

Understanding Corporate Public Social and Environmental Disclosure Approaches

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Men should be governed in such a way that they do not regard themselves as being governed, but as following their own bent and their own free choice....

de Spinoza, 1677/1958, p. 435

Roadmap

- Thought experiment
- Defining Corporate Public Social and Environmental Disclosure Approaches (CPSEDAAs)
- Basic message
- Cautionary note
- Examples (Modern Slavery, Diversity, Climate)
- Legal Implications (and pizza!) and “symbolic structures”
- Unpacking the Underlying Logic Model
- Sustainable Governance perspective
- Sustainabilitywashing and sustainabilityhushing
- Path forward

CPSEDA's defined

- Any mechanism whereby one entity (government, inter-governmental, private sector, civil society, multi-stakeholder) induces corporations to make certain information visible to the public about some aspects of their products, operations or performance
- The inducements for disclosure can vary
- The mechanism does not in and of itself require any change of behaviour
 - but the underlying motivation for the mechanism is typically in support of a particular change of behaviour objective
 - The target for change of behaviour may not be the corporation
- The structure and format of the disclosed information can be variable
- The mechanism can be used in tandem or in sequence or individually
- The focus in this presentation is on CPSEDAs that are established by government, and for which change of corporate behaviour is the primary goal

Basic message

CPSEDAs ***come in a wide variety of forms***, targeting different issues, used by different actors.

One of the ***goals of CPSEDAs*** is to provide investors, communities and other stakeholders with information to assist in assessing business performance, capabilities and commitments. The other is to change behaviour.

Discussion today unpacks the legal implications and ***underlying logic model*** that helps explain how CPSEDAs that do not require changes of behavior may nevertheless secure changes of behavior.

In order to best understand CPSEDAs, and how they are used, it is best to position them within the ***broader environmental and social-oriented governance ecosystem*** in which they operate.

Ultimately, the analysis reveals ***that the effectiveness of CPSEDAs depend on a variety of characteristics*** discussed here. ***A more sophisticated approach to their use is advisable.***

CPSEDAs – the underlying logic model

- information inductance
- reciprocal typification (bilateral and multilateral)
- isomorphism
- normification/normalization
- nudging
- reactivity
- gamification and gaming
- commensuration
- responsabilization
- sustainable governance

In any given policy context, the exact weighting in significance of the above-individual elements in terms of impact on corporate decision-making/action, and the nature of the interaction among the elements, is likely to be different. Further study of such interactions could assist in design of CPSEDAs.

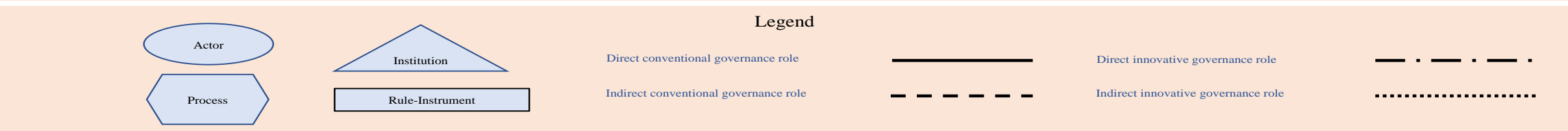
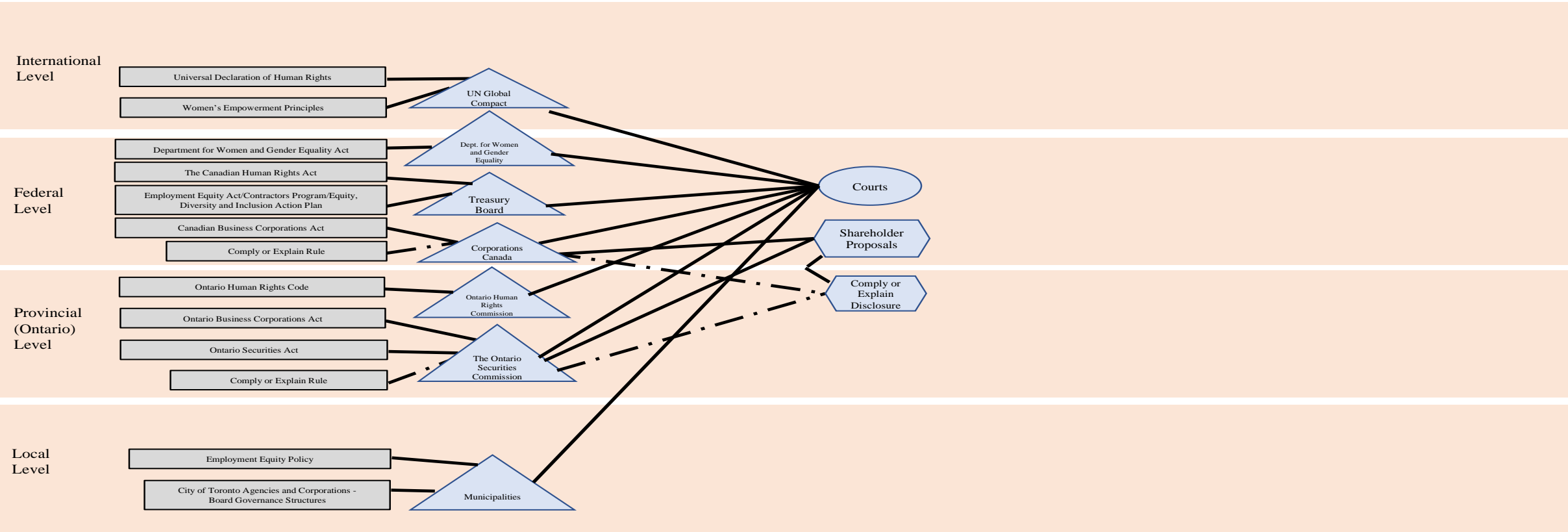
The sustainable governance ecosystem

Sustainable governance starts from the proposition that the best likelihood of addressing the complex, fast evolving, multi-jurisdictional environmental, social and economic challenges we face in the 21st century will involve ***harnessing the unique energies and capabilities of all three of government, the private sector and civil society***, using a combination of rule instruments, processes, institutions and actors, sometimes operating collaboratively, and sometimes operating in more of a “check and balance”/rivalrous manner.

Webb (2005), “*Sustainable Governance in the Twenty-First Century - Moving beyond Instrument Choice*”

Diversity disclosure: sustainable governance - state role

Layer 1: Public Sector Dimension

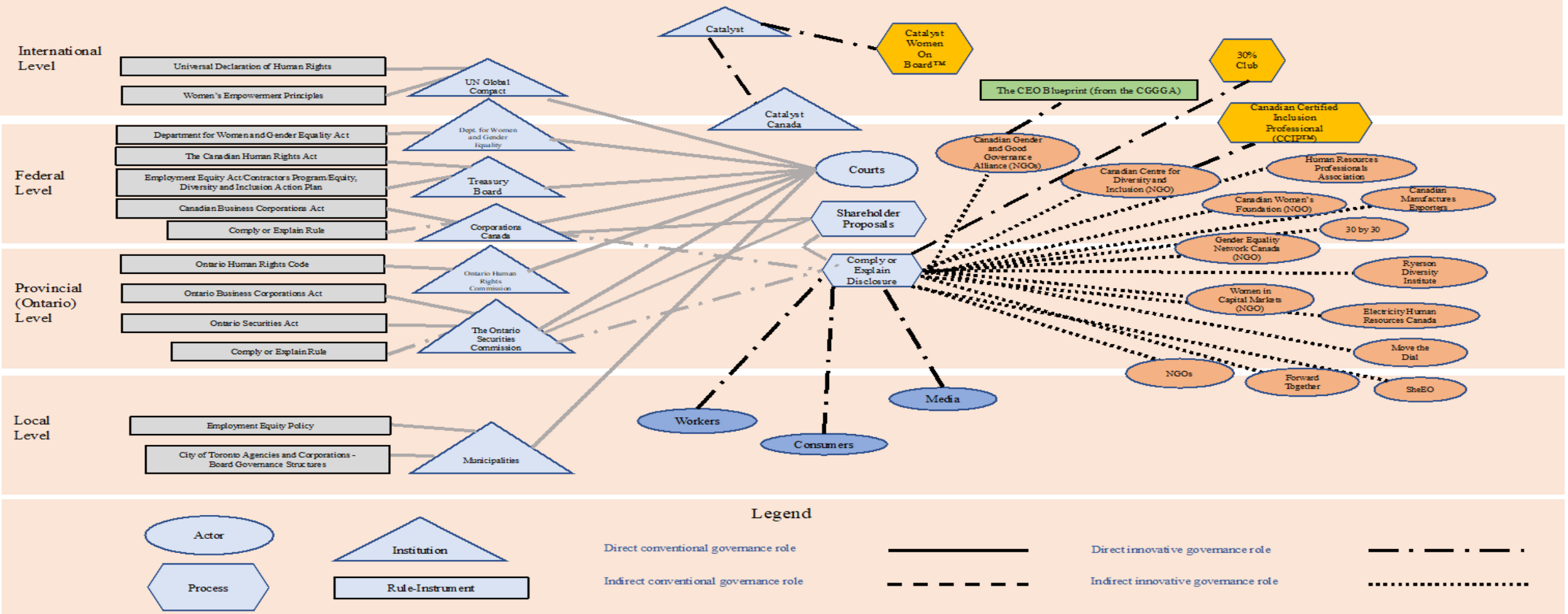


From: Vedrana Kronic TMU Masters of Management Thesis, 2020

Diversity disclosure: sustainable governance

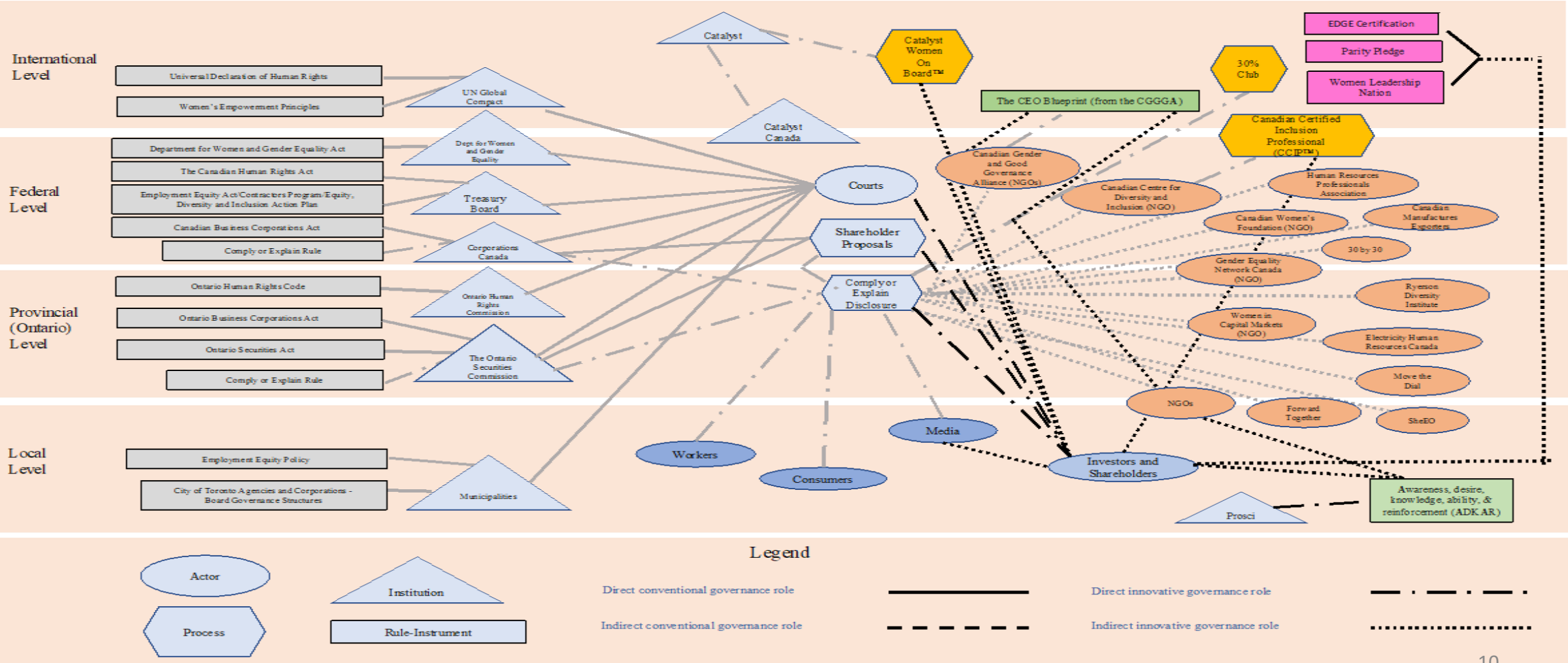
-- adding in civil society role

Layer 2: Public + Civil Society Sector Dimension



Diversity disclosure: sustainable governance -- government, civil society, private sector

Layer 3: Public + Civil Society + Private Sector Dimension



Drawing on logic model & governance insights, what is the appropriate approach?

- Nature of policy issue
- Scale of policy issue (local, national, regional, global)
- Normative consensus?
- Characteristics of targeted beneficiary
- Characteristics of targeted regulated actor
- Characteristics of regulator
- Characteristics of the information that could be disclosed (standardized? policy? Numbers? Measures taken? Effectiveness? Targets?)
- Characteristics of the support ecosystem of actors, instruments, institutions, processes
- Comply or explain? Comply & explain? What is disclosed, how, when, by whom?
- Consequences of non-compliance

Sustainabilitywashing & Sustainabilityhushing

- There is a rising wave of anti-ESG sentiment, including the passage of anti-ESG laws spreading across the United States
- In Canada, amendments to the Competition Act aimed at addressing greenwashing led to calls from some for regulatory clarity and, in some cases, companies reduced their public sustainability disclosures
- Some warn that continuing political pressure and concerns regarding potential liability will either create a chilling effect, where companies reasonably determine that the risks of disclosure outweigh its benefits, or contribute to “sustainabilityhushing”, where companies underreport their sustainability efforts

Conclusions

CPSEDAs ***come in a wide variety of forms***, targeting different issues, used by different actors.

One of the ***goals of CPSEDAs*** is to provide investors, communities and other stakeholders with information to assist in assessing business performance, capabilities and commitments. The other is to change behaviour.

Discussion today has unpacked the legal implications and ***underlying logic model*** that helps explain how CPSEDAs that do not require changes of behavior may nevertheless secure changes of behavior.

In order to best understand CPSEDAs, and how they are used, it is best to position them within the ***broader environmental and social-oriented governance ecosystem*** in which they operate.

Ultimately, the analysis reveals ***that the effectiveness of CPSEDAs depend on a variety of characteristics*** discussed here. ***A more sophisticated approach to their use is advisable.***

Thank you for patching in!

This is a work in progress.....your comments are much appreciated.

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