and on the company website.

The relevance of such academic studies lies in the fact that they explore the impacts of corporate social and environmental disclosure on the investment decisions, as well as the attitudes and requirements, of financial stakeholders. Nevertheless, most of these studies highlight the usefulness of sustainability reporting to specific stakeholder groups, as well as how this reporting is used by such groups, rather than how the reported information complies with the GRI principles and in what ways that may affect the perceptions of SRI practitioners. Generally speaking, more empirical research is needed on stakeholders' perceptions of the quality of sustainability reports (Hahn and Kühnen, 2013; Tilt, 2007), including research into how these perceptions reflect impression management strategies.

## **Methods**

The purpose of this research is to analyze the perceptions of the quality of GRI sustainability reports held by those stakeholders involved in the field of SRI. A qualitative approach based on interviews is relevant to an in-depth analysis of individuals' perceptions (O'Dwyer, Unerman and Bradley, 2005), which relate to interpretations and meanings difficult to quantitatively measure (Patton, 1990; Gephart, 2004).

### *Data collection*

The data collection was carried out with individuals involved in the field of SRI in Canada. These individuals officiated in financial institutions and investment firms as well as in various other organizations, including organizations that research and analyze information on environmental, social, and governance issues.

The criteria for the selection required that respondents:

- be directly or indirectly involved in the process of assessing sustainability performance;
- use sustainability reporting, in this case the GRI or other sources of information, to make decisions about SRI; and
- be a professional or expert in SRI and the functioning of sustainability reporting, especially the GRI.

The selection process was essentially based on the snowball sampling method. This method “yields a study sample through referrals made among people who share or know of others who possess some characteristics that are of research interests” (Biernacki and Waldorf, 1981, p. 141). This method is well suited to this study, which is based on a specific and hard-to-reach population of respondents (Atkinson and Flint, 2001; Sadler et al., 2010; Lee et al., 2010).

First, we contacted several organizations that specialize in SRI – identified by the website of the Social Investment Organization, a Canadian organization aimed at promoting the development of SRI – in order to establish a list of possible respondents who meet the above criteria. Representatives of these organizations also acted as intermediaries and facilitators during the process. At the end of the interview, respondents were asked if they would provide contact information for other experienced practitioners familiar with the subject matter. The intermediaries and facilitators helped mitigate possible resistance factors from other respondents, such as time constraints or the perceived risk of their participation tainting either their legitimacy or that of their organization (Gendron, 2000). Subsequently, a request for participation was sent to identify individuals in order to explain the objectives of the study and to invite them to participate. The study’s requirements, including the guarantee of confidentiality, were made explicit and each participant was sent a consent form indicating that the ethics committee of the Laval University had approved the project. Each interview was followed by a thank-you message and solicitation for further questions or for clarification. The snowball sampling approach was at the heart of our data collection strategy and was used until saturation occurred, in other words, until we found that “no new information was obtained” (Morse, 1995, p. 147) on our research theme.

In a semi-directed way (Merton et al., 1990), the interviews covered the main sub-themes of the project: perceptions of the quality of the GRI reports, auditability of the GRI reports and the motivations for and added value of using the GRI standard. In total, 33 semi-structured interviews were conducted: 23 by phone and ten in person. Telephone interviews are necessary when research participants are geographically dispersed (Stephens, 2007). This is the case for this study, since most of the participants were located in distant Canadian cities, including Montreal, Toronto, Vancouver, Ottawa, and Quebec City. According to some authors, telephone interviews are as valid a method as face-to-face meetings (Holt, 2010; Stephens, 2007). The interviews conducted tended to confirm this finding, since no significant differences were noted in the information collected from these two methods.

The interviews lasted on average one hour and were recorded with the consent of the respondent. The following table summarizes the main characteristics of the sample (Table I).

Participants	Organizations	Number	
Analysts/consultants specializing in the field of SRI	Financial/SRI consulting services	12	
	Asset/investment management company/firm		
	Financial institutions		
	Retirement funds		
	Investors' groups		
Portfolio managers and investment specialists in the field of SRI	Asset/investment management company/firm	8	
	Financial institutions managing ethical or environmental funds		
	Financial institutions		
SRI/financial product advisors; experts in the evaluation of sustainability performance	Financial institutions	8	
	Pension funds		
	Financial institutions managing ethical or environmental funds		
Expert authors specializing in the field of sustainability reporting and SRI	Academia	5	
	Other organizations		
Total		33	<b>Table I.</b> Characteristics of the sample

### *Data analysis*

All recorded interviews were transcribed verbatim in a word document. Transcripts were subsequently transferred to QDA Miner software for codification. The coding of the data was performed using the qualitative analysis function of QDA Miner software. The functions of this software facilitated data analysis following a transversal approach that allowed us to consolidate data from multiple respondents around specific themes, codes, or variables. The use of QDA Miner software makes it easy to aggregate and analyze data both by generating a list of codes and categories and by setting up tables, graphics, or diagrams.

Data analysis was focused mainly on those sub-themes related to the perceptions of the quality of sustainability reports (six categories), motivations for and added value of the use of GRI (four categories), and reporting and auditability of reports (three categories). The stakeholders' perceptions of the quality of sustainability reports were structured around the principles proposed by the GRI: balance, comparability, accuracy, clarity, timeliness, and reliability. Excerpts representative both of the data collected and of key findings were used to illustrate stakeholders' perceptions of the quality of GRI reports. Although qualitative methods were not suited to the measurement of the data collected (Gephart, 2004), we estimated, where possible, the proportion of respondents who shared the same view from the frequency analysis of QDA Miner.

### **Findings**

We first present the respondents' views on the added value of the GRI before considering their perceptions of the quality of GRI reports.

#### *Relevance and added value of the GRI*

Almost all respondents acknowledged that the GRI framework has an added value both for the companies that use the indicators and for the users of sustainability reports. Some justify their

arguments by indicating that it “is better to have the GRI than nothing and it helps anyway” (manager responsible for the assessment of sustainability performance in an investment company). Others insisted on the progress that the GRI’s sustainability reporting indicators enable. According to approximately 90 percent of the respondents, while sustainability reporting has clearly not yet reached the same level of credibility and transparency as financial reporting, the GRI has nonetheless substantially improved the quality of sustainability reports. In general, the gradual standardization of the sustainability reports and their use by an increasing number of companies at a worldwide level were cited as important assets:

*Yes, the GRI has added value. It unifies, it standardizes. Yes, it helps. It is essential to have a common language [...]. The GRI standard is internationally recognized. It encourages companies to adopt similar principles, which are recognized worldwide (SRI advisor in a public organization).*

*I think that it gives reference points that are the same for all companies. For us, at the moment, there is a standardization that allows us to compare apples to apples; this helps us. It is not limited to the GRI indicators [...]. But there is no doubt that GRI indicators serve as models (SRI advisor in a bank).*

It is clear from the above that respondents recognize the relevance of the GRI and its indicators. Most of them stressed the increasing use of the GRI at the international level and the importance of standardization for the measurement of corporate sustainability performance. However, the relevance and usefulness of the GRI framework depends on the application of its principles by reporting companies. Most respondents recognize that the application of the GRI principles for defining quality reporting is uncertain and needs to be significantly improved to ensure the quality of information.

#### *Stakeholders’ perceptions of the principles for defining the quality of a report*

*Balance.* Respondents agree that “many of these reports are not balanced, that they are trying to present the good side of the coin, are not complete, boast of the successes and quietly mention or list with much less detail accidents or flaws in the performance” (former consultant in a company specializing in corporate social responsibility (CSR)). The information published is therefore perceived as overly idealistic. An environmental analyst in a company specializing in SRI research summarized: “The positive information comes from the company and, in general, the negative comes from external sources such as, for example, the press, the NGOs, etc.”

Another analyst supports the latter remarks:

*Ideally, companies should publish their bad incidents and put them on the same level as the good incidents. And if they publish the bad incidents, they must be able to explain why it happened, why they have a bad performance. But companies mainly put emphasis on the good incidents. That’s for sure. But I do not necessarily expect anything else (Extra-financial risk analyst for a pension fund).*

In general, almost 90 percent of respondents believe that the majority of the companies do not publish information that could contribute to tarnishing their reputation. According to the respondents surveyed, one of the most common manifestations of non-compliance with the

principle of balance is the failure to mention social and environmental controversies faced by companies in their sustainability reports. Respondents seem well aware of this lack of balance in sustainability reports and, therefore, of impression management strategies used by companies to highlight the positive aspects (enhancement) and to obfuscate negative outcomes. To limit the impact of these impression management strategies, about 70 percent of the analysts interviewed argued that they resort to other sources of information to compare the company's data with that published by other stakeholders. The words of an environmental specialist in an SRI research group illustrate this:

*In most of the reports that I have read, companies do not mention controversies. For those that are facing controversies, we have research services that publish press reviews. We tag companies from our database and conduct research to rank them following the controversies they face. In general, we do not search out negative aspects in the documents published by organizations. We analyze them from our own documents or from websites of organizations like Greenpeace or other external agencies.*

*Comparability.* Although respondents acknowledged having used data from the GRI reports, they also have many reservations about the comparability of information. Approximately 70 percent of respondents found that the GRI indicators are both too general and too vague to lend themselves to comparisons over time or between companies. In addition, most companies are not able to provide data on all of the GRI indicators. As a result, according to respondents, the GRI indicators tend to be selected, adapted or modified according to the needs of companies. This practice limits the standardization and comparability of sustainability reports: it makes them relatively useless when making decisions for investment. An expert stated that “comparability is not easy because the companies that perform an accountability process do so by adapting the grid that is proposed to their ways and according to their needs.” Thus, despite the apparent standardization of the GRI indicators, companies often use different criteria to evaluate and report on their sustainability performance. For more than 75 percent of respondents, this situation is a major obstacle to the comparability of the disclosed information, including between companies within the same industry. In this context, the criteria and rhetoric used in sustainability reports are specifically designed to meet the expectations of different stakeholders rather than to disclose comparable information on actual performance:

*Some companies make different reports, for different instances, in the same fields but not using the same criteria. [...] Also, they develop their own criteria or sometimes choose criteria that play to their advantage rather than criteria that independent third parties would have chosen. We call it the Greenwash. It produces reports that initially look tantalizing but when we read more critically, one realizes that the performance is not (Analyst in an SRI research firm).*

Approximately 65 percent of respondents also stressed difficulties related to the comparability of a company's performance over time. Of the 35 percent of remaining respondents, some mentioned the difficulties related to comparability but without being more precise about what limits it. Respondents also mentioned the lack of longitudinal data available to measure progress and to determine quantitative objectives for the future. The lack of clear objectives in sustainability reports limits the possibility of comparing information over time and raises questions on the relevance of measurement methods:

*A fundamental problem is the methodologies, including what has been measured in the past and which may serve as a base to compare the performance. In many cases, we realize that such bases do not exist or need to be designed and it is sometimes difficult to create them retroactively. These bases are sometimes not adjustable and it creates difficulties to measure performance over time or across an industry (Former consultant in a CSR company).*

*Accuracy.* Almost 50 percent of the respondents mentioned the relevance of certain indicators or measurement differences due to different units used to quantify such indicators. They also highlighted the lack of explanation of how the measures used in the sustainability reports are calculated. Moreover, respondents explained that these shortcomings are serious obstacles and render the reports' quantitative or qualitative data less useable. Therefore, it is sometimes difficult to use this data to measure and compare the performance of companies:

*First, there is the accuracy of the information contained in the report. What is the scope of the report? What is measured? Secondly, the quality of information is a problem. Often, the information is not reliable because it is not known how the measures were calculated. [...] Therefore, it is unclear where they stand. In many cases, there is no quantification. Even though there's qualitative assessment, it is often difficult to understand what the real performance was (Former consultant in a CSR company).*

*The limits, at this time, are the reliability of the information, its verifiability and comparability. There is little standardization. For example, companies say that they disclose information on their greenhouse gases but we have cubic meters as units of measurement without knowing how many units were produced, or there are tons of dollars of revenue [...]. These differences do not facilitate the usefulness of the data. We pushed the GRI to try to define metrics that would be relevant; it is a job that they want to do in the future, but for now it has stagnated a bit. So the limit is that we do not have metrics that are reliable, verifiable and comparable (CEO of a group specialized in SRI research and consulting).*

These examples demonstrate the difficulties experienced by the users of the reports when determining the measured data, the measurement techniques, the bases of calculation used, and the margins of error. These inaccuracies undermine the use of GRI sustainability reports as a tool for performance measurement and tend to obfuscate the performance actually achieved by the companies.

*Timeliness.* According to the GRI (2006), "the timing of release refers both to the regularity of reporting as well as its proximity to the actual events described in the report" (p. 16). Although the timeliness of sustainability reports was not often mentioned by respondents as a factor limiting the quality of the sustainability reports, some did highlight the issue: for example, one CEO stated that "the limit also comes from the ability of the organizations themselves to produce the information needed in a timely manner" (CEO of a group specializing in research and consulting in SRI).

Responsible investment decisions are often made in the short term, which requires available and up-to-date information. However, due to the complexity of sustainability reports and the time needed to produce them, there is often a gap of more than a year between the publication of the report and the referenced year. This poses a problem for stakeholders wishing to receive available information in a timely manner:

*Producing a sustainability report, according to the GRI standard, is often demanding, particularly in terms of time and expertise. Companies sometimes lack the resources to make information available in a timely manner to stakeholders (SRI Financial Advisor in a financial institution).*

The production of sustainability reports is assigned either to internal services, such as public relations, or to external consultants. In both cases, it seems that it is difficult to provide the report in a timely manner. When reports are produced internally, companies may face a lack of expertise and resources. When the company acquires the services of external consultants, data collection and the analysis process are often longer than usual, due to the time required for consultants to familiarize themselves with each company's context. Moreover, there may be pressure from the management. Failure to observe the principle of timeliness can create biased assessments and the illusion of transparency. Professionals who assess corporate sustainability performance might be tempted to refer to past performance results disclosed by the companies as they do not have access to updated information. Since companies tend to highlight their positive outcomes and obfuscate their negative results, there is a risk that stakeholders evaluate such companies too positively.

*Clarity.* The lack of clarity of the GRI reports is a recurring topic in the responses of the participants. Nearly 80 percent of them raised this issue. This is reflected both in qualitative and quantitative information and does not facilitate the understanding, accessibility, and usefulness of sustainability reports. This respondent's perspective illustrates this issue:

*The sustainability reports raise many questions. There is, among others, a lack of precision and clarity of the information. For those of us who perform analysis of environmental, social and governance aspects, it is not always easy to find specific data for each aspect. This seems even more difficult with the GRI reports. We are sometimes obliged to consult multiple sources in order to have the information sought (Analyst in an SRI research firm).*

The lack of clarity is partly linked to the complexity of sustainability reports and the difficulties companies have reporting on different issues relevant to specific stakeholders (e.g. investors, environmental groups, citizens, employees). These issues are often poorly documented and difficult to measure. Information is therefore difficult to find and is not clearly presented to stakeholders, in particular those who are not experts in sustainable development issues. Almost 47 percent of respondents mentioned this type of problem, which has an impact on the other principles for determining the quality of the information, such as comparability, accuracy, or reliability. In addition, about 53 percent of the respondents tend to assimilate, wrongly, or rightly, the lack of clarity in the majority of the qualitative information in the sustainability reports. For these respondents, exploring qualitative information rather than quantitative data does not facilitate a rigorous use of the reports and requires further efforts to search for and analyze it. Such a position is part of a positivist paradigm according to which "what gets measured gets managed." The predominance of this paradigm among respondents explains the tendency to focus on quantitative data over qualitative data, which is more difficult to use. Nevertheless, the predominance of qualitative information may reflect a strategy used by some companies to vehicle excessive information through confusing language in order to obfuscate their poor performance.

This discrepancy is linked to another problem raised by 60 percent of the respondents: the amount of information disclosed in sustainability reports. Although participants encourage companies to produce detailed reports in order to account for their social and environmental impact, excessive and sometimes unnecessary details can obstruct the quality of sustainability reports:

*Let's be clear: there is a huge amount of information whose relevance is questionable. Many, many words for nothing! Much wishful thinking! What I mean by wishful thinking is "we will reduce our emissions!", "Here is our strategy!" But without a concrete objective and without application methods [...]. As part of our evaluations, many found that there's a bias in transparency, i.e., companies that publish a lot of information outperform because they can fill a lot of space in the indicators (CEO of a group specializing in research and consulting in SRI).*

The excessive amount of information disclosed does not only contribute to making reading sustainability reports difficult. Further analysis shows that it is also a strategy to manage the perceptions of sustainability report users. Using repetition or emphasizing certain words or expressions (reinforcement) is used to influence the perceptions of readers or to divert their attention.

*Reliability.* The lack of reliability of information was usually mentioned in connection with the other principles and with the need for external verification of the information.

Indeed, the lack of balance, comparability, accuracy, timeliness, and clarity makes the information less reliable. This lack of reliability reinforces the need for verification and certification practices:

*I think that independent verification is needed because it is hard to rely on what companies publish. If a company declares that it reduces pollution year after year, I have no evidence that it is true. It is only the company's statement. It is a real problem (Extra-financial risk analyst in a pension fund).*

*We look at the evaluation level, if the report has been verified externally. If this is the case, the company earns more points than a company that did not have its sustainability report checked (Specialist in environment in an SRI research group).*

Generally speaking, close to 90 percent of respondents emphasized the importance and benefits of an external audit of sustainability reports in order to enhance the credibility and reliability of sustainability disclosure. From this perspective, the assurance of sustainability reports, in addition to facilitating the assessment of sustainability performance, influences the rankings made by the SRI professionals. Thus, the auditing or assurance process could be perceived not only as a means of strengthening the credibility of the sustainability reports, but also as a persuasive tool for corporate stakeholders:

*Absolutely, for me, audit and assurance are a must. And I would say that the best reports are those that include an audit, an external assurance, by a third party. And you may know that, for example, as part of the carbon emissions trading, one needs to certify that the reports represent fair values. So assurance is very important (Extra-financial risk analyst in a pension fund).*



In addition, the reliability of the assurance process appears closely linked to the level of independence held by the auditors:

*[The] further the auditor is away from the company, [the] more confidence we have in the report. For example, an external audit is more reliable than an internal audit. And an audit by the GRI will be more reliable than an audit by a third party, because we do not know the relationship between the auditors and the company (Specialist in environment in an SRI research group).*

Nevertheless, respondents do not consider the assurance process to be sufficient on its own for ensuring the quality of information, and about 70 percent of respondents raised concerns regarding this process. One of the primary concerns relates to the risk of conflict of interest and familiarity with the company:

*Every seven years, it is necessary to change the auditing firm to ensure that auditors, at some point, do not become too familiar with the company. [...] The other point is that auditors should not have other contracts with the company or, if they do, the contracts should be minor. The audit must be their principal source of income, otherwise there would be a conflict of interest if they are auditors and consultants at the same time (Extra-financial risk analyst in a pension fund).*

## **Discussion**

The results of the study show that, although the GRI framework is seen as a step forward by respondents, the principles for determining the quality of a sustainability report are not substantially applied in practice. The main issues observed in the reports are related to a lack of balance, the disclosure of overly general and irrelevant information, the difficulty of analyzing performance over time and in determining quantitative targets for the coming years, the differences in the units used to quantify some indicators, overall lack of timeliness, precision, clarity, and reliability in the information reported by companies. Despite these limitations, the GRI represents an important tool for strengthening the standardization and rigor of the reports, according to respondents. Although the GRI framework has not reached the same level of credibility and standardization as financial accounting guidelines, it is based on similar institutional arrangements and contributes to promote reporting practices perceived as legitimate and normatively appropriate (Etzion and Ferraro, 2010; Boiral and Gendron, 2011). This standardization and legitimization process ensuing from the GRI framework is reflected in the optimism of most respondents with regard to the benefits of this framework on the quality of sustainability reports. The value added of the GRI – particularly in promoting a common language, similar indicators, and more consistent reporting practices – was highlighted by most respondents. However, while the GRI has helped make progress in the area of sustainability reporting, it remains a “work in progress,” a learning process (Gond and Herrbach, 2006) and needs continuous improvement. Moreover, firms have little experience in reporting on their sustainability performance and their methods of collecting data are not well established; these elements will take time to become institutionalized (Boiral and Henri, 2015). As a result, the application of the GRI principles, which are necessary to ensure the quality of sustainability reports, appears as uncertain in the eyes of respondents. The lack of experience of reporting organizations and the limitations of the GRI framework are not the only reasons why the GRI

principles are not rigorously applied. According to respondents, beyond the previously mentioned opinion that some indicators are both too general and too vague, the GRI indicators tend to be selected, adapted, or modified according to the needs of companies and to enhance their image among stakeholders. This adaptation process tends to reflect impression management strategies that can significantly distort and undermine the sound application of the GRI principles. By focusing on stakeholders' perceptions on the application of these principles, this paper sheds more light on the impression management strategies that may be involved and contributes to the debate on the limitations of sustainability reports in general.

First, our findings on the perceived lack of balance of sustainability reports (focus on positive achievements, avoidance of information on controversies and negative aspects that might tarnish corporate reputation) echo the literature on the optimistic and unbalanced rhetoric of these reports (e.g. O'Dwyer and Owen, 2005; Cho et al., 2012, 2015; Boiral, 2013). This lack of balance can be explained by impression management strategies aimed at enhancing laudable achievement or obfuscating negative aspects (Merkl-Davies and Brennan, 2011; Cho et al., 2012; Khazaeli, 2013). These impression management strategies clearly undermine the transparency of sustainability reports. They also tend to make the use of these reports – as a tool to evaluate sustainability performance – more complex, in spite of the perceived added value of the GRI framework by SRI practitioners.

Second, respondents' perception of the lack of comparability (importance of non-comparable and qualitative information, uncertainties on the metrics used by different companies) and the lack of accuracy of information (differences in measurement units, vagueness on the definition, and measurement of certain indicators) confirm studies that show the difficulties of measuring and comparing sustainability performance based on sustainability reports (Barkemeyer et al., 2014; Boiral and Henri, 2015; Boiral, 2013; Langer, 2006). These difficulties can be partly explained by the complexity of information on sustainability performance and lack of standardization of certain indicators (Keeble et al., 2003; Boiral and Henri, 2015). Nevertheless, lacks in comparability and accuracy can also be fueled by deliberate impression management strategies based on the selection, manipulation, and release of vague or non-compliant information (Courtis, 2004; Rutherford, 2003; Boiral and Henri, 2015). In this perspective, the disclosure of non-comparable and inaccurate information on sensitive issues can serve corporate interests by preventing unfavorable comparisons and measurements from key stakeholders such as SRI practitioners, newspapers, and non-financial rating agencies.

Third, perceptions of the lack of timeliness (outdated information, vagueness on the period of time related to the information disclosed) and of unclear information (difficulties to identify and understand relevant data) may be related to similar impression management strategies aimed to make difficult the thorough analysis and comparison of performance on issues that may threaten corporate image. Although the principle of timeliness has been overlooked in the literature, the existence of confusing language that reduces clarity and renders reports difficult to read has been evidenced in various studies (Rutherford, 2003; Cho et al., 2015; Boiral, 2013; Merkl-Davies and Brennan, 2007; Li, 2008). Such language can distort perceptions of corporate progress over time and the achievement of sustainability objectives. For example, Milne et al. (2006) have shown how the language of sustainability reports is shaped by the journeys metaphor in which organizations portray themselves as committed to sustainability while avoiding the release of

clear and detailed information on the specific destination of this journey. Such language is not coincidental and tends to reflect impression management practices in which corporate sustainability is reaffirmed without releasing clear information with the timeliness required to precisely evaluate achievements in this area.

Fourth, perceptions of the reliability of information (emphasis on the importance of the external audits of sustainability reports and recognition of the limits of the assurance process) echo the literature on this issue. Just like most of this study's respondents, the dominant literature has highlighted the importance of third-party audits to increase the credibility of sustainability reports (Park and Brorson, 2005; Junior et al., 2014; Perego and Kolk, 2012; Manetti and Becatti, 2009; Pflugrath et al., 2011; Simnett et al., 2009). Nevertheless, the managerial capture of information, lack of independence of auditors, and public relations objectives of the assurance process have also been evidenced in the literature (e.g. Laufer, 2003; Dando and Swift, 2003; O'Dwyer and Owen, 2005; Perego and Kolk, 2012). In this critical perspective, third-party assurance can be instrumentalized by reporting companies and be used as an impression management tool to enhance organizational legitimacy.

Interestingly, the possible impression management strategies underlying corporate reporting do not necessarily question the relevance of the GRI framework. On the contrary, the emergence of such strategies lends credence to the importance of the compliance with the GRI principles on the quality of reports. In line with the GRI requirements, improvements in the balance, comparability, accuracy, timeliness, clarity, and reliability of information would enhance the relevance and usefulness of sustainability reports for stakeholders. It is worth noting that non-compliance with these principles is not necessarily related to impression management. For example, certain discrepancies can be explained by a lack of organizational resources or by a lack of the competencies needed to publish detailed and compliant reports (Boiral and Henri, 2015). Nonetheless, the discrepancies identified by SRI practitioners on the quality of GRI reports are consistent with the literature that has both questioned the reliability of sustainability reports and highlighted their use as tool to influence the perceptions of stakeholders (Laufer, 2003; Deegan et al., 2006; Owen et al., 2000; Unerman et al., 2010; Niskanen and Nieminen, 2001; Boiral, 2013; Solomon et al., 2013; Merkl-Davies and Brennan, 2011).

### *Contributions*

First, an important contribution of this study is the analysis of the quality of sustainability reports from the perceptions of stakeholders, especially SRI practitioners. Content analysis is the dominant research methodology used in the field of sustainability reporting (Unerman, 2000; Parker, 2005). While content analysis allows for both exploration and a better understanding of sustainability reporting, an exclusive focus on either annual reports or sustainability reports is likely to "show only part of the picture of sustainability reporting practices" (Unerman, 2000, p. 667). Analyzing the perceptions of those stakeholders involved in the field of SRI on the quality of the GRI reports contributes to fill this gap. Moreover, previous research has not, to our knowledge, systematically evaluated the application of the GRI principles for determining the quality of a GRI report.

Second, while companies use impression management to make themselves attractive to

stakeholders and influence their perceptions, few studies examine the extent to which such stakeholders are affected. The question is whether such impression management strategies “hinder potential (SRI) users from creating other or different realities than the ones put forth within the report” (Skærbæk, 2005, p. 390). While the objective of this study is not to measure the extent to which stakeholders are affected, our results tend to show that SRI stakeholders are clearly aware of the limitations of sustainability reports. The study therefore shows the reflexivity of practitioners in the field of SRI with regard to the transparency of sustainability reports. The skepticism of respondents concerning the quality of the information released in these reports was quite unexpected given the objectives and *raison d’être* of SRI, which assumes at the onset that the evaluation of sustainability performance is based on reliable and credible criteria. As a result, one can assume that most practitioners in this area tend to support the relevance, credibility, and quality of information of GRI reports, which are generally considered to be the most detailed and reliable sources of information on corporate sustainability performance (e.g. Willis, 2003; Manetti and Becatti, 2009; Hedberg and von Malmborg, 2003; KPMG, 2013). Although GRI reports are not the only source of information, practitioners largely depend on the information released by companies to evaluate sustainability performance. As a result, they regularly use GRI sustainability reports. The criticisms of respondents on essential issues such as the balance, comparability and reliability of information show the reflexivity of practitioners in the area of SRI on the limits of sustainability performance assessment. This finding resonates with studies focusing on the ability of practice communities to interpret key aspects of their work and maintain some critical distance in spite of normative pressures and the search for social legitimacy (e.g. Tillmann and Goddard, 2008; Dogui et al., 2013).

Third, the paper contributes to the literature on impression management and sustainability reporting (e.g. Hahn and Lülfs, 2014; Cho et al., 2012; Merkl-Davies et al., 2011; Adams, 2008) by focusing the perceptions of stakeholders – more specifically, SRI practitioners – rather than the content of sustainability reports. Although the respondents are not necessarily familiar with the specific concepts associated with this literature, they do not appear to be deceived by the strategies used by companies to enhance laudable achievements, obfuscate critical aspects or limit the release of compromising information. As a result, while the findings of this study seem consistent with the literature on impression management strategies, they tend to question the effectiveness of those strategies to significantly influence certain categories of stakeholders, namely, SRI practitioners. Moreover, those practitioners appear more optimistic than the critical literature on the evolution of sustainability reporting (e.g. Cho et al., 2012; Boiral, 2013; Adams and Frost, 2006; Owen, 2006; Tregidga and Milne, 2006; Milne et al., 2006), and they emphasized the relevance of the GRI framework to improve practices in this area, irrespective of the lack of rigor in the application of the principles of this framework. This finding suggests that the institutionalization of more standardized and rigorous reporting practices is perceived as an ongoing process that should, in the future, make sustainability reports more reliable and useful for practitioners.

Finally, the findings of this study have practical implications both for auditors, who should verify the application of GRI principles, and for users of the reports, who should check the information in the GRI reports against other sources, including that from external stakeholders, such as NGOs, to assess sustainability performance. This counter-accounting process is necessary, given the managerial capture of information and the uncertain reliability of many sustainability reports

(O'Dwyer and Owen, 2005; Adams and Evans, 2004; Gallhofer et al., 2006; Boiral, 2013). Proponents of the GRI should also clarify how companies can apply the principles to the quality of the information. Although the G4 version of the GRI (2013), released in 2013, has made some improvements, most notably on the materiality of information, the description of the principles concerning the quality of information remains overly general and could be more specific.

### *Limits and avenues for future research*

This study was carried out through 33 interviews with various stakeholders (consultants, analysts, fund managers, and financial advisors) engaged in the field of SRI in Canada. The results are only valid for the specific context of Canada and for the group of stakeholders interviewed, namely, SRI practitioners. It would be particularly interesting to analyze the perceptions of the quality of GRI reports in different countries through quantitative studies based on a larger sample. Further, the points of view of stakeholders from civil society, particularly NGOs, need to be better taken into account (Wong, 2012; O'Dwyer, Unerman and Bradley, 2005; O'Dwyer Unerman and Hession, 2005). Future research might analyze the quality of GRI reports from the perspective of stakeholders who are related to the company through non-financial interests (O'Dwyer, Unerman and Bradley, 2005; O'Dwyer Unerman and Hession, 2005). Another limitation is related to the research approach. Respondents in this study were not interviewed in relation to their perceptions of the same sustainability reports. It is worth noting that not all reports raise the same problems. Future research might explore stakeholders' perceptions of the quality of the same or similar sustainability reports. Moreover, the paper addresses sustainability reporting in relation to the six principles for defining quality: balance, clarity, accuracy, comparability, timeliness, and reliability. Although the principles for defining report content – materiality, stakeholder inclusiveness, sustainability context, and completeness – are closely related to the quality of reports, they have not been specifically investigated. Future research might integrate principles related to the report content in order to better grasp the complexity surrounding the GRI process. Furthermore, the study covers the G3 indicators of the GRI rather than the recent G4 version. Future research could focus on the perceptions of practitioners in relation to the quality of sustainability reports that follow the G4 version of the GRI. This will help better measure progress and may identify areas for improvement. Finally, although respondents emphasized the importance of external assurance of sustainability reports, the perceived credibility and reliability of such assurance need to be further investigated. For example, future research could explore to what extent the external assurance of sustainability reports affects the practitioners who both assess the corporate sustainability performance and make decisions based on the composition of SRI portfolios.

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