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Stakeholder Engagement in Sustainability Reporting: Evidence of Reputation Risk Management in Large Australian Companies

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The objective of this research is to examine whether stakeholder engagement in sustainability reporting constitutes the process of managing reputational risk. This research utilises Shrives and Brennan's (2017) framework of rhetorical strategies of non-compliance to obtain empirical evidence of reputation risk management (RRM) in the context of stakeholder engagement in sustainability reporting. Quantitative and qualitative content analysis was undertaken on 154 sustainability disclosures in both the annual and sustainability reports of large Australian companies. This research finds that large Australian companies engage with their stakeholders to manage reputational risk: to increase market share and pre-empt social issues. It is evident that large Australian companies use several forms of rhetorical statements in their sustainability disclosures with respect to RRM. However, there is no evidence that they shirk their responsibilities.

A responsible company ought to be accountable. Gray et al. (2014) note that 'accountability is a duty to provide information to those who have a right to it' (p. 7) and 'accountability derives from responsibility' (p. 8). This implies that a sustainability report[1] can be considered as an accountability medium for disseminating sustainability information about a company's extended responsibilities to wider stakeholders. However, numerous scholarly works in the field of social and environmental reporting show that sustainability information provided in such reports may not reflect accountability to stakeholders, but rather serve to gain legitimacy from stakeholders, especially in the context of voluntary reporting (Patten 1992; Gray et al. 1996; Brown and Deegan 1998; Deegan et al. 2002; Milne and Patten 2002; O'Donovan 2002).

Bebbington et al. (2008a) studied Shell's corporate social responsibility (CSR) report in 2002 to obtain evidence of reputation risk management (RRM) which may amplify legitimacy theory explanations. Unerman (2008) supports the work of Bebbington et al. (2008a) because RRM may provide valuable insight into a company's motivation for reporting sustainability issues, performance and agenda. However, Adams (2008) asserts that it is not necessary to propose such a thesis because RRM basically talks about legitimacy theory but merely with a new label. Bebbington et al. (2008b) provide clarification of the proposed RRM thesis, that it does not mean to relabel the well-established legitimacy theory, but rather aims to add more detail by shedding light on companies' reputational motive in reporting.

Reputation as a motive has been evident in corporate social and environmental reporting research from 2008 when RRM was first proposed (see Hogan and Lodhia 2011; Craig and Brennan 2012; Arora and Lodhia 2017). A study by Hogan and Lodhia (2011) examines BHP Billiton's reports and website with respect to its response to a proposed regulation of the Australian Emissions Trading Scheme (AETS). They find that 'honesty' is evident in the company's social and environmental disclosures and could be considered as a new RRM strategy. More recent research by Arora and Lodhia (2017) analyses the website of British Petroleum plc (BP) during the period of the Gulf of Mexico oil spill incident (21 April–19 September 2010). They find that BP extensively used image restoration strategies in social and environmental disclosures on its website to manage the company's reputational risk during the crisis. Bebbington et al. (2008a), Hogan and Lodhia (2011) and Arora and Lodhia (2017) refer to Benoit's image restoration strategies in their RRM research.[2] From this, the RRM thesis seems to be relevant when a reputational crisis occurs or companies are susceptible to reputational risk arising from

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reputation-damaging events. Shrives and Brennan (2017) propose rhetorical strategies in relation to corporate reputation by combining Benoit's (1995) image restoration strategies and Bolino and Turnley's (2003) impression management profiles. This proposed typology by Shrives and Brennan (2017) shows that the RRM thesis functions as both a reactive and proactive mechanism.

Craig and Brennan (2012) reply to the call by Adams (2008) to fine-tune knowledge of the association between corporate reporting and reputation and find that corporate reputation has something to do with language choices in corporate narrative reports. Moreover, in response to Adams' (2008) argument that the RRM thesis is developed to relabel legitimacy theory, Arora and Lodhia (2017: 1288) distinguish the concepts of legitimacy and reputation which have been used interchangeably by researchers in the field of corporate social and environmental reporting. They argue that legitimacy is a concept about 'long-term actions and response' by companies with a 'single organisational focus' for 'wider social status' that requires conformity to the norms and values of society surrounding the company. In the meantime, reputation concerns the 'immediate actions and direct response' of companies that allow stakeholders to perceive them as good or bad by undertaking 'comparisons with organisations' where good reputation is a 'bankable asset' for companies.

Under the RRM thesis, Bebbington et al. (2008a) argue that sustainability disclosures may be perceived as both an outcome and a process of managing reputational risk. Previous studies (see Hogan and Lodhia 2011; Axjonow et al. 2018) focus more on sustainability disclosures as the outcome of RRM. Another study, however, by Blackburn et al. (2018), focuses on stakeholder engagement as the process of RRM. Moreover, while Bebbington et al. (2008a) use Benoit's (1995) image restoration strategies as their RRM framework, this research uses Shrives and Brennan's (2017) typology of non-compliance strategies in which they combine Benoit's (1995) image restoration strategies and Bolino and Turnley's (2003) impression management profiles to collect evidence that stakeholder engagement in sustainability reporting is associated with companies' motivation to manage their reputational risk.

Other studies analyse the reports and/or websites of a small number of companies which have suffered a reputational crisis (Bebbington et al. 2008a; Hogan and Lodhia 2011; Arora and Lodhia 2017); instead, this research analyses the contents of 154 social and environmental disclosures in annual reports and sustainability reports from 1999 to 2018 made by large Australian companies in selected sectors (chemicals, energy, energy utilities, forest and paper products, and mining). Australia was chosen in this study because it has a long record of and reputable performance in sustainability reporting (Bachoo et al. 2013; Higgins et al. 2015). Prior studies suggest that company size and industry are key determinants of corporate motivation to report on sustainability (Gray et al. 1995; Guthrie et al. 2008; Du and Vieira 2012; Bachoo et al. 2013). With regard to the chosen medium of reporting studied, both annual reports and stand-alone sustainability reports have been used for many years by Australian companies to disclose financial and non-financial performance and hence they are held to reflect both corporate financial and non-financial reputation (de Villiers and van Staden 2011; Lodhia 2018).

The objective of this research is to obtain empirical evidence that stakeholder engagement in sustainability reporting constitutes the process of managing reputational risk from which disclosures in annual and sustainability reports are the outcome. To have a more comprehensive picture of RRM in the context of stakeholder engagement in sustainability reporting, this research also investigates the media used by large Australian companies to disseminate sustainability information, stakeholder groups identified in sustainability disclosures, approaches or methods used by companies to engage with those stakeholder groups, communication channels utilised and motivations for reporting corporate sustainability. Therefore, the research questions are as follows:

1) How are sustainability issues communicated by large Australian companies?
2) Do sustainability disclosures by large Australian companies in annual and sustainability reports reflect RRM?
3) How could the orientation of sustainability reporting be shifted from a corporate strategic tool to manage reputational risk to one of stakeholder accountability?

This paper provides new insight to the literature on corporate social and environmental reporting in general and the RRM thesis in particular. It adapts Shrives and Brennan's (2017) typology of corporate governance non-compliance into the RRM thesis (Bebbington et al. 2008a) to enable research on RRM to be undertaken in multiple companies regardless of the presence of reputational crisis. This is because companies do not only need to address reputational crisis (i.e., reactive) but also anticipate such crisis (i.e., proactive). This extended RRM framework is able to capture rhetorical statements reflecting both the proactive and reactive strategies.

Empirical evidence in this research also offers a practical contribution towards answering the 'so what' question. RRM is more company-interest-oriented by its nature and tends to put aside accountability to a wide range of stakeholder groups. To shift the underlying motivation from managing reputational risk to stakeholder accountability, stakeholder engagement needs to be embedded in sustainability reporting, including in the preparation stage determining which topics are material to be disclosed in the report.

Literature Review

Stakeholder engagement in sustainability reporting

The most often-quoted definition of sustainability comes from the United Nations World Commission on Environment and Development, also known as the Brundtland Commission with its report in 1987 titled 'Our Common Future', where sustainable development is described as 'development that meets the needs of the present without compromising the ability of future generations to meet their own needs' (WCED 1990; Borowy 2013). Sustainability presumes that resources that are available today are limited. Hence, they should be managed wisely with a view to long-term priorities and the consequences of the ways in which they are used. Sustainability has become more popular through John Elkington's introduction of triple bottom line (TBL) whereby for a company to become sustainable, it should take into account profit, people and planet, or the three Ps (Elkington 1999). The concept of TBL suggests that companies should measure social and environmental accounts in addition to their profit or loss account because what companies measure is what companies are likely to pay attention to.

At the level of corporate reporting practice, in many cases, TBL and sustainability are interchangeable. They share the same understanding that companies should account for economic, social and environmental issues, performance and agenda in their reporting to a wide range of stakeholder groups. Milne and Gray (2013: 24) argue that 'sustainability is essentially a systems level concept and not an organi[s]ational one'. Citing evidence that more companies have voluntarily issued sustainability/TBL reports while many remain unsustainable even when they operate efficiently, they argue that such a fallacy is not because of the absence of frameworks to improve such reporting but is arguably because of the lack of initiative in 'stakeholder involvement and accountability' (p. 25) among reporting companies.

For a business to become sustainable, it should be 'economically viable, socially acceptable, and environmentally responsible' (OECD 2002: 42). Reporting social and environmental impacts, in addition to financial or economic aspects of company operations, has gradually become a 'mainstream practice' (EY 2014: 4). However, as it is essentially voluntary, sustainability reporting arguably tends to contain self-serving bias or be self-laudatory in nature (Deegan and Gordon 1996; Deegan and Rankin 1996; Neu et al. 1998). To some extent, the report is arguably manipulative (Deegan 2007), camouflaging (Michelon et al. 2016) and even a simulacrum (Boiral 2013).

Patten (2005: 459) states that voluntary sustainability disclosures are likely to be misleading, as companies tend to disclose more about positive and neutral issues (i.e., self-serving disclosures) as well as unverified performance, while hiding negative issues. Where sustainability reporting is arguably incomplete (Adams 2004), stakeholder engagement may fill in the missing link between sustainability reporting and company accountability (Cooper and Owen 2007) and the reporting–performance portrayal gap (Adams 2004).

The essence of stakeholder engagement in sustainability reporting is communication or dialogue between reporting companies and their relevant stakeholders (GRI 2013; Park et al. 2014; AccountAbility 2015; GRI 2016; Ferrero-Ferrero et al. 2018; Kaur and Lodhia 2018). Engaging with stakeholders allows reporting companies to improve their business processes by linking sustainability issues into strategy, governance and operation, while the engaged stakeholders are also informed on corporate sustainability issues, performance and agenda.

The importance of stakeholder engagement is in line with 'stakeholder inclusiveness' (GRI 2013; GRI 2016) and the 'stakeholder inclusivity' (AccountAbility 2015) principle in which reporting organisations should be able to identify who their stakeholders are and how the expectations and interests of stakeholders are met. In addition, stakeholder engagement in sustainability reporting is expected to help organisations 'set goals, measure performance, and manage change' (GRI 2013: 3). Stakeholder engagement is considered vital in sustainability reporting because it determines what relevant information and material topics are disclosed in the report, as expected by the interested users of sustainability reports, namely the company's stakeholders (Manetti 2011; GRI 2013; Dong et al. 2014; Kaur and Lodhia 2014; GRI 2016; Manetti and Bellucci 2016). Stakeholder engagement improves credibility and communication between the reporting company and its stakeholders (Gable and Shireman 2005; Burchell and Cook 2006) where stakeholders are involved in the reporting process, including in determining the report content (Gao and Zhang 2006; GRI 2013; AccountAbility 2015; GRI 2016).

Reputation risk management

Adams (2008) disagrees with Bebbington et al.'s (2008a) proposed RRM thesis because reputation and legitimacy are synonymous. Moreover, the proposed thesis seems simply to relabel legitimacy theory. Corporate image, reputation and legitimacy are three different terminologies (see Bebbington et al. 2008b; King and Whetten 2008; Craig and Brennan 2012; Lawrence and Weber 2014). Craig and Brennan (2012: 167) define these three terminologies with their corresponding characteristics as follows. Corporate image refers to attributes that are used and/or shown by the company and are believed to enable its external stakeholders to distinguish them from another company. Meanwhile, corporate reputation is a product of the collective perception of stakeholders about corporate behaviour, communication and symbolism. Lastly, corporate legitimacy is obtained through social acceptance by stakeholders when the company conforms to social norms and expectations.

Further, in distinguishing corporate reputation and legitimacy, King and Whetten (2008) note that corporate legitimacy is an absolute determinant in organisational lifecycle while reputation is a more relative measure. Legitimation from stakeholders can be considered as a licence for the company to operate (EY 2016) which should be obtained and maintained by conforming to social norms and expectations. Schwaiger (2004: 48) views corporate reputation as the 'relative positioning' of a company relative to other companies in an organisational field. This relative positioning of corporate reputation may change over time (Lawrence and Weber 2014).

In response to Adams' (2008) commentary, Bebbington et al. (2008b) argue that there seems to be a misconception about legitimacy theory explanations among accounting scholars. Legitimacy theory has been interpreted too narrowly in the RRM thesis. In fact, legitimacy theory should have been viewed more broadly, with an assumption that companies operate under a social contract whereby they have to conform to society's norms and expectations. Non-conformity is viewed as a breach of the social contract, and hence the non-conforming companies may cease to operate. However, research within the legitimacy theory framework undertaken by accounting scholars seems to incorporate companies' reputational motivation for reporting in the concept of legitimacy. Therefore, Bebbington et al. (2008b) believe that the RRM thesis is relevant in order to clarify the misconception and cover the weaknesses of legitimacy theory, as admitted by Parker (2005: 846). He argues that legitimacy theory '... suffers from problems that include apparent conceptual overlap with political economy, accounting theory and institutional theory, lack of specificity, uncertain ability to anticipate and explain managerial behaviour and a suspicion that is still privileges financial stakeholders in its analysis'.

Bebbington et al. (2008a) use Benoit's (1995) image restoration strategies as their framework to obtain evidence that Shell's CSR report in 2002 reflects the outcome and part of the RRM process. Benoit (1995) offers a typology of 14 image restoration strategies which are classified into five groups, namely denial, evasion of responsibility, reducing offensiveness of event, corrective action and mortification. Further, Shrives and Brennan (2017) combine Benoit's (1995) image restoration strategies with Bolino and Turnley's (2003) impression management profiles to offer a more complex typology used to explain the rhetorical strategies of non-compliance as shown in Table 1.

Table 1 shows that Shrives and Brennan's (2017) typology is applicable in any company, not only for those suffering a reputational crisis but also for companies anticipating such crisis. Therefore, Shrives and Brennan (2017) may offer an extended framework for RRM analysis.

Research Methods

Data utilised in this research comprise sustainability (social and environmental) disclosures in either annual reports or sustainability reports in PDF format. These PDF files were collected from the Global Reporting Initiative (GRI) database website.[3] Employing a search filter facility in the GRI database website, this study focuses on large Australian companies in selected socially and environmentally sensitive sectors, namely chemicals, energy, energy utilities, forest and paper products, and mining. Large companies in selected sectors were chosen through the search filter because prior studies found strong associations between company size and voluntary sustainability reporting (see Gray et al. 1995; Boesso and Kumar 2007; Elshandidy and Shrives 2016). Moreover, specific sectors, particularly those which are sensitive to social and environmental issues, are subject to legitimacy concerns from stakeholders (see Patten 1992; Gray et al. 1995; Boesso and Kumar 2007). Combining size and sector characteristics would enable this research to capture the relative magnitude of corporate reputational actions and, equally important, the perceived risk of those actions (Hackston and Milne 1996).

This research includes all report types (GRI and non-GRI) and all reporting periods (1999–2018) in the search filter facility in the GRI database website in order to obtain a larger dataset. There were 182 reports found in September 2018 and the number of reports increased to 190 in December 2018. Of those 190 reports, only 154 were accessible or downloadable from the GRI database website and the corresponding company websites. Table 2 shows that 154 reports were issued by 40 different companies and the majority of the reports were from the energy utilities and mining sectors.

Lodhia (2018: 5–6) comprehensively presents the advantages and disadvantages of a wide range of media to report sustainability, from traditional media (annual reports and sustainability reports) to internet-based media (websites and social media). In addition to the traditional forms, both annual reports and sustainability reports are currently archived in PDF format by most companies on their websites, and hence they can be retrieved at any time. Sustainability disclosures in the so-called traditional reporting media could be analysed longitudinally to examine changes in sustainability issues, performance

Table 1 Rhetorical strategies in sustainability disclosures for reputation risk management

No.	Strategies	Explanation
Denial		
1	Simple denial[a]	The company conceals or disguises information which is supposed to be disclosed. This can be in various forms, for example, the company includes information about non-compliance but it does not state the reason or explanation for it, or the company states that a problem has been resolved but it does not provide any explanation as to why the problem occurred in the first instance. Alternatively, the company may use 'weasel words' to distract or mislead readers from the company's non-compliance, for example, 'The company fully complies with . . . except for . . . .'.
2	Shifting the blame[a]	The company thinks that it should not be held responsible because another party has been identified as responsible.
Evasion of responsibility		
3	Provocation*[a]	The company tries to avoid responsibility by undertaking offensive acts in response to another wrongful act.
4	Defeasibility*	The company argues that its responsibility may be annulled or invalidated due to lack of knowledge and/or control over the important factors of the wrongful act.
5	Accident*[a]	The company may make an excuse that it is an accident which was never meant to happen and beyond the company's control.
6	Good intentions*[a]	The company may ask not to be (fully) responsible for the negative situation because there were no evil motives behind it. Instead, the negative outcome was actually based on good intentions.
Reducing offensiveness of event		
7	Bolstering	When the company is being accused of a negative event, it may reduce the offensiveness of the event by strengthening some positive idea through delivering more positive information about the company which contradicts the negative event being problematised.
8	Minimisation	The company admits the problem and acknowledges its responsibility, but argues that the problem is not as serious as it appears.
9	Differentiation*	The company tries to compare the event being problematised with other more wrongful acts to lessen negative feelings.
10	Transcendence	When the company is blamed for an offensive act, the company may reframe that offensive act by putting it into a broader context and less offensive reference. In other words, the 'end justifies the means'.
11	Attacking accuser[a]	The company may fight back against the accuser(s) by questioning the data and/or information being used to accuse the company.
12	Compensation*	The company offers or provides (financial and/or non-financial) compensation to stakeholders who are affected by the company's actions to counterbalance their negative feelings.
Corrective action		
13	Corrective action	The company declares to fix the problem either by returning the condition to its former state or by promising to do something to prevent a reoccurrence of the same problem in the future.
Mortification		
14	Mortification*[a]	The company acknowledges its responsibility and asks for forgiveness.
15	Ingratiation	The company tries to obtain sympathy using persuasive and subtle blandishments.
16	Self-promotion	The company tries to promote itself by making claims about its achievements and/or the company instantiates good practice to other companies.
17	Attribution	The company tries to provide causal explanation of an event by regarding it as being caused by something or someone else.
18	Supplication*	The company tries to ask for something earnestly or humbly.
19	Intimidation	The company tries to challenge or even attack something with which the company should comply.

Source: Adapted from Shrives and Brennan (2017: 35) and Bebbington et al. (2008a: 343).
Note: *not applicable in Shrives and Brennan's (2017) typology of rhetorical strategies of non-compliance.
[a]not evident in Bebbington et al. (2008a).

and agenda provided reporting companies issued and archived their reports regularly and consistently.

de Villiers and van Staden (2011) and Lodhia (2018) argue that corporate financial and non-financial reputation can be assessed through an examination of the traditional media of reporting. Annual reports are mainly dedicated to showing the financial reputation of the business, while sustainability reports are prepared for a wider range of stakeholder groups with regard to the social and environmental reputation of the business. Therefore, it is considered sufficient and acceptable to examine the RRM undertaken by companies on the basis of their sustainability disclosures in annual and sustainability reports. Disclosures on websites are presented rapidly, and hence offer a rich dataset which is fruitful for tracing dynamic changes in economic, social

Table 2 Total companies, reports and sectors included in the study

Sectors	Total companies	Total reports
Energy utilities	13	56
Mining	16	56
Forest and paper products	3	12
Energy	7	22
Chemicals	1	8
Total	40	154

and environmental aspects of companies especially during a reputational crisis (de Villiers and van Staden 2011; Lodhia 2018). However, prior studies utilising web-based social and environmental disclosures focused on a case study of a single company (see Unerman and Bennett 2004 on Shell; Hogan and Lodhia 2011 on BHP Billiton; Arora and Lodhia 2017 on BP).

Content analysis was conducted on 154 sustainability disclosures in annual and sustainability reports. The analysis was undertaken from September to December 2018. Content analysis is a popular approach to data analysis used in social and environmental research (see Beck et al. 2010; Bouten et al. 2011; Alrazi et al. 2016; Haque and Irvine 2018; Larrinaga et al. 2018). Quantitative content analysis was conducted by counting the number of words mentioned with respect to stakeholder groups, stakeholder engagement and reporting motivation.

Table 3 shows 24 different words with their corresponding number of mentions. Words numbered 1 to 13 are about stakeholder groups; numbers 14 to 19 concern stakeholder engagement; and words 20 to 24 are about reporting motivation. Searching for and counting the number of occurrences of each of the 24 words in Table 3 was undertaken using Adobe Acrobat Reader and closely reading through all the PDF reports. The results were tabulated in a Microsoft Excel spreadsheet. Although automatically counted by the software, search results were carefully tabulated to avoid inclusion of unintended words with different meanings. For example, the word 'media' in the search filter may have resulted in many variations, such as 'intermediate' and 'remedial'. Therefore, the results from the search filter were manually double-checked before undertaking tabulation in the spreadsheet. In addition to counting the number of words mentioned, as presented in Table 3, this study also investigates the total number of cases disclosing communication channels such as email, website or telephone. These were not counted by the total number of words used, but treated as binary variables, assigned one if they were disclosed or zero if they were not. Table 9 shows the result of this procedure. Overall, there are four key themes employed in this study, namely stakeholder groups, stakeholder engagement, communication channels and reporting motivation.

In seeking deeper insight, this study also investigated to what extent these key themes were operationalised in annual and sustainability reports and also between GRI and non-GRI-based reports by large Australian companies. The data in Table 3 and the total number of communication channels disclosed in the reports has 'true zero', indicating this is ratio data. Therefore, an independent sample *t*-test was undertaken to compare the two means, instead of a Mann-Whitney test, which is more appropriate for ordinal data (Field 2018). The purpose of conducting an independent sample *t*-test is to investigate whether or not the average number of words mentioned in annual reports is statistically different from that in sustainability reports. The same procedure and purpose applies to both GRI and non-GRI reports.

In addition to this quantitative content analysis, a study of rhetorical statements regarding RRM was undertaken by qualitative content analysis through critical examination of the language used to construct meaning (see Hogan and Lodhia 2011; Shrives and Brennan 2017). To contribute more to both practical and theoretical standpoints, this research extends Bebbington et al.'s (2008a) RRM framework which employs Benoit's (1995) image restoration strategies. This research uses Shrives and Brennan's (2017) framework regarding rhetorical strategies of non-compliance, combining Benoit's (1995) image restoration strategies and Bolino and Turnley's (2003) impression management profiles. These rhetorical strategies of non-compliance are adapted to the context of RRM in relation to stakeholder engagement as disclosed in annual and sustainability reports. The search for statements was undertaken in Adobe Acrobat Reader by closely reading all the reports under consideration. Table 1 indicates the classification of rhetorical strategies.

To increase the reliability of the study, the same quantitative content analysis procedure was repeated three months after the initial analysis. This is called the test–retest procedure, that is, a typology of reliability test to examine stability (Krippendorff 2013). No difference was found between the result in the first and second cycles of analysis (September and December 2018 respectively), except that there were additional reports for inclusion in the second cycle of analysis due to GRI database updates after September 2018. In addition to the test–retest procedure of the reliability test, an inter-rater reliability test (Krippendorff 2013) was undertaken by selecting 20 out of the 154 reports in this study. Few studies in the field of social and environmental reporting have conducted this type of reliability test (see Calabrese et al. 2015; Dumay et al. 2016). A third-year doctoral student voluntarily undertook quantitative content analysis of those 20 sample reports covering eight out of 24 words presented in Table 3 from 9 May to 18 June 2019. Krippendorff's Alpha was determined by following the complete technical guidance provided by Hayes and Krippendorff (2007).

Table 3 **Common words that appear in annual and sustainability reports**

No	Words	Total number of mentions
1	Shareholder(s)/Stockholder(s)	3123
2	Stakeholder(s)	5867
3	Customer(s)	10 413
4	Vendor(s)/Supplier(s)	2393
5	Creditor(s)	104
6	Investor(s)	664
7	Community(ies)	15 245
8	Government	5473
9	Employee(s)	14 110
10	Media	603
11	Academic(s)/University(ies)	826
12	Indigenous	2114
13	Non-government organisations/NGOs	215
14	Engag(e,es,ing,ed,ement)	5835
15	Survey(s)	1770
16	Interview(s)	229
17	Meeting(s)	2329
18	Discussion(s)	361
19	Dialogue(s)	278
20	Reputation(s)	437
21	Lincence to operate	242
22	Competitive advantage/Position	86
23	Social	4142
24	Environment(al)	15 689

Krippendorff's Alpha was 99.47, indicating that there was no significant disagreement between the two coders (the author and the volunteer). Some variance between the two coders was found in the word 'engagement' because this word has many variations, such as engage, engages, engaged, engaging and engagement, but this dispute was resolved. The same volunteer was also asked to undertake qualitative content analysis by highlighting rhetorical statements in eight reports based on the guidance provided in Table 1 under Shrives and Brennan's (2017) framework. This procedure was conducted between 20 June and 25 June 2019. There was no disagreement found in this procedure.

Results and Discussion

Characteristics of the medium of reporting

Large Australian companies disclose their social and environmental issues, performance and agenda in either annual or sustainability reports. This study finds that sustainability reports are chosen by the vast majority of large Australian companies as a reporting medium in which GRI guidelines are used as their reporting framework. This finding is consistent with Frost et al. (2005), Fernandez-Feijoo et al. (2015) and Higgins et al. (2015) in that stand-alone sustainability reports offer a greater level of sustainability disclosure.

Table 4, Panel A provides interesting insights on the characteristics of reporting media. First, annual reports tend to be significantly thicker than sustainability reports. In the 39 annual reports and 115 sustainability reports analysed in this study, the number of pages in the annual reports concerning social and environmental disclosures averaged 123.6 pages, while the sustainability reports were only 64.8 pages on average. In addition, both kinds of reports disclosed various sustainability issues and they were not the same across the reporting companies. Investigating sustainability issues covered by these two media, both social and environmental concerns were disclosed more significantly in sustainability reports. The words 'social' and 'environment' occurred twice as frequently in sustainability reports as they did in annual reports. Panel B shows that the words 'social' and 'environment' appeared more frequently in GRI reports than in non-GRI reports. Although more concise, sustainability reports seem to provide greater scope for disclosing social and environmental issues, performance and agenda in more detail and GRI guidelines seem to provide more systematic direction about what to disclose (Frost et al. 2005; Fernandez-Feijoo et al. 2015; Higgins et al. 2015). These findings are also in line with Parker (2005) who finds that social and environmental disclosures tend to be voluminous (extensive and detailed reports), disparate (dissimilar across reports) and eclectic (covering a wide ranges of issues).

Table 4, Panel A also shows that the words 'stakeholders' and 'engagement' with stakeholders appeared more frequently in sustainability reports than in annual reports. On average, the word 'stakeholders' was mentioned about 43 times while the word 'engagement' appeared about 41 times in 64 pages of sustainability reports. These numbers were about double those for annual reports. Panel B shows that annual and sustainability reports based on GRI guidelines referred more to 'stakeholders' and 'engagement' with stakeholders. These findings indicate that stakeholder engagement is perceived as important in social and environmental disclosures. GRI guidelines may facilitate sustainability communication with stakeholders by indicating to whom the disclosures are dedicated and how to make the disclosures more meaningful for both reporting companies and stakeholders by means of engagement with stakeholders (Manetti 2011; Barone et al. 2013; GRI 2013, 2016).

Stakeholder identification, engagement approaches and communication channels

As mentioned earlier, the word 'stakeholders' appeared frequently in both annual and sustainability reports. Given that stakeholders are the users of these reports, it is necessary to understand who they are, how the

Table 4 Characteristics of reporting media

Panel A

Social and environmental disclosures in annual and sustainability reports

	Annual reports	Sustainability reports	*p*-value
Observations	39	115	
GRI	16	87	
Non-GRI (including citing GRI)	23	28	
Total pages			0.000
Mean	123.641	64.826	
Variance	1818.815	1385.706	
Social			0.013
Mean	14.923	30.957	
Variance	690.862	2589.674	
Environment			0.000
Mean	63.769	114.800	
Variance	1519.393	6576.688	
Stakeholders			0.001
Mean	23.590	43.017	
Variance	838.248	1171.719	
Engagement (with stakeholders)			0.017
Mean	28.821	40.965	
Variance	457.783	1547.911	

Panel B

Social and environmental disclosures in reports based on GRI and non-GRI guidelines

	GRI	Non-GRI	*p*-value
Observations	103	51	
Total pages			0.842
Mean	79.165	80.843	
Variance	1921.786	2634.215	
Social			0.000
Mean	35.971	8.569	
Variance	2922.342	105.410	
Environment			0.000
Mean	124.408	56.373	
Variance	6461.362	1327.438	
Stakeholders			0.000
Mean	48.282	17.529	
Variance	1210.949	412.934	
Engagement (with stakeholders)			0.000
Mean	47.359	18.765	
Variance	1589.036	163.624	

reporting companies communicate sustainability issues with them, and how stakeholder engagement approaches relate to companies' motivation for reporting. This can shed light on the importance of social and environmental disclosures for both the reporting companies and their stakeholders.

There were 12 stakeholder groups identified in the 154 reports included in this study. Table 5 shows those stakeholder groups. Communities, employees and customers were the three most frequently mentioned stakeholder groups. There were 12 277 pages in total in these 154 reports, which implies that these three stakeholder groups were mentioned more than once on every page. As they were frequently mentioned in both annual and sustainability reports, it is likely that they were the three most important stakeholder groups with regard to companies' sustainability issues, performance and agenda (Farneti and Guthrie 2009).

Table 6 provides insights on stakeholder groups mentioned in annual and sustainability reports. Shareholders and creditors were the two stakeholder groups most cited in annual reports, significantly different from

Table 5 Stakeholder groups identified in reports

Rank	Stakeholder groups	Total number of mentions
1	Communities	15 245
2	Employees	14 110
3	Customers	10 413
4	Government	5473
5	Shareholders	3123
6	Vendors/Suppliers	2393
7	Indigenous	2114
8	Academics	826
9	Investors	664
10	Media	603
11	Non-government organisations (NGOs)	215
12	Creditors	104

Table 6 Distinct stakeholder groups in annual and sustainability reports

	Annual reports	Sustainability reports	*p*-value
Observations	39	115	
Shareholders			0.000
Mean	49.795	10.270	
Variance	2008.694	114.199	
Creditors			0.000
Mean	2.205	0.157	
Variance	3.799	0.326	
Communities			0.000
Mean	55.231	113.835	
Variance	1434.287	8138.946	
Indigenous			0.000
Mean	5.513	16.513	
Variance	46.888	445.410	
Non-government organisations (NGOs)			0.000
Mean	0.103	1.835	
Variance	0.410	16.034	

Table 7 Indifferent stakeholder groups in annual and sustainability reports

	Annual reports	Sustainability reports	*p*-value
Observations	39	115	
Employees			0.401
Mean	86.436	93.383	
Variance	1313.884	3931.080	
Customers			0.781
Mean	71.051	66.452	
Variance	6939.050	10 938.320	
Government			0.676
Mean	37.462	34.887	
Variance	1186.360	818.312	
			0.945
Vendors/Suppliers			
Mean	15.385	15.591	
Variance	257.927	269.051	
Academics			0.065
Mean	6.718	4.904	
Variance	28.892	21.526	
Investors			0.726
Mean	4.590	4.217	
Variance	32.617	32.294	
Media			0.700
Mean	4.179	3.826	
Variance	26.309	17.934	

sustainability reports. Meanwhile, communities, Indigenous people and non-government organisations (NGOs) were the three most commonly referred to stakeholder groups in sustainability reports. References to other stakeholder groups did not differ significantly between annual and sustainability reports, as shown in Table 7. Employees, customers, government, vendors/suppliers, academics, investors and the media were mentioned in relatively equal numbers in both reports and they were statistically indifferent. Among the top three groups, employees and customers are stakeholder groups in both reports while communities, along with several other stakeholder groups mentioned earlier, are stakeholders in sustainability reports (Myllykangas et al. 2010).

Disclosure on stakeholder identification in both reports reflects the perceived importance of particular stakeholder groups for the sustainability of the reporting companies (Farneti and Guthrie 2009). It also indicates that the reporting companies are aware of the existence of particular stakeholder groups which may be impacted by the companies' sustainability issues, performance and agenda. The finding that GRI-based annual and sustainability reports tend to mention 'stakeholders' more frequently is probably because the stakeholder inclusiveness principle is applied in the reporting. This principle basically suggests that reporting companies consider a wide range of stakeholder groups which may affect or be affected by sustainability issues, performance and agenda (Dumay et al. 2010; GRI 2013, 2016). Different stakeholder groups may be identified by different reporting companies but an interesting finding from this research is that annual reports tend to include more about capital providers (both debt and equity), namely creditors and shareholders. Meanwhile, sustainability reports tend to include more about non-capital providers, such as communities, Indigenous people and NGOs.

Disclosures of financial information are unlikely to involve companies' engagement with stakeholders. Companies do not need to have dialogic engagement with parties involved in financial transactions and interested users of the financial report in order to discuss the information to be disclosed in the financial report. Unlike financial disclosures, social and environmental disclosures talk not only about historical events and performance but also about potential issues that the reporting company

Table 8 **Stakeholder engagement approaches in sustainability reporting**

Rank	Stakeholder engagement approaches	Total number of mentions
1	Group meetings	2329
2	Surveys	1770
3	Face-to-face interviews	229

Table 9 **Communication channels used to keep in touch with stakeholders**

Rank	Communication channels	Total cases
1	Website	140
2	Email	131
3	Postal address	131
4	Telephone	130
5	Twitter	20
6	Facebook	20
7	YouTube	13
8	LinkedIn	10
9	Feedback form in the report	9
10	Online/web-based feedback form	9
11	Blog	3
12	SMS messaging	1

may experience, including expected social and environmental performance, and future agenda in dealing with current and such issues (Pedersen 2006; Manetti and Toccafondi 2014; Melloni et al. 2017; Puroila and Mäkelä 2019). Therefore, dialogic engagement with stakeholders in social and environmental disclosures should be viewed as evidence of a company's serious commitment and openness in promoting accountability in non-financial information to those same stakeholders.

Table 8 shows three methods or approaches to stakeholder engagement undertaken by large Australian companies. 'Group meetings with various stakeholders' included the most common terms used to describe company engagement with stakeholders (i.e., 2329 references in 154 reports). Examples of group meetings are annual shareholder meetings, and customer and investor gatherings. Such meetings allow discussion and dialogue between the reporting companies and invited stakeholder groups (Gao and Zhang 2006). The word 'discussion' appeared 361 times, while the word 'dialogue' was mentioned 278 times. The second most popular stakeholder engagement approach was the survey, with 1770 references. Amongst the forms of survey mentioned in the reports are questionnaires and phone surveys, mostly conducted with customers and communities. This second engagement approach unfortunately does not allow dialogue and discussion. Surveys only allow reporting companies to gather information on sustainability issues, performance and agenda from the perspective of stakeholders, which is typical of one-way communication mechanisms (Coombs and Holladay 2012). Lastly, the word 'interviews' appeared 230 times in 154 reports making it the third most popular stakeholder engagement approach by large Australian companies. Face-to-face interviews enable reporting companies to engage in dialogue with their stakeholders. However, unlike group meetings, face-to-face interviews may involve less discussion and debate, especially in the case of structured interviews (Ndlela 2019).

As the essence of stakeholder engagement is communication, Table 9 provides insightful information on communication channels used by large Australian companies for this purpose. There are 12 communication channels which can be classified into three groups: conventional, internet-based and social media. Postal address, telephone, feedback forms enclosed in reports and SMS messaging are classified as conventional communication channels. Meanwhile, websites, emails and online/web-based feedback forms are classified as internet-based communication channels. Lastly, Twitter, Facebook, YouTube, LinkedIn and Blog are categorised as social media.

Table 9 shows that websites were the most popular communication channel (140 cases in 154 reports). Unfortunately, websites tend to function as a medium of communication *to* stakeholders instead of a medium of communication *with* stakeholders. This is because websites do not enable two-way interaction and communication in the form of dialogue, discussion and debate between reporting companies and their stakeholders (Jose and Lee 2007). Websites are only utilised as a medium for disseminating information on sustainability to stakeholders. Another internet-based communication channel (emails) along with a conventional communication channel (postal address), were equally popular ways to keep in touch with stakeholders (131 cases in 154 reports). Both email and postal mail allow stakeholders to send messages containing their opinions, suggestions and criticisms to reporting companies. They differ in their speed of information and the possibility for two-way communication. Messages sent by stakeholders via email can be received by the reporting companies in seconds while messages via postal delivery may take several days or weeks to arrive (Rowbottom and Lymer 2009). In addition, reporting companies may reply to stakeholders' emails instantly, which readily allows two-way communication, but this is less the case for postal mail, especially when stakeholders do not include their correct and/or complete address information and/or there is no self-addressed stamped envelope included in the mail.

Social media platforms seem to be less popular communication channels amongst large Australian companies. Twitter and Facebook were the most popular (20 cases in 154 reports), allowing reporting companies to post information on sustainability issues, performance and agenda to their followers, receive comments from them and reply to those comments. In other words, these social media platforms enable two-way communication and borderless dialogic interaction between reporting companies and wider stakeholders (Manetti and Bellucci 2016). For example, Report No. 82 in this study states that it '... produced a social media standard to support and guide our people to use social media to initiate thought leadership, engage stakeholders and provide an insight into our business. This empowers our people to use social media platforms such as Facebook and Twitter and to interact in conversations about the business, answer questions about what we do and take part in discussions on topics related to our business' (p. 67).

Indeed, identifying stakeholder groups and engaging in dialogue with them through various communication channels and engagement approaches are crucial processes, producing meaningful information for both reporting companies and stakeholders (Herremans et al. 2016). Equally important, such engagements should not only be conducted for the purpose of reporting but also should be implemented on an ongoing basis in order to achieve collective understanding and cooperatively unravel sustainability problems which affect both the reporting companies and their stakeholders (Golob and Podnar 2014). For example, Report No. 2 in this study states that 'While [discussion with a customer council] is an important first step in understanding the issues, ongoing engagement will be required so that customer consequences are understood and collectively managed by industry, governments and community organisations' (p. 7).

Reporting motivations

Recalling the research findings shown in Table 5, 154 social and environmental disclosures in annual and sustainability reports acknowledged a wide range of stakeholder groups which were perceived as important for the sustainability of the reporting companies. Communities, employees and customers were the three most mentioned stakeholder groups. Their frequent appearance in reports indicates that they might significantly affect or be affected by the reporting companies' sustainability issues, performance and agenda. In addition, engagement with the identified stakeholder groups was disclosed in 154 reports by three main ways, namely meetings, surveys and interviews. Reporting companies also kept in touch with their stakeholders by employing various communication channels, of which email was the most popular. This section links all previously mentioned key themes, namely stakeholder groups, stakeholder engagement and communication channels, with another key theme, that is, reporting motivations.

Table 10 shows the top three key words in regard to motivations of reporting social and environmental issues in annual reports and sustainability reports by large Australian companies. The most commonly occurring word was 'reputation' which was mentioned 437 times in 154 reports. Meanwhile, the phrase 'licence to operate' featured 242 times and the words 'competitive advantage' occurred only 86 times. The following are examples of statements in the reports under consideration which reflect companies' motivations for reporting sustainability issues, performance and agenda to a wide range of stakeholders.

Table 10 Motivations of reporting

Rank	Motivations of reporting	Total number of mentions
1	Reputational reasons	437
2	Licence to operate	242
3	Competitive advantages	86

- Reputational motivation in Report No. 3: '... initiatives to enhance [a company]'s sustainable business practices and reputation as a responsible corporate citizen' (p. 3). 'Employee engagement surveys show that company reputation and corporate responsibility are important issues for [company] employees' (p. 13).
- Licence to operate motivation in Report No. 103: 'Our social licence to operate is essential in gaining and maintaining stakeholder approval and regulatory permission ... We conduct community consultation and invest in community and regional development initiatives, local business development, education and training initiatives and sponsorships and donations for all sites, be they at exploration, development project or operational stage' (p. 7). 'We are refining our understanding of stakeholder relations and community development and our approach to social investment, to maintain our social licence to operate for the long term' (p. 37).
- Competitive advantage motivation in Report No. 82: '[The company] is the lowest carbon intensity electricity generation and retail business in the [National Electricity Market or] NEM. This provides a unique competitive advantage that we are using to attract and retain customers' (p. 22).
- Combination of reputation, licence to operate and competitive advantage motives in Report No. 145: 'We recognise that success in resolving sustainability issues enhances our corporate reputation and creates competitive advantage for our business in critically important areas including: ... maintaining a "licence to operate" from society and enhancing the security of our operations' (p. 18).

From the above statements, social and environmental disclosures in annual and sustainability reports seem to be utilised to demonstrate companies' awareness of their extended social and environmental responsibilities.

Table 11 Comparing reporting motivations in GRI and non-GRI reports

	GRI	Non-GRI	*p*-value
Observations	103	51	
Reputation			0.000
Mean	3.631	1.235	
Variance	13.255	1.424	
Licence to operate			0.003
Mean	2.165	0.373	
Variance	32.649	1.98	
Competitive advantages			0.960
Mean	0.563	0.549	
Variance	1.072	3.533	

The reporting is undertaken with an expectation that these companies will be perceived as reputable, legitimate and trustworthy by stakeholders, which may distinguish them from non-reporting companies (Blackburn et al. 2018).

Table 11 shows that within these three motivations for reporting, reputation and licence to operate are two distinct motives when comparing GRI and non-GRI reports. GRI reports disclose more references to 'reputation' and 'licence to operate' and they are significantly different from those in non-GRI reports. To confirm whether the GRI also considers reputation and licence to operate in its guidelines, a word search was conducted on the GRI G4 Guidelines; there were 22 statements found with regard to reputational risk, but no statement about licence to operate. This indicates that the GRI G4 Guidelines also reflect the importance of managing reputational risk through sustainability reporting. Below are examples of statements concerning reputational risk in the GRI G4 Guidelines:

- 'For management purposes, indirect economic impacts are an important indication of where risks to reputation may develop' (p. 80).
- 'Corruption can be a significant risk to an organi[s]ation's reputation' (p. 208).
- 'Non-compliance poses a risk to reputation' (p. 227).

The content analysis shows that large Australian companies operating in socially and environmentally sensitive sectors seem to engage with stakeholders in order to manage reputational risk associated with stakeholders' interests. Engagement with customers may be dedicated to improving a company's market position while engagement with communities tends to be used to pre-empt some social issues or challenges. For example, '[The company] has actively engaged with the community on this issue [the release of soap mist] to correct misunderstandings arising as a result of inaccurate media reporting of the incident' (Report No. 3, p. 40).

The choices of communication channel to keep in touch with stakeholders also reflects companies' intentions to manage reputational risk. The large Australian companies studied seem hesitant to take advantage of the Internet and social media to communicate *with* stakeholders. Instead, the Internet and social media were only used to communicate *to* stakeholders. Communicating *to* stakeholders is a way of broadcasting information while communicating *with* stakeholders is a way of exchanging ideas through dialogue. One possible reason for this is that hoax information about a company may spread quickly and uncontrollably on social media platforms and damage the company's reputation (She and Michelon 2019).

Rhetorical reputation risk management strategies regarding stakeholder engagement in sustainability reporting

Shrives and Brennan (2017) propose a typology of rhetorical strategies of non-compliance by selecting and compressing 19 strategies borrowed from Benoit (1995) and Bolino and Turnley (2003) into nine rhetorical strategies, namely corrective action (rhetorical strategy number one), bolstering (rhetorical strategy number two), minimisation (rhetorical strategy number three), transcendence (rhetorical strategy number four), shifting the blame/attribution (rhetorical strategy number five), ingratiation (rhetorical strategy number six), self-promotion (rhetorical strategy number seven), attack accuser/intimidation (rhetorical strategy number eight) and simple denial (rhetorical strategy number nine). These are 'the rhetorical strategies companies use to persuade audiences of the need to explain rather than comply' Shrives and Brennan (2017: 31). Adapting Shrives and Brennan's (2017) rhetorical strategies of non-compliance to RRM, this research identifies a number of statements in sustainability disclosures which reflect such strategies, as shown in Table 12.

Table 12 shows all the relevant statements found in sustainability disclosures which can be classified in 10 of 19 RRM rhetorical strategies in relation to stakeholder engagement in sustainability reporting. Those 10 strategies are: simple denial, shifting the blame, bolstering, minimisation, attacking accuser, corrective action, ingratiation, self-promotion, attribution and intimidation. Referring to Shrives and Brennan's (2017) typology of rhetorical strategies, the 10 strategies are compressed into eight rhetorical strategies because shifting the blame and attribution are considered identical. Similarly, attacking accuser and intimidation can be combined due to being identical. Nine strategies from the total of 19 strategies are not evident in this research. Four of the nine strategies which are not evident (provocation, defeasibility, accident and good intentions) are classified as 'evasion of responsibility' according to Benoit's (1995) image restoration strategies. From this,

Table 12 **Examples of statements reflecting RRM rhetorical strategies in relation to companies' engagement with their stakeholders**

[Simple denial] Report No. 1

'We believe that there is a direct correlation between the level of engagement of our employees and achievement of the company's operational, customer service, and financial objectives. [The company] regularly surveys its employees to measure levels of employee engagement. During 2007/08, our employee engagement rating improved and, although encouraging, there remains opportunity for further improvement. During 2008/09 we will continue to develop our programs to further increase employee engagement' (p. 1).

[Shifting the blame] Report No. 50

'[The company] did receive a caution notice for an incident at the SCA's Kangaroo Valley Pipeline. On 5th December 2010, there was an unintended discharge of water from the SCA Kangaroo Valley Pipeline, which caused erosion and substantial quantities of pollutants, including rock and soil, into surrounding creeks and waters. The pipeline was subject to maintenance carried out by a SCA contractor, when a manhole cover was left open after completion of the maintenance, which was found to have caused the unintended discharge. [The company] sought withdrawal of the caution, on the basis the incident occurred during SCA's maintenance operations and was not caused or contributed to by [the company]. Office of Environment and Heritage (OEH) acknowledged that [the company] did not itself cause the incident and took all reasonable steps to prevent it, but is nevertheless deemed to be responsible because it was the holder of the EPL licence. After the reporting period, [the company]'s environmental licence has been amended to confine its scope to the footprint of the plant actually operated by [the company]' (p. 48).

[Provocation] Not evident.

[Defeasibility] Not evident.

[Accident] Not evident.

[Good intentions] Not evident.

[Bolstering] Report No. 24

'Customer complaints increased this year to 3313, up from 2350 in the previous year. Over 2000 of these were supply-related. This can be attributed to the Distribution Business's increased program of work, and corresponding increase in planned power interruptions. At the same time, the level of compliments has increased 49 per cent, up from 184 to 275 across both the retail and distribution business lines' (p. 40).

[Minimisation] Report No. 2

'[The company] aims to have zero environmental incidents. A total of 12 environmental incidents were recorded in our corporate incident reporting systems during 2008/09, compared with 16 incidents recorded in 2007/08. The majority of these incidents were spills of oil or other fluids to land and water, and none of these incidents were classified as significant. None of the incidents reported in our databases in 2008/09 resulted in any fines from environmental regulatory authorities' (p. 11).

[Differentiation] Not evident.

[Transcendence] Not evident.

[Attacking accuser] Report No. 3

'During FY2011, an incident relating to the release of soap mist from the Sugarloaf 3 gas well was reported in the media ... The majority of the mist released from the well dissipated on contact with air, while the rest fell within 40 metres of the well. The release was non-toxic, non-hazardous and biodegradable and did not pose a risk to the community, environment or local water supplies ... [The company] has actively engaged with the community on this issue to correct misunderstandings arising as a result of inaccurate media reporting of the incident' (p. 40).

[Compensation] Not evident.

[Corrective action] Report No. 3

'During FY2011, there were no fines or infringement notices applied to sites that [the company] operates. However, an incident comprising the emission of non-hazardous soap foam from a degasser unit that occurred during well workover activities at [the project] in May 2011 resulted in a formal warning being issued by the NSW Office of Environment and Heritage (OEH). The warning was issued on the basis that the degasser was not being operated in a proper and efficient manner, as is required by the operation's Environmental Protection Licence. In its warning letter to [the company], the OEH advised [the company] that it found that there was no significant harm to the surrounding environment resulting from the incident, and that [the company] has taken corrective actions to reduce the likelihood of this type of incident reoccurring' (p. 74).

[Mortification] Not evident.

[Ingratiation] Report No. 10

'During the summer floods in Queensland, this response was again tested as [the company]'s Networks and engineering teams repaired a damaged pipeline over 22 days under extreme conditions while maintaining critical gas supply to essential services in the Wide Bay region. I'm proud of the skills, ingenuity and dedication of our people in dealing with this and other difficult and complex situations' (p. 7).

[Self-promotion] Report No. 21

'The annual [company] Safety Excellence Awards are an opportunity to recognise and reward those employees, contractors and suppliers who made an outstanding contribution towards our goal of injury prevention and the reduction of significant incidents. These awards also provide a platform to encourage sharing of best practice across the organisation. In 2013 the awards received a total of 118 nominations from across [the company]. Every winner and highly commended entry received a cash prize that was donated to a charity of their choice. In total, $14,000 was donated to various charities as a result of the 2013 Safety Excellence Awards' (p. 49).

[Attribution] Report No. 1

'Providing a safe and injury free workplace is a fundamental priority. Our Lost Time Injury Frequency Rate (LTIFR) decreased from 5.0 to 3.6 this year, an indication of a reduction in the overall number of work[-]related injuries. The medical treatment injury frequency rate and duration rate both increased during the period. Contributing to this were stress-related injuries in our retail business, the result of significant activity around new process and systems roll-outs' (p. 10).

(*Continued*)

Table 12 Continued

[Supplication] Not evident.
[Intimidation] Report No. 3
'Feedback received from the [company] Customer Council comprised formatting suggestions and simplifying [company] jargon. The Council requested that [the company] expand the "Customer Charter commitments" table (page 27) to include all of [the company]'s obligations to its customers, however this is not practical given the scale and variance of obligations between jurisdictions. [The company] is continuing to advocate more harmonisation of requirements between jurisdictions to remove regulatory burden and decrease complexity for customers and the community' (p. 7).

it seems that large Australian companies do not use RRM rhetorical strategies to evade their responsibilities. Another five strategies which are not evident are differentiation, compensation, transcendence, mortification and supplication. Differentiation, compensation, mortification and supplication are not evident in Shrives and Brennan (2017) while mortification is not evident in both Shrives and Brennan (2017) and Bebbington et al. (2008a). Mortification, according to Lauzen (2016), is an important element of an authentic corporate response to problems because the problems are acknowledged and the company asks for forgiveness. In the absence of such acknowledgement and apologies, corrective actions undertaken by companies are considered symbolic. Acknowledging problems and responsibilities is in line with Hogan and Lodhia's (2011) finding about 'honesty' as a potential RRM strategy.

a) Simple denial strategy

A statement in Report No. 1 reflects simple denial in the sense that the company tried to hide or disguise challenges regarding its employee engagement (see Bellringer et al. 2011; Hahn and Lülfs 2014). Report No. 1 shows '... our employee engagement rating improved and, although encouraging, there remains opportunity for further improvement' (p. 1). The statement 'although encouraging' followed by 'there remains opportunity for further improvement' reflects a rhetorical strategy to obscure the real challenges experienced by the company with respect to its employee engagement. The company perhaps decided not to disclose detailed information about its dynamic engagement with employees for RRM reasons. This research finding is in line with Shrives and Brennan (2017) in that companies use this rhetorical strategy to conceal a reality by emphasising good news and obfuscating bad news (Merkl-Davies and Brennan 2007).

b) Shifting the blame/attribution strategy

Moving on to another type of denial, an example of a statement seeking to shift the blame was found in Report No. 50 in clarifying the company's response to an incident. 'The pipeline was subject to maintenance carried out by a contractor, when a manhole cover was left open after completion of the maintenance, which was found to have caused the unintended discharge' (p. 48). Here the company clearly tried to shift the blame to the contractor. This rhetorical strategy of shifting the blame may lessen the potential negative impact of an incident on corporate reputation, particularly if the incident has been broadcast widely by the media. However, this strategy is not without risk (see Lorenzoni and Pidgeon 2006; Sandberg and Holmlund 2015). The business relationship between the company and the contractor may suffer. In this case, the company referred to an acknowledgement from the Office of Environment and Heritage (OEH) that the company was not solely to blame for the incident and was deemed to be a responsible company, as a holder of an Environment Protection Licence (EPL). In other words, the company had supporting evidence from an external party to deny full responsibility by blaming the contractor for the incident. This rhetorical strategy is not evident in the study undertaken by Bebbington et al. (2008a).

Shrives and Brennan (2017) combine Benoit's (1995) shifting the blame strategy with Bolino and Turnley's (2003) attribution strategy. With regard to attribution strategy, a company in Report No. 1 provided a causal explanation for an increase in medical treatment frequency and duration rate. The company attributed the increasing rates to stress-related injuries rather than to work-related injuries. This attribution strategy seems to have been undertaken to show that the company had been consistent in providing a safe and injury-free workplace for all personnel. The attribution strategy tends to shift attention regarding the cause of a problem in order to lessen the tension or blame (see Aerts 2001, 2005).

c) Bolstering strategy

There is evidence of so-called bolstering in Report No. 24. 'Customer complaints increased this year ... At the same time, the level of compliments has increased ...' (p. 40). Here, the company tried to provide positive information to offset negative feedback from its customers. The company wanted to show to the readers of the report that even though customer complaints increased, the level of compliments also increased significantly. In other words, providing balanced views of a situation being faced can be used as a strategy to lessen the negative sentiment by offsetting it with positive news to build positive sentiment (see Robinson et al. 2011). Arora and Lodhia (2017) find that bolstering was the most common RRM strategy used by BP in response to a reputational crisis arising from the oil spill incident. This rhetorical strategy is also evident in Bebbington et al. (2008a) and Shrives and Brennan (2017) in that the strategy was used to divert readers away from the negative issues. Bolstering will work in diverting to positive issues if only 'positive traits or actions appear relevant' (Benoit 1995: 77).

d) Minimisation strategy

One rhetorical strategy used to reduce the damage caused by an event is minimisation. Such a strategy is evident in Report No. 2 when the company clarified the impact of several incidents during the reporting period. 'The majority of these incidents were spills of oil or other fluids to land and water, and none of these incidents were classified as significant' (p. 11). Utilising this rhetorical strategy, the company acknowledged the incidents and its responsibility, but the company tried to manage the reputational risk by minimising offences by arguing that none of the incidents were deemed significant by the company (see Benoit 1997; Shrives and Brennan 2017). This research finding is in line with Arora and Lodhia (2017) in that BP confidently disclosed in its website that the company could easily manage the oil spill incident and the following consequences despite the complexity of the problems. Companies utilising this rhetorical strategy attempt to minimise negative feelings (Benoit 1995, 1997) and/or change performance expectations (Bebbington et al. 2008a).

e) Attacking the accuser/intimidation strategy

Another rhetorical strategy is to attack the accuser. Report No. 3 shows an example. The company was accused by the media of an incident involving soap mist release. The company responded via a rhetorical statement in its sustainability report that attacked the media: '[Company] has actively engaged with the community on this issue to correct misunderstandings arising as a result of inaccurate media reporting of the incident' (p. 40). The company attacked the accuser by saying that the news was not accurate while attempting to engage with those affected to ensure that the incident did not pose a risk to the community, environment or local water supplies and, equally important, would not damage corporate reputation (see Hahn and Lülfs 2014; Huang et al. 2016).

Shrives and Brennan (2017) combine Benoit's (1995) attacking the accuser strategy with Bolino and Turnley's (2003) intimidation strategy. Intimidation strategy is illustrated in Report No. 3. The company received feedback from a Customer Council about some aspects of reporting, challenging it to include all of the company's obligations to its customers. However, the company decided not to comply with the suggestion given by the council for practical reasons. The inclusion of disclosures about all of the company's obligations to customers could become a boomerang for the company, leading to a reputation crisis in regard to its relationship with customers. The intimidation strategy is used to challenge the reasoning behind the obligations with which the company must comply (see Aerts 2005; Shrives and Brennan 2017).

f) Corrective action strategy

Stepping forward to implement corrective action, a company in Report No. 3 claimed that it had undertaken corrective action and promised to reduce the possibility of the same incident occurring again: '... the OEH advised [company] that it found that there was no significant harm to the surrounding environment resulting from the incident, and that [company] has taken corrective actions to reduce the likelihood of this type of incident reoccurring' (p. 74). This research finding is in line with Bebbington et al. (2008a), Arora and Lodhia (2017) and Shrives and Brennan (2017) in that companies attempt to show their commitment to solve problems. However, even though companies acknowledge the problems and promise to correct them, such corrective actions are perceived as symbolic instead of genuine if there are no apologies (Lauzen 2016). According to Reimsbach and Hahn (2013), corrective action arguably has a greater legitimation effect than other strategies in seeking to correct a problem.

g) Ingratiation strategy

One rhetorical strategy that seeks to anticipate reputational risk is ingratiation. This strategy aims to obtain sympathy by persuasive and subtle blandishments (Shrives and Brennan 2017). Godfrey (2005) also argues that an ingratiation strategy aims at garnering public favour. Report No. 10 shows the company's pride in the skills, ingenuity and dedication of its personnel in dealing with disaster and many other difficult situations. In this case, the company attempted to flatter its personnel by responding to previous unintended incidents and wanted to persuade readers that there was nothing to worry about if such incidents were to occur again in the future.

h) Self-promotion strategy

Another rhetorical strategy with regard to impression management is self-promotion, as shown by Report No. 21. This rhetorical strategy makes claims about achievements and/or the company exemplifies good practice to other companies (Bolino and Turnley 2003; Ogden and

Clarke 2005; Shrives and Brennan 2017). The company in Report No. 21 praised the generosity of its personnel in donating to various charities some of the cash prizes they had received in the company's Safety Excellence Awards. In doing so, the company sought to promote itself and claim that its behaviour is a good example to others by projecting an image of generosity in meeting the expectations of society (see Bolino and Turnley 2003; Ogden and Clarke 2005; Nyberg et al. 2013; Shrives and Brennan 2017).

From reputation risk management to stakeholder accountability

The previous section provided empirical evidence of rhetorical strategies utilised by reporting companies in annual and sustainability reports. It is evident that companies use denial strategies (e.g., simple denial and shifting the blame) in some situations. However, if engagement with employees is fully embedded in its sustainability reporting and if that topic is considered material to both the company and relevant stakeholders, then the company can fully disclose any challenges in engagement with employees. Similarly, companies do not need to shift the blame to another party if they have communicated the issue to all affected parties. In summary, the essence of stakeholder engagement is dialogue, such that the reporting companies and all affected parties (i.e., relevant stakeholders) take part in the co-creation of knowledge and problem solving (Mauser et al. 2013).

In reducing the damage caused by an event, several reporting companies used rhetorical strategies including bolstering, minimisation and attacking the accuser. Reporting companies might decide to promote positive information to offset negative coverage (i.e., bolstering) instead of having a dialogue with relevant stakeholders to find the root cause and solve the problem. Indeed, sustainability reporting frameworks (e.g., GRI 2013, 2016) suggest that companies report balanced information covering both good and bad news. However, the reporting frameworks do not expect companies to utilise good news to sink negative news (Cohen et al. 2012). Similarly, even where reporting companies acknowledge a sustainability issue, if they argue that the issue is not as serious as it appeared (minimisation), this could hurt the affected parties. Stakeholder engagement during the report preparation stage could determine which sustainability issues are material, and hence, important enough to be included in the sustainability report. If a sustainability issue is not considered to be as serious as it appeared (i.e., non-material) by both company and stakeholders, the issue will not appear in the report (Unerman and Zappettini 2014; Jones et al. 2016; Puroila and Mäkelä 2019).

With regard to the strategy of attacking the accuser, reporting companies intend to defend themselves and clarify a sustainability issue being faced. Whether or not such clarification is disclosed in the sustainability report depends on the materiality decision at the report preparation stage (Unerman and Zappettini 2014; Jones et al. 2016; Puroila and Mäkelä 2019). If stakeholder engagement is embedded in reporting, companies can communicate with relevant stakeholders regarding a sustainability issue, find the best solution to the problem and disclose it in the sustainability report. In the event that bad news is misleading and has been widespread, clarification in a sustainability report might be considered appropriate, especially if the reporting companies also disclose that dialogue has been initiated with relevant stakeholders in an attempt to clarify and solve the problem, rather than saying that the news is untrue or attacking the accuser.

Corrective action is a problem-solving procedure that must be undertaken for all problems that exist (Reimsbach and Hahn 2013). Corrective action may be undertaken, be in process or proposed in the reporting period. Informing stakeholders about such corrective action in the sustainability report depends on the materiality of the issue with relevant stakeholders. Disclosing corrective action for an issue which is perceived as non-material may 'end in smoke' and be regarded merely as a marketing statement. In contrast, the absence of disclosure of corrective action may risk a reputational crisis because of lack of clarification about the corporate response to that perceived material issue.

Impression management techniques are utilised by large Australian companies in their sustainability reporting. Reporting companies naturally want to produce an attractive report in which text, pictures and layout are carefully designed to provide a positive impression to readers about corporate sustainability (Bolino and Turnley 2003; Cho et al. 2012). This is in line with Shrives and Brennan's (2017) rhetorical strategies, in that reporting companies aim to persuade readers. As discussed earlier, such strategies entail persuasive explanations to obtain sympathy (ingratiation), statements about corporate achievements on sustainability (self-promotion), explanations about the cause and effect of an event by acknowledging it as a result of something else (attribution) and statements challenging or attacking requirements with which the company should comply (intimidation). Even where there is no reputational crisis, impression management strategies may be considered necessary in the case of sustainability issues that are considered material by both the reporting companies and their stakeholders. In this instance, sustainability disclosures serve to demonstrate accountability to stakeholders rather than RRM. However, the presence of impression management statements with respect to sustainability issues that are not considered material tend to be perceived as RRM rather than stakeholder accountability.

Awareness building (see Burritt and Schaltegger 2010), particularly in embedding stakeholder engagement in sustainability reporting, needs to be undertaken to shift the motive from RRM to stakeholder accountability. This awareness building can be undertaken through corporate management training (Hopkins and McKeown 2002). Academics may facilitate such training to raise awareness of the importance of stakeholder engagement in producing complete and meaningful sustainability reports. In addition, consultants in this field can also play a key role in embedding stakeholder engagement amongst their corporate clients (Bloomfield and Danieli 1995; Williams 2004; Ballou et al. 2012). Consultants provide advice about the stakeholder groups their clients should engage with, sustainability issues to be discussed with relevant stakeholders, frequency of engagement, approaches or methods to be used, agreed solutions and topics that are considered material for disclosure in sustainability reports.

Through awareness building of embedding stakeholder engagement in sustainability reporting, it is expected that there will be a reorientation from RRM to stakeholder accountability. As a consequence, the sustainability report is no longer a medium for disseminating information to persuade readers, but rather a written consensus on sustainability issues between the preparers of the report and relevant stakeholders. Accountable sustainability reporting means that companies show willingness to accept responsibility (i.e., 'honesty' by Hogan and Lodhia 2011) and, equally important, the preparers and relevant stakeholders participate in the co-creation of knowledge and cooperation in problem solving with respect to sustainability (Mauser et al. 2013).

Concluding Remarks

The large Australian companies in this study have identified a wide range of stakeholder groups in their corporate external reports. Interestingly, these tend to be capital providers, such as shareholders and creditors, while those who are included in sustainability reports tend to be more diverse, and include communities, Indigenous people and NGOs. Engagement with stakeholders seems to have been utilised to manage risks to companies' reputations: to increase market share and pre-empt social issues. Looking at the communication channels used, large Australian companies seem reluctant to use social media platforms. Perhaps they want to manage potential reputational risk associated with the Internet and social media?

This research obtained empirical evidence of RRM in the context of stakeholder engagement in sustainability reporting through qualitative content analysis. The analysis shows that RRM is reflected in sustainability disclosures in the annual and sustainability reports considered, but there is no evidence that large Australian companies shirk their corporate social and environmental responsibilities. It is evident that these companies utilise a number of strategies, namely simple denial, shifting the blame, bolstering, minimisation, attacking the accuser, corrective action, ingratiation, self-promotion, attribution and intimidation. From these empirical research findings, sustainability disclosures in annual and sustainability reports tend to be used as a strategic tool to manage corporate reputational risk, rather than as a medium for accountability to a wide range of stakeholder groups.

To shift the orientation of such sustainability reporting, awareness building of stakeholder engagement needs to be undertaken through corporate management training and the use of consultants. Awareness building aims to ensure that stakeholder engagement should be embedded in the process so as to produce a sustainability report which is meaningful to both preparers and readers.

RRM under Shrives and Brennan's (2017) framework is about strategies to restore the image of reporting companies after a reputational crisis (reactive strategies) as well as to give readers a positive impression of the reporting companies in the absence of a reputational crisis (proactive strategies). Reporting companies can benefit from this RRM framework and tend to favour it rather than producing meaningful sustainability information for a wide range of stakeholder groups. Stakeholder engagement needs to be embedded in report preparation to ensure that the disclosures in annual and stand-alone sustainability reports are material for both the preparers and the relevant stakeholders, rather than being dominated by corporate risk considerations. Equally important, both reporting companies and their stakeholders participate in the co-creation of knowledge and cooperate in sustainability problem solving (Mauser et al. 2013).

This paper offers theoretical, methodological and practical contributions. First, it makes a theoretical contribution by extending Bebbington et al.'s (2008a) RRM thesis. Benoit's (1995) image restoration strategies combined with Bolino and Turnley's (2003) impression management profiles, as used by Shrives and Brennan (2017), were utilised in this research to capture rhetorical statements reflecting proactive and reactive strategies in regard to RRM. With regard to its methodological contribution, this paper is not a case study of a single company that had suffered from reputational crisis (Bebbington et al. 2008a; Arora and Lodhia 2017) but rather it examines social and environmental disclosures of large Australian companies in annual and sustainability reports to obtain empirical evidence that RRM is relevant to companies regardless of the presence of a reputational crisis. Third, this paper makes a practical contribution for large Australian companies by building awareness of stakeholder engagement, which is important not only for business processes but also for producing more meaningful social and environmental disclosures. Such awareness building should shift motivation from managing corporate reputational risk to promoting accountability by embedding stakeholder engagement in companies' sustainability issues, agenda and performance.

To mitigate the limitations of this study, there are a number of potential avenues for future research. First, data sources for research on the RRM thesis under Shrives and Brennan's (2017) rhetorical strategy framework could be extended to include the websites and social media platforms of multiple companies. Prior studies utilising Benoit's (1995, 1997) image restoration strategies and internet-based data focused on single case studies of companies suffering from a reputational crisis. Extending the RRM thesis from image restoration strategies to rhetorical strategies as suggested by Shrives and Brennan (2017) enables researchers to include multiple companies and multiple data sources regardless of the presence of a reputational crisis. The decision to study the websites and/or social media platforms of multiple companies in addition to their sustainability disclosures in either annual or sustainability reports may enrich the total dataset for analysis and allow triangulation, but at the same time this increases the complexity of analysis, leading to challenges in terms of research duration and budget, among others. Second, it would be fruitful to examine the RRM thesis in the context of emerging economies or by comparing a Western developed country and a developing country. As a growing field in emerging economies, disclosures about social and environmental issues in corporate external reporting may capture dynamic tensions between the reporting companies and their stakeholders. Therefore, it could be fruitful to examine whether their disclosures reflect rhetorical strategies to manage corporate reputational risk and also to consider to what extent the RRM thesis in an emerging economy context is different with that of the Western world. Third, data could be collected through interviews with compilers of sustainability reports with respect to their reputational motives. Alternatively, interviews could be undertaken with both preparers and stakeholder groups of reporting companies to explore the extent to which RRM affects their dynamic relationship with regard to social and environmental issues.

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Notes

1 In practice, sustainability information is included in either annual reports or other reports. This research classifies all reports other than annual reports – which contain economic, social, environmental and governance information – as sustainability reports. Therefore, reports such as CSR reports are referred to as sustainability reports in this paper.

2 Bebbington et al. (2008a) referred to Benoit (1995) while Arora and Lodhia (2017) referred to Benoit (1997). Both of Benoit's versions discuss image restoration strategies.

3 See http://database.globalreporting.org/search. Several files could not be downloaded from the GRI database website. In such cases, the author went directly to the official websites of companies to download PDF files of sustainability reports. If a stand-alone sustainability report for the company was not available, the annual report of the same year of reporting containing sustainability disclosure was downloaded in lieu of a sustainability report.

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