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The Role of Corporate Responsibility Disclosure

– For managing external expectation and pressure

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Abstract

Society acknowledges that companies' operations have an effect on their business environment. As a result, companies are not only responsible for maximization of shareholder value, but also for the impact of their environmental and social policies. External stakeholders, such as the media, hold companies responsible for their actions and policies. The media has the ability to influence public perception, and, as such, society's validation of companies. The aim of this study is to examine how external expectations and pressures influence a company's disclosure practices.

This is a case study of Vattenfall, a large, Swedish, state-owned energy company, which operates both nuclear power and coal power plants. Vattenfall's operations have been the subject of extensive media coverage, especially in the early 21st century. Hence, this study looks at how the media, in particular the Swedish press, acknowledged external expectations and pressure. In addition, this study examines how Vattenfall used its corporate social responsibility (CSR) disclosures, from 2003 to 2010, to respond to the media's expectations and pressures.

The findings in this study indicate that Vattenfall used CSR disclosure, in most cases, to justify its activities and policies. Under some circumstances, CSR disclosure was used to show that the company met external expectations and conformed to external pressures. This study illustrates the different ways Vattenfall used disclosure statements and supporting arguments to describe itself as a responsible actor as it responded to concerns about its coal power operations, nuclear power operations and energy pricing.

Keywords: External expectations and pressures, Disclosure, Corporate social responsibility disclosure, News coverage, Energy industry.

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Table of Contents

1.	Introduction and Research Question	1
1.1	Background	1
	External expectations and pressures emerge.....	1
1.2	Research Issue.....	2
	The role of corporate social responsibility reports – for managing external expectations and pressures.....	2
1.3	Research Approach	4
	Examining the role of corporate social disclosure for managing external expectations and pressures.....	4
1.4	Delimitations	4
1.5	Disposition.....	5
2.	Theoretical Framework.....	6
2.1	Disclosure.....	6
2.2	Corporate Social Responsibility Disclosure.....	7
2.3	Theories	9
2.3.1	Institutional Theory.....	10
2.3.2	Legitimacy Theory.....	11
2.4	Summary	13
3.	Previous Research.....	14
3.1	External Expectations and Pressures.....	14
3.1.1	External Expectations and Challenges	14
3.1.2	External Pressures.....	15
3.2	Disclosure Objectives	16
3.3	Disclosure Practices.....	18
3.3.1	Accepting tactic.....	20
3.3.2	Justifying tactic.....	20
3.3.3	Tricking tactic.....	21
3.3.4	Escaping tactic.....	21
3.3.5	Company characteristics	22
3.4	Summary.....	22
4.	Methodology.....	23
4.1	Methodology of Case Study.....	23
4.2	Vattenfall as the Choice of a Case Company.....	23
4.3	Research Process	24
4.3.1	Data Collection – News Articles and CSR Reports.....	24

4.3.2	Organization and Analysis of Empirical Material	29
4.4	Reliability and Validity	33
5.	Case Study Data	34
5.1	Overview.....	34
	- From a Swedish to a European Energy Company.....	34
5.2	External expectations not perceived as fulfilled and pressures.....	35
5.2.1	“Vattenfall does not take responsibility for solving the climate threat through its investment in the European coal industry”	35
5.2.2	Vattenfall should not move villages in its search for coal... ..	38
5.2.3	“Vattenfall does not have a sufficient safety system in nuclear operations and insufficient crisis communication...”	38
5.2.4	The European expansion through coal and nuclear has not led to lower energy price.....	41
5.3	Conflicting opinions and pressure	43
5.3.1	Replacement and phase out of nuclear plants.....	44
5.4	Scepticism and pressure	47
5.4.1	“Scepticism towards the developing technology Carbon Capture and Storage (CCS)” ..	47
5.4.2	“Vattenfall’s words and actions do not correspond...”	49
5.5	Dynamics of Legitimacy, Future Uncertainty and Pressure.....	50
6.	Analysis	51
6.1	External Expectations and Pressures and Challenges	51
6.2	Response to Coal Expectations, Pressures and Challenges	54
6.2	Response to Nuclear Expectations, Pressure and Challenges	59
6.4	Response to Energy Price Expectations, Pressures and Challenges.....	63
6.5	How do the external expectations and pressures acknowledged by the media influence a company’s corporate social disclosure practice?	65
7.	Discussion and conclusion.....	72
7.1	<i>How do the external expectations and pressures acknowledged by the Swedish press influence Vattenfall’s corporate social disclosure practice?</i>	<i>72</i>
7.2	<i>What does the case study of Vattenfall tell us?</i>	<i>75</i>
7.3	<i>Further research</i>	<i>77</i>
	References.....	78
	Appendix 1: Key facts about Vattenfall	82
	Appendix 2 External expectations identified by Vattenfall	85

Tables

Table 3-1 Disclosure response matrix + tactic labelling of the thesis.....	17
Table 3-2 Disclosure tactics and strategic disclosure approaches.....	19
Table 4-1 Instances of keyword in Vattenfall's CSR Reports.....	28
Table 4-2 Analysis model – Context.....	31
Table 4-3 Analysis model – Disclosure practices.....	33
Table 4-4 Coal - Swedish national press content.....	44
Table 4-5 Nuclear - Swedish national press content.....	44
Table 6-1 Context -External expectations, pressure and challenges.....	53
Table 6-2 Vattenfall's response to coal expectations and pressures.....	55
Table 6-3 Vattenfall's response to coal mining expectations and pressures.....	56
Table 6-4 Vattenfall's response to CCS technology scepticism.....	58
Table 6-5 Vattenfall's response to nuclear safety expectations and pressure.....	60
Table 6-6 Vattenfall's responses to conflicting opinions about nuclear power replacement.....	62
Table 6-7 Vattenfall's response to energy price expectations and pressures.....	64
Table 6-8 Summary - Coal power events and responses 2003- 2010.....	67
Table 6-9 Summary - Nuclear power events and responses 2003- 2010.....	69
Table 6-10 Summary - Energy price events and response 2003- 2010.....	71

Abbreviations

CCS – Carbon Capture and Storage

CERES - Coalition for Environmentally Responsible Economies

CSR – Corporate Social Responsibility

ETS – Emission Trading System

GRI- Global Reporting Initiative

SKI – Statens Kärnkrafts Inspektion (in English: Swedish Radiation Safety Authority)

SOM –institute - Society Opinion Media - Institute

1. Introduction and Research Question

1.1 Background

External expectations and pressures emerge

In the early 21st century, the Swedish media held Vattenfall, a large, Swedish, state-owned energy company, responsible for the environmental and social impact its operations had on its surroundings. Vattenfall was the subject of significant media attention, most of which concerned the company's emissions in Europe of high carbon dioxide from coal as well as various incidents at the company's nuclear plants. A Swedish national daily newspaper charged:

"Lately Vattenfall has been exposed to environmental criticism both in Sweden and the rest of Europe. This is a result of the company's massive increase in carbon dioxide emissions caused by its operations in Germany, Poland and Holland."

Dagens Nyheter, 12th of November, 2009¹

It is well recognized that companies' operations and policies have a social and environmental impact on their surroundings. Hence, it is not only required that companies take responsibility for their economic performance, but it is also expected that they take responsibility for their social and environmental performance. Regulations and values pressure companies to conform in different institutional contexts (Goodstein, 1994). External actors such as governments, non-governmental organizations (NGOs) and the media, hold companies responsible for the effect their operations have on society (Porter and Kramer, 2007, Greening and Gray, 1994, Tilt, 1994). The media are one institution with the power to influence the external perception of a company. For instance, the media can focus on negative aspects in a company's performance that previously were unknown (Islam and Deegan, 2010). Negative news information can influence stakeholders' perception of a company resulting in an adverse impact on stakeholders' trust or company reputation (Borglund et al., 2009, Hooghiemstra, 2000, Neu et al., 1998). In the case of Vattenfall, the Swedish and foreign press acknowledged negative social and environmental aspects in the company's operations. The media coverage on Vattenfall affected stakeholders' perception of the company. Vattenfall acknowledged this effect in its Corporate Social Responsibility (CSR) Reports:

In recent years, expectation in some parts of society – particular civil society, politicians and the media – have risen dramatically, and Vattenfall has not always been able to meet them. Building society's trust in Vattenfall requires a keen understanding of expectations and a long-term sustainable strategy for addressing them. (2010:2)

Carroll (1991) writes that a company is exposed to different levels of pressure. First, a company is required to follow the law. Second, a for-profit company should be profitable. Third, it is expected that a company will act in accordance with what its surroundings perceive as appropriate. Lindblom (1994) states that a company is judged not only on how well it complies

¹ If not stated otherwise, news articles are translated from Swedish to English throughout this thesis.

with legal requirements, but also on how well its operations meet external expectations. As society becomes more concerned with social and environmental issues, a company's "license to operate" no longer depends only on its assumption of economic responsibility, but also on its ability to show it takes responsibility for its social and environmental impact.

1.2 Research Issue

The role of corporate social responsibility reports – for managing external expectations and pressures

According to institutional and legitimacy theory, companies have to show that they comply with external expectations in order to receive the social validation that gives them the licence to operate (Eriksson-Zetterquist, 2009, Moll et al., 2006, Deegan, 2006, O'Donovan, 2002, Oliver, 1991, Dowling and Pfeffer, 1975). When social and environmental issues become public concerns, companies are expected to respond to such concerns (Cornelissen, 2008). CSR disclosure is a voluntary accounting tool that companies use to inform stakeholders about their social and environmental impact and performance. CSR disclosure practices have increased among companies. KPMG's international survey's (2008/ 2011) show an increasing trend among companies to include CSR in their reporting. In 2011 95% of the 250 largest companies reported about their CSR activities; an increase from 2008 when 80 per cent of the companies included CSR in their reporting. This is a notable increase from 2005 when the figure was 50 per cent (KPMG, 2008; KPMG, 2011).

Companies are typically motivated to make CSR disclosures because such reporting may increase their competitive advantages or decrease their competitive disadvantages (Bebbington et al., 2007, Owen, 2005, Laufer, 2003, O'Dwyer, 2002, Coombs, 1995, Schilizzi, 2002). For instance, previous researchers have found that companies engage in voluntary CSR disclosure to manage their reputations (Schilizzi, 2002, O'Dwyer, 2002, Laufer, 2003, Owen, 2005, Bebbington et al., 2007). A company's reputation can be affected by how it communicates its assigned role in society (Capirotti, 2004). Coomb's (1995) research shows that companies that communicate their social and environmental responsibility recover faster from a crisis since customers tend to hold companies with a good CSR reputation less liable. As such voluntary accounting is not regulated, companies can set the stage and only present certain aspects of their operations (Gray et al., 1996). Hence, companies can use voluntary disclosure to create and establish a favourable picture of their operations (Morgan, 1988, Hines, 1988).

The media hold companies responsible for their environmental and social impact, by acknowledging companies' impacts on their business environment. The picture produce by the media can differ from the picture produced by the company. This could be disturbing for the company as the media have the power to influence stakeholders' perception of a company's operations (Islam and Deegan, 2010, Deephouse, 2000, Gamson and Modigliani, 1989). Therefore, this thesis focuses is on the influence the media's acknowledgment of external expectations and pressures has on CSR disclosure practices. The interest lies in examining if and as such under what circumstances the media's effort to visualise and acknowledge aspect of companies operations, influences a company's CSR disclosure practice. Hence, the research question of this study is the following:

How do the external expectations and pressures acknowledged by the media influence a company's corporate social disclosure practice?

In the thesis, this question is addressed in three steps. In the first step, "the context", external expectations and pressures on Vattenfall are identified. In the second step, "the practice", Vattenfall's use of CSR disclosure to respond to external expectations and pressures, is described. These two steps set the stage for the third step: the examination of how external expectations and pressures, acknowledged by the media, can influence a company's CSR disclosure practices.

The purpose of this study is to point out how external expectations and pressures visualised through media attention influence CSR disclosure practices. This examination contributes to our knowledge of how companies shape their voluntary disclosures. Vattenfall's disclosure practices, during the years when it was the focus of significant media attention, provide insights on how a company reacts when external actors' hold companies responsible for their environmental and social impact.

1.3 Research Approach

Examining the role of corporate social disclosure for managing external expectations and pressures

As previous researchers have observed, examination of the CSR field reveals that various theoretical perspectives share certain assumptions. For instance, Deegan (2006) and Aerts and Cormier (2009) observed that legitimacy theory has its roots in both institutional and socio-political theory and research. A convergent assumption that links institutional theory and legitimacy theory, which has been used in the CSR field to study companies' disclosure practices, is that companies' existence is affected by their external surrounding's perceptions of them. Similarly, these theories assume that companies' practices are affected by the society in which they operate. Companies are dependent on society for needed resources. As a result of this dependence on resources, companies have to respond to external expectations (Moll et al., 2006). Companies therefore use CSR disclosures to show stakeholders that they are acting in accordance with their expectations.

However, De Stefano et al. (2011), on the other hand, identified a difference in the CSR literature that takes a socio-political perspective and the CSR literature that takes a resource-based perspective. The former perspective, which assumes companies are passive actors who report when external pressures exist, suggests that the role of disclosure practices is to manipulate stakeholders – either to gain their support or to distract them. The latter perspective assumes companies are active actors who want to communicate about their environmental and social investments. For them, the role of disclosure is to create, protect or enhance an image or a reputation.

In accordance, this study considers external expectations and pressures as influential factors on a company's CSR disclosure practices. However, unlike De Stefano et al.'s (2011) research, this study does not take-for-granted that the purpose of such disclosure is to manipulate stakeholders to gain their support. Instead, this thesis uses institutional theories that argue that companies are motivated to respond to external pressure by CSR disclosures in order to convince others that their operations satisfy external expectations. However, this thesis also notes that some companies do indeed take the distrustful route of manipulation.

1.4 Delimitations

This research is a case study of a single company. Therefore, no statistical generalizations are drawn. However, as Yin (2003) explains, a case study allows the researcher to find links over time. As this thesis reports on a longitudinal study that looks at changes in external pressures and a company's use of CSR disclosures, a case study is considered appropriate to address the research question posed.

1.5 Disposition

Chapter 1 introduces the study and its motivation. The study aims to contribute to our knowledge on companies' CSR practices by an investigation of how the media visualising external expectations and pressures on one of Sweden's most media-exposed companies; influence this company's CSR disclosure practice.

Chapter 2 presents the study's theoretical framework used for its research approach. The areas in focus are disclosure, CSR disclosure and institutional and legitimacy theories.

Chapter 3 uses knowledge from previous research in the field to create analytical models to interpret Vattenfall's exposure to external expectations and pressures, and to explain its resulting disclosure behaviour.

Chapter 4 explains the methodological choices made in the study: how data were chosen, limited, organized and analysed.

Chapter 5 presents the empirical case data. This chapter divides the data on Vattenfall into expectations, disclosure challenges and pressures. These data are combined with Vattenfall's responses. The chapter presents illustrating examples of statements from the media and from Vattenfall's CSR reports.

Chapter 6 analyses the empirical case data by a presentation of the expectations and pressures on Vattenfall's operations as the result of the media coverage. The chapter also presents how Vattenfall responded to these expectations and pressures through an analysis of its disclosure behaviour.

Chapter 7 concludes the study with a discussion on the study's findings of this study and makes suggestions for future research.

2. Theoretical Framework

As mentioned in Chapter 1, this study assumes that societal expectations and pressures influence a company's disclosure practices. This study seeks to understand how CSR disclosures are used to respond to such expectations and pressures as the result of the media's negative coverage of company actions and policies.

This chapter presents the theoretical framework of the study. The areas that are most important for this study are disclosure, CSR disclosure, and institutional and legitimacy theories. The first two sections discuss how disclosure is central to the study. The third section discusses theoretical perspectives used in the study to interpret Vattenfall's CSR practices in the years 2003 to 2010.

2.1 Disclosure

Referring to Littleton's 1933 description of the evolution of accounting, Steward (1992) explains that accounting developed and adapted to companies' needs in the age of industrialization and with the rise of financial markets. During the 13th and 14th centuries, northern Italy bankers, including the Medici in Florence, at the centre of Europe's banking, used double-entry bookkeeping. Double-entry bookkeeping was an ideal system for tracking bank transactions (Edwards, 1989). Subsequently, financial accounting developed to satisfy other needs. Today accounting is used for both tracking business transaction and for assisting internal and external stakeholders in their decision-making (Carruthers and Espeland, 1991, Deegan and Unerman, 2011).

Today companies provide stakeholders with both mandatory and voluntary information. While accounting standards and capital market rules regulate mandatory financial disclosure, companies make their own decisions as far as voluntary disclosures (Hassan and Marston, 2010, Meek et al., 1995, Cooke, 1989).

In addition to compliance with legal requirements; stakeholders also judge companies based on how well these comply with external expectations (Lindblom, 1994, Carroll, 1979). For instance, if stakeholders are concerned with pollution, they will favour companies that make significant improvements in reducing emissions over companies who only meet the pollution standards set by law (Lindblom, 1994, Patten, 1992). As a result, voluntary disclosures, such as CSR Reports, have emerged (Carroll, 2008, Cornelissen, 2008, Schaltegger et al., 2006). Moreover, if a company provides additional information, it can reduce stakeholders' uncertainty (Meek et al., 1995). Hence, it is advantageous to disclose certain information voluntarily even if the law does not require such disclosure (Bebbington et al., 2007, Owen, 2005, Laufer, 2003, O'Dwyer, 2002, Coombs, 1995).

The discretion involved in voluntary disclosure allows companies to decide whether to provide information, which information to include, and how this information is presented (Aerts, 1994). Thus, a discussion has arisen about whether voluntary disclosure is beneficial for society. Opponents argue that regulated disclosure contributes to the "public good" (Verrecchia, 2001). However, if information is unregulated, companies tend to hold back unfavourable information

(Verrecchia, 2001). The supporters of voluntary information argue, however, that instruments exist that ensure that companies disclose voluntary information properly (Dye, 1990).

As long as users believe that a company's reports give them a "true and fair" view, it is unproblematic for a company to provide favourable information. However, the media, representing a set of stakeholders who can hold companies accountable for the images they present, can influence stakeholders' perception of a company (Islam and Deegan, 2010, Deephouse, 2000, Gamson and Modigliani, 1989). If stakeholders find a different image in the media than a company presents of itself, they may doubt the company's disclosures and may question the favourable image the company presents. Questions may be asked why the company presented a particular image (Hines, 1988). Hence, the risk of having to answer such questions should encourage companies to disclose voluntary information that is "true and fair".

2.2 Corporate Social Responsibility Disclosure

The phenomenon of CSR arose in the industrial revolution of the 1880s when companies' concern for their employees increased (Carroll, 2008). In these years, most CSR activities were philanthropic (Ibid.). From the 1960s to the 1980s, as it was recognized that human and corporate activities affect their environments, managers began addressing corporate social and environmental responsibility issues (Brown et al., 2009). Moreover, as stakeholders expected companies to disclose information about their social and environmental performance (Cornelissen, 2008), companies/managers started to provide CSR information to the public (Schaltegger et al., 2006, Carroll, 2008). In the 1990s, CSR disclosure '*the process of communicating the social and environmental effects of organizations' economic actions to particular interest groups within society at large*' (Gray et al., 1996:3), became more widespread. Information about companies' environmental and social performance were reported in separate reports and on the Internet (Deegan and Unerman, 2006). In 2003, Vattenfall began issuing external CSR Reports.

Elkington (1997) describes sustainability accounting as the 'triple bottom line'. The idea behind this concept is that companies should provide corporate social disclosures to inform readers about their economic, social and environmental impact. Thus, the financial bottom line extended to a triple bottom line that focuses on economic prosperity, environmental quality and social justice. Today, the triple bottom line underlies many CSR reports. Vattenfall's CSR Reports follow the triple bottom line concept by dividing information into environmental, social and economic sections (Vattenfall ÅR2003; ÅR2004; ÅR2005; ÅR2006; ÅR2007; ÅR2008; ÅR2009; ÅR2010).²

Moreover, in the late 1990s, the non-profit organization, the Coalition for Environmentally Responsible Economies (CERES), began to develop the Global Reporting Initiative (GRI). Today, GRI has developed into an international sustainability reporting guideline used by companies in many countries. From 2003 to 2010, Vattenfall's CSR Reports had two sections. The first section describes its CSR activities following GRI guidelines. The second section identifies and discloses CSR information on issues of interest to stakeholders. This section seems to conform to

² From 2007 all Swedish Government own companies have to provide their CSR report in accordance to GRI. Vattenfall started to comply with GRI in 2003.

Lindblom's (1994) description of CSR disclosure as a tool to inform and educate the public of changes in goals, methods and outcomes in response to changed perceptions. Hence, Vattenfall especially in the second section, can decide what information to include and how to present it.

As with voluntary disclosure in general, CSR disclosure research has found that companies sometimes produce an overly favourable image of themselves (Adams, 2004, Gray et al., 1996). This study examines how Vattenfall used its CSR Reports to respond to external expectations and pressures. Furthermore, this study examines how the media's focus on external expectations and pressures influenced Vattenfall's disclosure practices. Islam and Deegan's (2010) study of the relationship between media attention and corporate social disclosure practices showed that there is a connection between negative media attention and positive disclosure practice. This study digs deeper into the relationship between external expectations and pressures visualized by the media and Vattenfall's disclosure practices.

2.3 Theories

This study examines how a company responded to external expectations and pressures through its CSR disclosures. It is a study of how a company uses its CSR Reports to interact with its business environment. As Gray et al. (1996) describe, system-oriented theories allow researchers to study the role of information and disclosure by analysing the relationship a company has with other companies, the State, individuals and/or groups. Those are the theories behind this study.

System-oriented theories stem from 'General Systems Theories' that propose that systems appear not only in the natural sciences but also in most phenomena where humans interact. System-oriented theoretical perspectives, also referred to as "open-system theories", are based on the assumption that a company is part of a larger social system. The system or society in which a company operates influences its practices. In turn, the company influences society. Hence, accounting is not a system that operates in isolation; rather, accounting is a system that interacts with its environment. Consequently, a company's disclosure practices are best understood by understanding the context in which it operates (Gray et al., 1996).

In this study, Vattenfall's CSR disclosures practices were interpreted using two complementary, system-based theoretical perspectives: institutional theory and legitimacy theory. The two theories are interconnected and influence each other (Deegan and Unerman, 2011, Aerts and Cormier, 2009, Gray et al., 1996, Gray et al., 1995). The two theories complement each other in the examination of a company's disclosure practices with different levels of resolution of perception (Gray et al., 1995). Institutional theory examines how organizational forms are adopted to bring legitimacy to an organization. Legitimacy theory, on the other hand, examines how certain disclosure strategies are used in order to gain, maintain or repair legitimacy (Deegan and Unerman, 2011, Suchman, 1995). These two theoretical perspectives are described in the next two sections.

2.3.1 Institutional Theory

Historically, institutional theory has been used primarily in organizational studies, but more recently, as in this study, it has also been used in studies that examine the practice of accounting (Dillard et al., 2004). Institutional theory defines and explains how and why environments influence companies to conform to external expectations. It is recognized that companies' environments possess wealth that companies want. In order to access such resources, stability and legitimacy companies seek to show that their operations are in accordance with what is perceived as appropriate behaviour. Organizational studies have shown how and why companies conform to these external expectations. Meyer and Rowan (1977) and DiMaggio and Powell (1983) published two of the most important studies in this area. Meyer and Rowan found that the conformity with external expectations sometimes conflicts with internal efficiency. Therefore, in order to avoid conflicts between external expectations and internal efficiency, companies decouple their formal and informal operations so as to be perceived as acting in accordance with external expectations without harming internal efficiency. DiMaggio and Powell examined how isomorphism mechanisms – coercive, mimic and normative – affect companies. They found that coercive isomorphism drives company practices towards greater homogeneity owing to pressures from society and other organizations. Mimic isomorphism drives companies, faced with uncertainty, to imitate successful companies. Finally, normative pressures from professions seeking to establish a legitimate base for their work, such as university education or professional networks, make company practices more alike.

Companies' environments consist of different expectations and pressures. For instance, agreements such as the Kyoto Protocol of 1997, which addresses the problem of emissions reduction and climate change, contributed to changing perception and created an expectation that companies would reduce their greenhouse gas emissions. According to institutional theory, pressures from the State, society and culture have an effect on companies' behaviour (Oliver, 1991). In Vattenfall's case, the Swedish government's owners' directive stated that Vattenfall should lead the energy transition towards a sustainable energy supply. Furthermore, the European Union expects member countries and companies to reduce their carbon emissions. According to institutional theory, a company seeking social validation is expected to act in accordance with external expectations. Social validation for a company is necessary in order to acquire legitimacy, to achieve stability, to access resources, and to improve its survival chances (Oliver, 1991, Moll et al., 2006, Eriksson-Zetterquist, 2009, Larrinaga- González, 2010). However, the Swedish media describe Vattenfall as a company that fails to meet society's expectations. For example, the Swedish national daily newspaper, *Svenska Dagbladet*, wrote:

Vattenfall is the fifth biggest carbon dioxide emitter in Europe and the ninth biggest in the world. The company is listed in the report "To phase out coal" by the Swedish Secretariat's report on acid rain in Gothenburg. [...]

Svenska Dagbladet, 2nd of December, 2003

Companies that do not embrace institutional myths, risk being regarded as nonchalant, deviant or non-legitimate (Eriksson-Zetterquist, 2009). Consequently, this thesis looks at how Vattenfall responded to the media's description of a company that does not meet external expectations.

External stakeholders, such as local residents, landowners, environmentalists, regulatory agencies, local and national governments and the media, hold companies responsible for their impact on their environments (Aaltonen and Sivonen, 2009, Porter and Kramer, 2007, Neu et al., 1998, Tilt, 1994, Greening and Gray, 1994). The media, an institutional stakeholder, can exert pressure on companies to conform to external expectations (Greening and Gray, 1994). The media is used, by different stakeholders, to express opinions (Gamson and Modigliani, 1989). A parallel system between the media and public opinion exists – the media influence stakeholders' perceptions and public opinion influences media journalists. Einwiller et al. (2010) examined the conditions under which the media influence external perceptions. They used Deephouse's (2000) explanation that media coverage affects public opinion because the media are the public's main source of information about companies. They found that the media's influence on company reputation depends on whether the issues covered reflect the interests and needs of stakeholder groups and on whether the issues covered are difficult to observe (Hooghiemstra, 2000, Einwiller et al., 2010).

According to Oliver (1991), there are several factors related to the external pressures that influence companies to conform to expectations. These factors include who exerts the pressure, the means used, and the environment in which the pressure is exerted. (See more about pressures in Section 3.1.2). Furthermore, Oliver states that the institutional theory literature lacks an understanding of, how companies strategically respond to institutional processes affecting them. She has identified respond approaches companies take order to receive social validation (See Section 3.3).

In this study, Oliver's and other strategic disclosure researchers' ideas are used to assess how Vattenfall responded to external expectations and pressures. In addition to examining the institutional pressures companies are exposed to, this study also examines how external pressures from the media influence companies' voluntary responses.

2.3.2 Legitimacy Theory

Legitimacy theory assumes that companies' survival depends on whether the society in which they operate recognizes that their activities conform to its value system (Gray et al., 1996). It is assumed that companies do not have inherent rights to resources. Hence, it is the legitimacy from society that gives them the right to use certain resources. According to legitimacy theory, a social contract exists between a company and society. This social contract is a synonym for the external expectations that propose how a company should operate to receive social validation (Deegan and Unerman, 2011). If a social contract is not fulfilled, legal, economic and social sanctions may be imposed on a company (Dowling and Pfeffer, 1975). For example, after British Petroleum's oil leak in the Gulf of Mexico in 2010, it was assumed the company might have difficulty working in environmentally sensitive parts of the world. For example, after this oil spill, British Petroleum withdrew its application for an exploration license in Greenland (Deegan and Unerman, 2011).

Hence, a company's operations have to be perceived as in accord with social values. One tool the company can use to legitimate its activities is CSR disclosure. Researchers, such as Laine (2010),

Cho (2009), Tilling and Tilt (2009) and Lindblom (1994) have examined at how companies use their CSR disclosure to manage legitimacy. According to legitimacy theory, a crucial role of disclosure accounting is to legitimate the existence of a company (Lindblom, 1994, Dowling and Pfeffer, 1975). O'Dwyer's (2002) interview study with Irish managers showed that their prime motivation behind corporate disclosure was to enhance corporate legitimacy. Hopwood (2009) also found that companies use environmental reporting in order to increase their legitimacy or to facilitate a new and different image.

In the news article cited in Section 2.3.1, the newspaper stated that Vattenfall's activities did not agree with its perception of how the company should act. When there is distance between society's expectations and a company's operations, legitimacy theory identifies a legitimacy gap (O'Donovan, 2002). The gap is between how society expects companies to act and how society perceives that companies do act (O'Donovan, 2002, Deegan and Unerman, 2011). The newspaper comment reveals the legitimacy gap between the expectation that Vattenfall is an environmentally responsible company and the reality that Vattenfall is one of the worst carbon emitters in the world. Accordingly to legitimacy theory, Vattenfall should address this gap in order to convince society and its stakeholders (including the press) that it fulfils its social contract, thus entitling it to a "license to operate".

Researchers using legitimacy theory have identified various disclosure strategies a company may adopt if it wishes to be perceived as legitimate (See Section 3.3). The choice of disclosure practice depends on a company's disclosure aim – to gain, to maintain or to repair legitimacy (Suchman, 1995).

2.4 Summary

This chapter addresses how accounting disclosure developed to meet needs other than the traditional financial reporting requirements. CSR disclosure developed when it was recognized that companies affect their business environments. Companies realized that they had to satisfy external expectations as well as meet various legal requirements and professional standards if they were to receive society's approval, bestowed as a "license to operate".

System-oriented theories, which recognize that a company's context influences its disclosure practices, are used in this study to examine how a company uses CSR disclosures to interact with its environment. According to institutional and legitimacy theories, a company is expected to act in accordance with external expectations. In order to achieve social validation, companies may use CSR disclosures.

This study uses institutional theory to examine the external pressures Vattenfall was exposed to. Both theories (institutional and legitimacy) are used to examine how Vattenfall used its CSR disclosure to respond to external expectations and pressures when the perception was that Vattenfall had not met its societal obligations as an environmentally responsible entity.

During the research period of this study, the Swedish media, by painting a negative picture of Vattenfall, shaped stakeholders' perception of the company. As companies do not have an inherent right to operate, they must be perceived as legitimate. Hence, it was expected that Vattenfall would respond to the media's concerns, especially since the image created by the media was of a company whose operations did not meet external expectations. This study, with the support of institutional theory and legitimacy theory, examines how a company uses its CSR disclosures to respond to external expectations and how external pressures from the media influence a company's disclosure practices.

3. Previous Research

*Society on several occasions has become aware that companies' operations have an impact on their surroundings. For instance, in 1962, Rachel Carson's book *Silent Spring* focused the public's attention on how the spread of chemicals over the earth harms the environment. In 1987, the United Nations' Brundtland Commission report *Our Common Future* made the public aware that how we treat the environment today affects the lives of future generations. This report includes the often-cited definition of sustainable development: 'development that meets the needs of the present without compromising the ability of future generations to meet their own need'. In 2006, Al Gore's film *An Inconvenient Truth* addressed the threat of climate change. It is clear that many in society expect companies to take social and environmental responsibility and to respond to such issues (Cornelissen, 2008).*

This chapter presents previous research on the external expectations of companies and the pressures on them. It also describes researchers' findings on how companies use CSR disclosure to respond to these external expectations and pressures.

3.1 External Expectations and Pressures

Researchers have studied how 'corporate disclosure reacts to environmental factors' (Guthrie and Parker 1989: 344). Guthrie and Parker (1989) tested Hogner's (1982) results, that environmental factors affect CSR disclosure, by examining the effect of external factors on disclosure practices of the Australian steel company, Brooken Hill Proprietary Company (BHP). However, their study did not confirm Hogner's results. However, when Deegan et al. (2002) tested Guthrie and Parker's results, again using BHP, they found support that corporate disclosure responds to environmental factors.

Like these previous researchers, this thesis examines how a company used its CSR disclosures to respond to external factors, specifically external expectations and pressures acknowledged by media. The next section presents the previous research on external expectations, pressures, disclosure objectives as well as disclosure practices used to respond to external expectations.

3.1.1 External Expectations and Challenges

According to institutional and legitimacy theories, a company needs to meet external expectations (i.e., close the legitimacy gap) to obtain a "license to operate". Stakeholders judge companies based on how well their activities conform to social values (Lindblom, 1994). Stakeholders evaluate companies' goals, methods and outcomes on the basis of what they perceive as legitimate (Dowling and Pfeffer, 1975). Companies can use CSR disclosure as a tool to show stakeholders that they meet external expectations. Hence, companies need to consider how they can use their CSR disclosure to convince stakeholders that they act according to external expectations. As shown below, it is not always easy or straightforward to show stakeholders that external expectations are fulfilled. Previous researchers have pointed out several challenges companies need to consider in order to show stakeholders that they have met such external expectations.

Companies should recognize that conflicting opinions may exist (Gamson and Modigliani, 1989). Conflicting opinions on what a company should do present a challenge for a company as it tries to meet external expectations. When a company conforms to one expectation, it may have to reject another. Hence, companies have to manage such conflicting opinions in their disclosures.

A second challenge for companies using CSR disclosure is stakeholder scepticism. Stakeholders may be sceptical of the disclosures because they do not believe disclosures present a “true and fair” picture of a company’s operations (Hines, 1988). Scepticism may arise when a company tries too hard to legitimate its operations (Ashforth and Gibbs, 1990). Du, et al. (2010) addressed that to minimizing stakeholders’ scepticism is a significant challenge in CSR disclosures.

A third challenge arises with regard to what is perceived as acceptable behaviour. External expectations change as new norms and social values are established over time (O'Donovan, 2002, Dowling and Pfeffer, 1975).

In this study, it is assumed that if the perception is that external expectations are not met, external pressures will follow. The next section describes the pressures a company can be exposed to and the effect such pressures have on a company’s behaviour.

3.1.2 External Pressures

The sort of pressure a company is exposed to influences its behaviour (Oliver, 1991). To determine what kind of pressure a company is exposed to, Oliver asked *what, who, how, why, where* concerning pressure, and tested the conditions under which it was more likely that a company would conform. Egels- Zandén (2010) listed researchers whose research gave support to Oliver’s (1991) findings.

“*What pressure?*” is asked to identify the content of the pressure. This question aims at learning the nature of the pressure on a company, how well the pressure corresponds to the company’s objectives, and the effect of the pressure on the company’s decision-making. Answers to the question may determine how likely a company will submit to pressure (Oliver 1991). Egels-Zandén found that previous researchers such as Trullen and Stevenson (2006) showed that it is more likely that companies complies when it has a financial benefit; Strannegård (2000) when managers find pressure feasible to implement; Phillips et al (2004) there is clarity in pressure a company is exposed to.

“*Who places pressure?*” is asked to learn the source of the pressure on a company. This question aims at learning which pressure groups express opinions about the company’s disclosures (Tilt, 1994). The likelihood that a company will submit to pressure is linked to the actor exerting the pressure. The more dependent a company is on the actor, the more likely it is that the company will submit to the pressure. Egels- Zandén found that several authors such as Montgomery and Oliver (1991) and Clemens and Douglas (2005) research shown that the more dependent a company is of its stakeholders, the more likely it is that it will comply

“*How is pressure exerted?*” is asked to learn the means used to place pressure on a company. According to Oliver (1991), there are two processes by which pressure is exerted. The first is legal coercion and the second is voluntary diffusion. A company is more likely to submit to

pressure if there is a high possibility that a demand will be legally enforced or voluntary diffused

“*Why is pressure exerted?*” is asked to examine the institutional pressure that occurs. Oliver (1991) identified two reasons for institutional pressure. First, pressure may be used to make companies fit in socially. For example, emission laws are used to pressure companies to reduce their emissions. Second, pressure may be used to make a company conform to a desired practice by forcing it to be economically accountable. That is, investors and lenders hold companies accountable for how they spend the money provided to them.

“*Where is pressure exerted?*” is asked to establish the degree of environmental uncertainty about the future that exists in company’s context. Uncertainty about the future tends to increase if conflicting opinions exist. Furthermore, the presence of systems that connect and enable voluntary diffusion demands has an impact on whether a company conforms or not (Oliver, 1991, Clemens et al 2008 referred to by Egels- Zandén, 2010).

Therefore, according to Oliver (1991), the pressure a company is exposed to influences the probability that a company will submit to pressure. How a company responds to pressure through CSR disclosure also depends on its situation, as discussed next.

3.2 Disclosure Objectives

There is considerable variation in companies’ objectives when they respond to external pressures by CSR disclosure. Depending on a company’s situation, its disclosure objectives may vary among gaining, maintaining or repairing legitimacy (Ashforth and Gibbs, 1990). Next are different situations that may influence disclosure objectives.

When products are at an early development stage, the objective of disclosure is to gain legitimacy (Tilling and Tilt, 2009). For example, when a company launches a new product in a new market, it will try to gain acceptance and legitimacy for the product in this market (Ashforth and Gibbs, 1990). The challenge lies in building acceptance for the new product (or activity) or disentangling the new product (or activity) from illegitimate regimes (Suchman, 1995). The disclosure approaches used in such situations are intense and pro-active (O’Donovan, 2002, Ashforth and Gibbs, 1990).

When a company is operating normally, the objective of disclosure is to maintain the current level of legitimacy (Ashforth and Gibbs, 1990). Maintaining legitimacy is considered the easiest challenge although management of the disclosure may still be threatened by anomalies, miscues and external shocks (Suchman, 1995). The efforts required to maintain legitimacy depend on the company’s initial situation. If a company is perceived as a good citizen, it has to maintain a high level of legitimacy (See Table 3-1: maintain-high). If a company is not perceived as very legitimate, it only needs to maintain this low level of legitimacy (See Table 3-1: maintain-low). Therefore, it is harder for a company that promotes itself as very socially and environmentally responsible to maintain its current level of legitimacy (O’Donovan, 2002). A company can also lose some of its legitimacy if its current level requires too much effort to maintain (Tilling and Tilt, 2009).

When a company’s legitimacy is threatened or challenged, the disclosure objective disclosure is to repair the damaged legitimacy (Ashforth and Gibbs, 1990). Such a situation may occur when a

company fails to meet its goals. Then the disclosure objective is to manage the performance challenge. A company (e.g., an abortion provider, cigarette manufacturer, or nuclear power producer) may also need to manage a values challenge (Ashforth and Gibbs, 1990). Moreover, such a situation may also occur when a company has to respond to a crisis (Suchman, 1995). Activities used to repair legitimacy tend to be intensive and reactive (O'Donovan, 2002, Suchman, 1995, Ashforth and Gibbs, 1990).

O'Donovan (2002) observed that a company's likelihood of using a disclosure approach depends on a company's objective and how significant the issue is (See Table 3-1). The following section discusses how companies respond to external expectations and pressures. .

Purpose of response	Significance of issue/event to company	<i>(Accepting tactic)</i> Conform approach	<i>(Justifying tactic)</i> Alter value approach	<i>(Tricking tactic)</i> Alter perception approach	<i>(Escape tactic)</i> Avoid Approach
Gain	High Medium	Very unlikely Possible	Very likely Unlikely	Likely Possible	Likely Likely
Maintain high	- High Medium	Very likely Possible	Very likely Possibly	Likely Likely	Very unlikely Unlikely
Maintain low	- High Medium	Very unlikely Unlikely	Possible Inconclusive	Very likely Likely	Likely Very likely
Repair	High Medium	Very likely Likely	Unlikely Unlikely	Very likely Very likely	Very unlikely Unlikely

Table 3-1 Disclosure response matrix + tactic labelling of the thesis (See Table 3-2).
Reconstruction from O'Donovan (2002: 363)

3.3 Disclosure Practices

Previous research has categorized and labelled companies' "strategic" responses to external expectations and pressures (Cho, 2009, O'Donovan, 2002, Lindblom, 1994, Oliver, 1991, Dowling and Pfeffer, 1975). In this research, there are similarities among the different studies in how they address companies' responses to external pressures. In this section, findings from these studies are arranged under four disclosure "tactics" that describe disclosure behaviours: *accepting*, *justifying*, *tricking* and *escaping*. The accepting tactic is a disclosure practice that indicates a company is willing to accept and adapt to external expectations and pressures. The justifying tactic is a disclosure practice that indicates a company is unwilling to accept external expectations and pressures because it thinks its current practice is appropriate. The tricking tactic is a disclosure practice that indicates a company is trying to convince its audience that it accepts change in accordance with external expectations and pressures, without actually making changes. The escaping tactic is a disclosure practice that indicates a company is avoiding or trying to escape managing external expectations and pressures.

Five studies, all concerned with companies' strategic responses to external pressures, are useful in identifying these four disclosure "tactics". The first study by Dowling and Pfeffer (1975) provides a framework for analysing the disclosure approaches companies may use to manage legitimacy threats. The second study by Oliver (1991) establishes a typology of companies' strategic responses to institutional processes. The third study by Lindblom (1994), which has many similarities to Dowling and Pfeffer's study, illustrates how companies' disclosures change with different disclosure objectives. The fourth study by O'Donovan (2002) identifies various disclosure approaches. The fifth study by Cho (2009) uses ideas from Dowling and Pfeffer (1975), Lindblom (1994) and O'Donovan (2002) to examine how a legitimacy-seeking company uses legitimating disclosure approaches. Cho's (2009) study produces three new disclosure approach classifications. These five studies, written at different times, use different approaches to identify disclosure approach categories. In total, they provide a satisfactory overview of how disclosure strategies are defined (See Table 3-2).

	Dowling & Pfeffer (1975)	Oliver (1991)	Lindblom (1994)	O'Donovan (2002)	Cho (2009)
<i>Disclosure "tactics":</i>	<i>General observation</i>	<i>Review</i>	<i>Fictitious company</i>	<i>Interviews with managers</i>	<i>Content analysis French Total</i>
<i>Accepting</i>	Adapt to external expectations or demands	Acquiescence Compromise	Inform, educate and adapt to external expectations.	Conform to conferring public values	
<i>Justifying</i>	Change external expectations or demands	Defiance (Compromise)	Inform and educate about appropriateness of current practice to change external views.	Alter social value	Disclaimer
<i>Tricking</i>	Identify with external expectations or demands	Manipulation	Inform and educate about appropriateness, show activity is in accordance with external view, OR become identified with symbolic associations.	Shape perception of organization	Image enhancement
<i>Escaping</i>		Avoid		Avoid	Avoidance and deflection

Table 3-2 Disclosure tactics and strategic disclosure approaches.

3.3.1 Accepting tactic

The accepting tactic is based on the following disclosure approaches: Dowling and Pfeffer's (1975) adapt approach, Oliver's (1991) acquiescence and compromise approach, Lindblom's (1994) inform and educate about the adaption approach and O'Donovan's (2002) conform approach. Companies use these disclosure approaches to show stakeholders that they have accepted and conformed to external expectation. Moreover, companies in their disclosures show that they have improved their practice so as to fulfil external expectations. Hence, companies use the accepting tactic to show that they are adjusting their practice to external expectations.

Companies also use disclosures to inform and educate their stakeholders about the operational adjustments (Lindblom, 1994) they have made to their goals, methods and outputs in order to be perceived as legitimate (O'Donovan, 2002, Dowling and Pfeffer, 1975). For example, after an accident, CSR disclosure can be used to assure stakeholders that they have taken the necessary measures to avoid recurrence of such an accident (O'Donovan, 2002). Oliver (1991) states that companies' use of different disclosure approaches depends on the character of external expectations. When a practice is taken-for granted, companies use the acquiescence disclosure approach in which they imitate the practice of successful companies. However, when expectations and pressures are not homogenous, companies use the compromise approach in which they try to balance different interests, pacify resistance or bargain with their external actor to eliminate some demands. When companies compromise, they show they have adjusted their practice to satisfy one side's demand while rejecting the other side's demand. Hence the compromise approach can be applied when using an accepting tactic or when using a justifying tactic, which is explained next.

3.3.2 Justifying tactic

The justifying tactic is based on Dowling and Pfeffer's (1975) change external expectations or demands approach, Oliver's (1991) defiance approach, Lindblom's (1994) inform and educate about appropriateness approach, O'Donovan (2002) alter social values approach and Cho's (2009) disclaimer approach. CSR disclosure is used to justify current practice since the company resists conforming to external expectations.

Even when companies resist conforming to external expectations and pressures, they still want society's validation. Therefore, they manage their CSR disclosure in a manner that is intended to convince their stakeholders that their way of acting is appropriate (Lindblom, 1994). Companies use disclosure in order to change the definition of what is legitimate. Their current practices become the new definition of legitimacy (Dowling and Pfeffer, 1975). Companies can be more or less active in trying to convince their stakeholders that their current practice is appropriate. A passive approach is when companies resist institutional pressure by ignoring rules. This approach is commonly used when a company's objectives are far from the expectations on them or when a company determines the risk of being exposed as not in conformity with the expectations is low. Companies take a more active company approach when they challenge the current external expectations or even attack current institutional values and their supporters by

criticizing, disparaging or even assaulting them (Oliver, 1991). Furthermore, companies can use CSR disclosure to alter social values, for instance, by educating their stakeholders about the positive aspects of their current practice (O'Donovan, 2002). Companies can also use the disclaimer approach in which they, arguing that their operations are legitimate, deny that their practice involves any negative or harmful activities (Cho, 2009).

3.3.3 Tricking tactic

The tricking tactic is based on Dowling and Pfeffer's (1975) identification with external expectations or demands approach, Oliver's (1991) manipulation approach, Lindblom's (1994) identification with symbolic associations approach, O'Donovan's (2002) shape perception of organization approach and Cho's (2009) image enhancement approach. A company that uses the tricking tactic resists conforming to external expectations and uses CSR disclosure to draw attention from this fact. Companies use CSR disclosure to show that their practice agrees with external expectations, even if their practice in reality has not changed.

In using the tricking tactic, companies use different "tricks" to mislead stakeholders about their rejection of external expectations and pressures. In this approach, companies actively try to control expectations (Oliver, 1991). Dowling and Pfeffer (1975) state that a company uses communication to identify itself with symbols, values or institutions that are associated with strong legitimacy. The role of CSR disclosure is to manage legitimacy by using "symbolic legitimacy" that distracts attention from the issue that threatens a company's legitimacy. In this case, disclosure is very positive. For example, Cho (2009) found that French Total, after the crises of a major oil spill along the Atlantic coast in 1999 and the explosion at an AZF chemical plant, used image enhancement. In its CSR disclosure, French Total linked itself to positive values and chose colourful pictures to illustrate its operations.

Moreover, Oliver's (1991) avoid approach is divided between the tricking and the escaping tactic. Oliver's (1991) concealment approach – when a company hides behind a front and pretends compliance with no intention to make changes – describes a trick. Such tricking practices have also been called green-washing or window-dressing.

3.3.4 Escaping tactic

The escaping tactic is used when companies try to escape management of their external expectations and demands. Three of the five studies describe escaping as a disclosure approach: Oliver (1991), O'Donovan (2002) and Cho (2009). Oliver (1991) uses another term for this tactic: buffering. A company that uses the escaping tactic tries to avoid being perceived as a company that does not fulfil external expectations.

In Oliver's (1991) study, the tactic is described as a way to conceal the fact that a company's current practice does not meet external expectations. Thus, the company escapes from managing these expectations by decoupling their internal and external activities from each other or by changing their goals or location.

For example, a company may claim emissions are no longer a company concern. Or a company may re-locate to a site that does not have the same expectations as their former site. For

O'Donovan (2002), such avoiding simply means that companies do not enter into public debates. Cho thinks that companies avoid managing a certain issue by redirecting attention to another related or even unrelated issue. Thus, for Oliver (1991), O'Donovan (2002) and Cho (2009), escaping means physical escape from a location or virtual escape from an issue.

3.3.5 Company characteristics

Connections have been identified between how companies use CSR disclosure and their characteristics. Researchers have found that a relationship exists between company size and company disclosure (Aerts and Cormier, 2009, O'Dwyer, 2002, Cormier and Gordon, 2000, Deegan and Gordon, 1996, Patten, 1992, Roberts, 1992, Trotman and Bradley, 1981). Larger companies tend to disclose more information for various reasons. Larger companies may receive greater economic benefits (Brammer and Pavelin, 2008) and may benefit more from reduced political costs (Gamerschlag et al., 2011). Larger companies are also more eager to show that they act in a legitimate way as good social citizens (Brammer and Pavelin, 2008). Furthermore, it is more likely that companies in environmentally or socially sensitive industries disclose more information about their environmental and social operations and performance (Aerts and Cormier, 2009, O'Dwyer, 2002). O'Dwyer (2002) also found that the size of large companies in sensitive industries affects how visible they are in society. Aerts and Cormier's (2009) study supported the conclusion that companies in environmentally sensitive industries are more visible (in the media).

3.4 Summary

Researchers have studied the effect of various external factors on companies with reference to their CSR disclosures. The kind of pressure a company is exposed influences whether a company conforms to external expectations in order to secure a "license to operate". As society becomes more aware of companies' effect on society and the environment, related issues become public concerns. Companies are expected to respond to such concerns. One tool used to respond to external expectations and pressures is CSR disclosure. However, it is not always a simple matter for companies to use CSR disclosure to show they act in accordance with external expectations. Instead, companies face many challenges in the area of CSR disclosure. They have to deal with conflicting opinions, stakeholder scepticism and legitimacy dynamics. Moreover, how a company uses its CSR disclosure depends on its objective with its CSR disclosure: to gain, maintain or regain legitimacy. This thesis assumes that if external expectations are not fulfilled, external pressure for companies to fulfil external expectations arises. According to Oliver (1991), the likelihood that a company will try to meet these expectations depends on the kind of pressure it is subject to. The company's objectives in CSR disclosure also influence the disclosure tactic it takes. The tactics identified in this thesis are the following: Accepting, Justifying, Tricking or Escaping.

4. Methodology

This chapter presents the research methodology of the case study Vattenfall. This presentation discusses the research choices and limitations for the study. In addition, two models used to analyse the research data are presented.

4.1 Methodology of Case Study

The purpose of this study is to investigate the role of CSR disclosure in managing external expectations and external pressures. The Swedish energy company, Vattenfall, is the case study in this research. Vattenfall as a research object was especially appealing because, as Ryan et al. (2007) state, descriptive case studies can be useful in providing information about the nature and form of companies' disclosure accounting practices. Knowledge about such accounting practices can be found in single as well as in multiple case studies (Bryman and Bell, 2007). In this study, therefore, a rich description of a single case was used to capture the interaction between external pressures and a company's responses. Hence, the strength of a single case study is that it can explore the research object's complexity in greater depth than would be possible in a comparative study of multiple cases.

Because there is, and has been, a great deal of media attention directed towards Vattenfall, as a case study the company provides the researcher with an opportunity to focus on how it has responded to such external pressures. However, it is recognized that the findings from a single case study cannot necessarily be generalized to other cases (Bryman and Bell, 2007). Thus, this research makes no claims to generalized application. The Vattenfall case study is an example that allows the researcher to analyse and describe how media attention influences disclosure practice.

4.2 Vattenfall as the Choice of a Case Company

As explained in Chapter 3, researchers have found that company size and their environmentally and/or socially sensitive operations influence CSR disclosure practices (Aerts and Cormier, 2009, O'Dwyer, 2002, Cormier and Gordon, 2000, Deegan and Gordon, 1996, Patten, 1992, Roberts, 1992, Trotman and Bradley, 1981). Other CSR researchers have used large companies operating in environmentally or socially sensitive industries for case studies (Laine, 2010, Cho, 2009, Tilling and Tilt, 2009, Deegan et al., 2002, Cormier and Gordon, 2000, Guthrie and Parker, 1989). Size and sensitivity appear to have an effect on a company's visibility (O'Dwyer, 2002) since the media is especially interested in large companies that operate in sensitive industries (Aerts and Cormier, 2009).

Given these findings, Vattenfall³ was chosen for a case study since it is a very large, international company that operates in such areas. As a large, state-owned company, operating in the environmentally sensitive energy industry, Vattenfall is an attractive media subject. In the years of this study (2003 to 2010), the Swedish media frequently reported on Vattenfall's environmental and social performance. Since the late 1990s, the company has grown in size

³ For more company information, see Appendix 1

owing to a substantial European expansion. In 1998, when Vattenfall's started to expand outside the Nordic countries, its turnover was 27957 MSEK. By 2008, its turnover increased to 164549 MSEK. Its motto had become "Making electricity clean". In 2010, Vattenfall's turnover was 213572 MSEK. However, Vattenfall, as a company that was once associated with "clean" hydroelectric and nuclear power, was now associated with "dirty" coal power⁴. Vattenfall's European expansion gave the media the opportunity to report about new pressures that arose as Vattenfall grew and its operations changed.

4.3 Research Process

4.3.1 Data Collection - News Articles and CSR Reports

Data on external expectations and pressures for Vattenfall were collected. Moreover, data were collected on how Vattenfall used CSR disclosure to respond. Since this research is of historical events, the data collection involved sources that track the past (See Alvesson and Sköldbberg, 2008). The sources for this research were Swedish news articles and Vattenfall's CSR Reports. At the time of this study, Vattenfall's CSR Reports from 2003 to 2010 were available. These are interesting years because this is the period of Vattenfall's European expansion

News articles and CSR Reports were useful as data sources in this study for several reasons. First, information about expectations and pressures, as well as challenges, involving Vattenfall is found in the news articles. This data could be used to study whether the media's effort to hold companies responsible, influenced Vattenfall's CSR disclosure practice. The CSR Reports provide information about Vattenfall's disclosure practices. Both sets of data are available in the public domain. The ability to replicate a study is essential for establishing the credibility of research findings (Bryman and Bell, 2007). These news articles and CSR Reports are readily accessible by other researchers. Furthermore, according to Ryan et al. (2007), documents that are publically available allow the researcher to remain independent and distant from the subject of the research. Additionally, both sets of data can be traced to a particular point in the past. As such, it is possible to trace when a company was exposed to pressure and how a company responded. Hence, it is possible to examine how CSR disclosure practices were influenced by external pressures.

⁴ The period included in this thesis, acknowledgements such as the Kyoto protocol shared light on carbon dioxide impact on environment. Previous period Vattenfall's operations probably were questioned differently.

4.3.1.2 Data collection – the Swedish media

News articles were collected in order to identify external expectations and pressures Vattenfall was exposed to. These articles were collected using the database *Mediearkivet*. A search for the keyword “Vattenfall” in the Swedish, English and German media resulted in 103359 hits. This data sample was too large to manage manually. Hence, the data sample had to be reduced to a manageable size.

Of the 103343,⁵ articles, 96439 were Swedish articles, 4923 were from German media and 1981 were from English media. News articles from the three countries covered similar issues. For instance, all sources charged that Vattenfall’s ownership in coal power plants placed the company on the list of “Europe’s thirty dirtiest coal power plants”. Below are representative comments from media sources in the three countries:

<p><i>Dagens Nyheter</i>. 23rd of November, 2009 (Translated to English):</p> <p><i>“[...] WWF’s dirty thirty list of Europe’s 30 environmental hostile power plants [...] Two of Vattenfall’s power plants in East Germany are in fifth and eleventh place”</i></p>	<p><i>Deutsche Welle</i>. 10th of May, 2007</p> <p><i>“More than half of the Dirty Thirty are run by just four power generation companies: Germany’s RWE, Swedish firm Vattenfall, French group EDF and Germany’s EON</i></p>	<p><i>The Guardian</i>, 4th of October, 2005</p> <p><i>“The survey shows that only half a dozen companies account for most of Europe’s dirtiest power stations: 19 of the 30 plants on the list are run by RWE, Vattenfall (Sweden), Enel (Italy), Endesa (Spain), E.ON (Germany) and EDF (France).”</i></p>
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The greater number of Swedish news articles compared to the number of German and English news articles is not surprising. Vattenfall is one of Sweden’s largest companies. In addition, Vattenfall is one of the main suppliers of energy in the Swedish market. The Swedish media also reports on news about the company from abroad. For instance, there was a fire at Krümmel, one of Vattenfall’s German nuclear power plants. The incident was graded as a 0 on the International Nuclear Event Scale (INES) scale that measures the danger of a nuclear incident. Vattenfall's nuclear power incidents did not cause any danger to its surroundings. Even so, both the German⁶ and the Swedish⁷ press covered the incident.

⁵ For English and German newspapers, *Mediearkivet* only included On-line newspapers. However, in the search for Swedish news articles, including only On-line articles still showed a large proportion of Swedish news articles - 74 481 hits. News articles in English in other countries, such as The Netherlands, Romania and Russia, were excluded.

⁶ *“Im Atomkraftwerk Krümmel in Geesthacht im Kreis Herzogtum Lauenburg ist am heutigen Donnerstag ein Brand in einer Transformatoranlage ausgebrochen. Wie die Polizei in Ratzeburg mitteilte, habe keine*

Spiegel Online, 28th of June, 2007 (Translated to English):

"On Thursday the nuclear plant Krümmel was exposed to a fire in a transformer. The Police in Ratzeburg announced that there was no danger for the surroundings. Further, the Social Ministry on Thursday said that no radioactivity had been released."

Svenska Dagbladet, 1st of July, 2007 (Translated to English):

"...Vattenfall had to close down the nuclear plant in Krümmel after a fire in a transformer outside the reactor building. Krümmel will be closed until an investigation of what happened is finalized. According to government, there is no danger for the surroundings."

To reduce the data sample, only the Swedish news articles were used in this research because the Swedish media has a specific interest in covering Vattenfall's operations. As such, the Swedish media provides a good overview of the external expectations and pressures relative to Vattenfall.

According to Beattie and Thomson (2007), managing data manually is labour intensive; therefore, the sample of 96439 Swedish news articles was still too large. Keywords were used to reduce the data sample. First, as "Vattenfall" translates to English as "waterfall", a combination of keywords was used in order to eliminate articles about waterfalls. Second, as it is acknowledged that "carbon dioxide" is often included in the commentary on Vattenfall, "carbon dioxide" was added as the second keyword (Swedish words: "Vattenfall AND Koldioxid"). This resulted in a sample of 3866 news articles from the written media, On-line articles and broadcasts from radio and TV. In the sample, two topics were most common: Vattenfall's coal power operations and its nuclear power operations. To reduce the data sample further, a third search focused on Vattenfall's coal and nuclear operations. Articles were collected using the keyword combinations "Vattenfall AND kol" (English: Vattenfall AND coal) and "Vattenfall AND kärnkraft" (English: Vattenfall AND nuclear power). Only Swedish daily or weekly national news articles were used as data sources because of time restrictions on the research. Earlier data collections had established that issues in the Swedish written national press, on the Web, in local news or on radio and TV were similar and often reflected each other. Therefore, Swedish daily or weekly national press articles spread to a wider group of people, were determined as the best source for acquiring knowledge about the external expectations and pressures on Vattenfall in the media relative to the company's coal and nuclear operations.

The data sample was now 515⁸ news articles. This was a manageable number of articles, which still presented a reasonable picture of the external expectations and pressures on Vattenfall as presented in the media.

Gefahr für den Nuklearbereich des Atomkraftwerks bestanden. Wie das zuständige Kieler Sozialministerium am Donnerstag mitteilte, habe es auch keine radioaktive Freisetzung gegeben."

⁷ *Vattenfall stänga av kärnkraftverket i Krümmel efter en brand i en transformator utanför anläggningen. Krümmel förblir avstängt tills utredningen av händelsen är avslutad. Det är enligt myndigheter redan klarlagt att reaktorn inte skadades i branden och att det inte föreligger någon fara för allmänheten.*

⁸ More articles were found, but some were discarded as they did not cover issues on Vattenfall's operations or were answers or comments from Vattenfall.

4.3.1.3 Data collection – Company CSR Reports

After data collection of Swedish news articles was completed, attention turned to Vattenfall's CSR disclosures. Companies use different disclosure "tools" to provide voluntary information to stakeholders. Similarities between how Vattenfall used these different tools to disclose information were found. Examples of how Vattenfall used different disclosures to the public inform about the fire at its nuclear plant Krümmel in 2007 are presented below:

Press Release, 28th of June, 2007 (CEO message):

*"Vattenfall's German coal power plant in Brunsbüttel and Krümmel was shut down on Thursday afternoon. [...] The disruption at Krümmel was caused by a fire outside the reactor building. The cause of the fire is still unclear **[Incident]**. Fire workers have the fire under control **[no danger]**."*⁹

Interim Report 2007, Q2:

*"The shutdown at Krümmel was caused by a fire in a transformer outside the reactor building. **[Incident]** [...] Vattenfall came under sharp criticism for deficient handling of the disruption at the Krümmel plant [...] information to the general public was inadequate. **[Problem]** [...] we are now working to restore the public's trust and prove that we are a responsible company and a competent and reliable nuclear power operator. ...**[Improvements]**." (p.4)*

Annual Report (2007), (CEO message):

*"Both of the nuclear power plants were scrammed, independent of each other, on 28 June **[Incident]**. Although these events, the one a short circuit and the other a fire in a transformer, did not pose any risk to people or the environment **[No danger]**. Vattenfall was harshly criticised for providing inadequate information to the public and too late **[Problem]**. After these events, we launched an investigation and took immediate action both to strengthen safety work and to ensure that our communication activities in the future meet better standards. ... **[Improvements]**." (p. 4)*

CSR Report (2007):

*"Recent events, like the production stops at Brunsbüttel, Krümmel and Forsmark, have proven to us that the importance of transparency and communication can never be underestimated. **[Incident and problem]** [...] The safety system following the scrams at the nuclear plants worked properly, and there were no risks to people or the environment. **[No danger]** But at the same time, the impact on nuclear power in Germany was severe. Confidence in Vattenfall and nuclear power in general suffered substantially. [...] information to the general public was insufficient." **[Problem]** (p. 8)*

These comments show that different disclosures may include similar information. In the comments (except for those in the Interim Report), information about the incident emphasizes that there is no (was no) danger to the surroundings. Furthermore, the Interim Report, Annual Report and CSR Report comment on how the fire harmed customers' trust and the actions

⁹ Vattenfalls tyska kärnkraftverk i Brunsbüttel och Krümmel snabbstoppades på torsdageftermiddagen. I Brunsbüttel berodde avstängningen på en störning i ett elnät som inte ägs av Vattenfall. Avstängningen på verket i Krümmel gjordes på grund av en brand i en transformator utanför reaktorbyggnaden. Orsaken till branden är fortfarande oklar. Brandkåren har branden under kontroll.

Vattenfall has taken to improve operations. For instance, both in the Annual Report and the CSR Report, the company discloses that a new Chief Nuclear Officer was appointed.

Therefore, since the similar information appears in these sources, the CSR Report was selected for examination. The CSR Report, which covers the main issues in a year, is considered a satisfactory proxy for studying how Vattenfall used disclosure tactics to respond to external expectations and pressures that appeared in the Swedish press.

The CSR Reports were carefully read in order to determine what and how information was disclosed. The news articles had shown that coverage of most issues used the following keywords: *Nuclear, Coal, Fossil, CCS,¹⁰ Power free plants,¹¹ Price and Renewable*. To ensure that all possible responses to external expectations and pressures found in the media search were taken into account, these keywords were used to search through Vattenfall’s CSR Reports. Separate Excel spread sheets for each year were used to store the findings from the keyword search. Table 4-1 shows the results from this keyword search.

Keywords:	2003	2004	2005	2006	2007	2008	2009	2010	<i>Most</i>	<i>Least</i>
Nuclear	77	87	134	51	164	185	173	162	2008=185	2006=51
Fossil	29	46	61	35	48	54	54	38	2005=61	2003=29
Coal	20	41	61	45	72	58	80	137	2010=137	2003=20
CCS			2	9	118	130	92	21	2008=130	2003/2004
Power free plants	16	13	13	6	2				2003=16	2009/2010
Price	44	50	32	27	19	24	43	16	2004= 50	2010=16
Renewable	41	84	87	55	36	50	56	66	2005=87	2007=36

Table 4-1 Instances of keyword in Vattenfall’s CSR Reports.

Finally, the CSR Reports were re-read to ensure that the overall picture created by Vattenfall was clear. As such, data from the CSR Reports were collected, both manually and automatically.

¹⁰ CCS = Carbon Capture and Storage. A technology that is developed to capture carbon dioxide from, for example, coal power plants and store it in the ground.

¹¹ Before 2005 the plans to build coal power plants with CCS technology were referred to as CO₂ power free plants. As CO₂ can be written in different ways, only power free plants were used as search word.

4.3.2 Organization and Analysis of Empirical Material

As Krippendorff (1980) states that a content analysis has to give specific information about the process behind conclusion drawn, this section gives such information. This section is divided into two sub-headings. The first sub-heading addresses how data from the Swedish press were organized and analysed. The second sub-heading addresses how data from the Vattenfall's CSR Reports were organized and analysed. Hence, this section provides information about how the text used in this study were categorized and read.

One motivation for companies' CSR disclosures is to receive social validation. According to institutional and legitimacy theories, social validation is received if external expectations are fulfilled. Therefore, data from the Swedish press were used to understand the context of, Vattenfall's exposure to external expectations and pressures. To *identify* the kinds of external expectations and pressures a company might be exposed to, earlier research was used (See Sections 3.1 and 3.2).

Data from Vattenfall's CSR Reports were used to *describe* the company's CSR disclosure approach as it responded to external expectations and pressures. Earlier studies on how companies respond to such external expectations and pressure were referred to (See Sections 3.2 and 3.3).

The results from the media and disclosure studies were used to examine if external pressure and media *influenced* Vattenfall's disclosure practice

4.3.2.1 Swedish press

In accordance with Krippendorff's (1980) suggestions, news articles were organized in chronological order by newspaper (*Svenska Dagbladet*, *Dagens Nyheter*, *Dagens Industri* and *Veckans Affärer*). An Excel spread sheet, with various labels, was used: (1) Main point/Theme (with quotations illustrating the main point/theme); (2) Positive, negative or neutral tone (opinion of Vattenfall's coal and nuclear operations); (3) Specific or general issue (focus on Vattenfall specially or on the industry in general); (4) Who (article author and perspective – e.g., from politicians, the public, environmentalists, industry, etc.). The news articles were read several times in order to archive them under the right labels.

In both institutional and legitimacy theory, companies desire to receive social validation for their operation - helping them to receive resources, stability, legitimacy and to avoid disadvantages. As addressed under section 3.1.1 a company has to fulfil external expectations in order to receive social validation. The same section address different shapes external expectations can take; making it hard for companies to fulfil external expectations. In accordance with Beattie et al.'s (2004) suggestions, news articles were sorted under the four external expectation categories addressed under section 3.1.1: legitimacy gaps, conflicting opinions, scepticism and dynamics. The labels' main point+ quotations which only included articles having a negative tone towards Vattenfall's operations, were used to identify the legitimacy gaps addressed in the Swedish press. For example, the theme "high emissions" which appeared in articles on the high carbon dioxide emissions from Vattenfall's coal operations, did not appear in any articles taking a positive tone towards Vattenfall's coal power operations. This

indicated that Vattenfall did not fulfil external expectations, hence a legitimacy gap existed.

However, in other themes/main points, a mix of articles having a negative, positive or neutral tones appeared in news articles. Hence, the media data were used to identify the conflicting opinions, scepticism and dynamics Vattenfall had to manage. An examination of the tone and themes of the articles identified conflicting opinions. If articles on a theme were divided between positive and negative tones, this indicated that stakeholders had conflicting opinions about Vattenfall's operations. Quotations in which stakeholders said they did not trust Vattenfall's image presentations were used to identify instances of scepticism. The dynamics of legitimacy and future uncertainty were examined by studying how the ratio between positive and negative tones changed over time.

If external expectations are not fulfilled, it is likely that external pressure for a company to change will arise. Therefore, media data were used to identify the pressure on Vattenfall. Oliver (1991) states that a company's likelihood of conforming depends on the pressure it is exposed to. Therefore, Oliver's five questions – what, who, how, where and why –were used to identify the pressure on Vattenfall. To determine the strength of this pressure, Oliver's determination of what increases the likelihood of conformity was used. Vattenfall's financial numbers and statements in their Annual Reports and CSR Reports were used to determine how well external expectations fit with its goals (See Appendix 1). Label 4; who and theme + quotations were used to determine how pressure (and by whom) was put on the company. Quotations were used to identify environmental uncertainty and threats (social or economic).

One tool companies can use to receive social validation is CSR disclosure. Table 3-1 shows that it a company's situation affects the likeliness for that a company uses certain disclosure approaches. How a company will use its CSR disclosure depends on its situation. For example, if a company is launching a new product it wants to gain legitimacy for the product, if the company operates as usual it wants to maintain its legitimacy. Or, after a crisis, a company may wants to repair its legitimacy. Reading the news articles clarified the kinds of situations Vattenfall found itself in

Table 4-2 shows how the media data was organized. This data was used to establish the situational context, of the study as far as external expectations, pressures and challenges. These results were used to study Vattenfall's disclosure *practices* –how Vattenfall used its CSR Reports to respond to external expectations and pressures.

External Expectations					
External expectations and disclosure challenges	Legitimacy gaps	Conflicting opinions	Scepticism	Dynamics of legitimacy and Future uncertainty	
<i>Main point/quotations</i>	Coal: High emission, Owners' directives, Undermine owner status, Environmental Impact, Moving villages Nuclear: Safety Coal and nuclear: Rate; Deregulated markets, Emission rights, co-ownership.	Coal: (CCS) technology Nuclear: Supply of energy, Replacement, Political debate, Supply of energy.	Coal: (CCS) technology Coal and nuclear: Double moral	<i>(Change in ratio between positive and negative articles over time.)</i>	
External pressure					
Pressure factors:	What? <i>(Demand)</i>	How?	Who?	Where?	Why?
<i>Likelihood that company conforms depends on = strength of pressure: High - Low</i>	<i>Fit with company's goal Constraints put on a company</i>	<i>How strong legal coercion or voluntary diffusion</i>	<i>Power of actor pressuring Diversity in demand</i>	<i>Degree of environmental uncertainty (conflicting opinions enhance uncertainty)</i>	<i>Probability of the social legitimacy or economic gain is threatened.</i>
Situation					
<i>affecting disclosure objective: gain, maintain, repair</i>					

Table 4-2 Analysis model – Context.

4.3.2.2 Corporate social responsibility reports

After identifying external expectations, pressures and challenges, it was possible to determine Vattenfall's disclosure objectives. Thereafter, Vattenfall's disclosure practices (its responses to the external expectations and pressures visualised by the media) were examined by studying its CSR Reports. Vattenfall's CSR Reports were read and analysed to identify the disclosure tactics the company used. To identify Vattenfall's disclosure tactics, this study examined the following areas: what the company accounted for (information included or not); how the company stated it took responsibility (to establish how the company presented itself); and the arguments the company used in its responses (to determine the tactics the company used):

- If the company used arguments that showed it was working to meet external expectations (e.g. the company showed how it changed and improved practice to met external expectation) the company used the *accepting tactic*.
- If the company used arguments to convince its audience that its current practices were correct, the company used the *justifying tactic*.
- If the company linked itself to symbols, values or institutions associated with strong legitimacy, (although the linkage was unrelated to reality or was used to conceal "bad" aspects of operations) the company used the *tricking tactic*.
- If the company changed its practice or avoided responding and taking responsibility, the company used the *escaping tactic*.

Table 4-3 is based on the literature review in Section 3.3. The table address four different disclosure tactics (Accepting, Justifying, Tricking and Escaping) that a company may use to respond to external expectations and pressures. The models help us understand how Vattenfall used its CSR disclosure to manage external expectations and pressures.

After the external expectations and pressures were identified and the disclosure practices were described, the influence external pressures, acknowledge by Swedish press, had on the company's disclosure practices were examined. This influence was examined by studying whether disclosures changed after the media acknowledged certain expectations attached with certain external pressure. Moreover, similarities and differences between different scenarios were compared.

Tactic Approach <i>(Conforming OR resist conforming)</i>	Objective (Type of response)	Gain (Proactive)	Maintain	Repair (Reactive)
Accepting * Adopt to ... *Acquiescence * Compromise *Inform and educate about adoption to... *Conform to... <i>(Conforming)</i>		Arguments that show that the company works to fulfil external expectations		
Justifying * Change expectations *Defiance * Inform and educate about appropriateness *Alter values *Disclaimer <i>(Resist conforming)</i>		Arguments to convince the audience that the current way of operating is the correct way		
Tricking * Become identified * Manipulation * Inform and educate about appropriateness *Shape perception *Image enhancement <i>(Resist conforming)</i>		Company link itself to symbols, values or institutions associated with strong legitimacy, which afterwards are identified as not corresponding to reality or which promote good aspects to hide bad aspects of their operations		
Escaping * Avoid * Deflect <i>(Resist conforming)</i>		The company changes its practice or avoids responding and taking responsibility		

Table 4-3 Analysis model – Disclosure practices

4.4 Reliability and Validity

In this thesis, the researcher is an outsider. According to Ryan et al. (2007), the outsider-researcher can maintain his/her distant from the object of study. However, a problem is that the outsider-researcher may have to rely only on evidence that is publicly available. Therefore, it is important in this study that the data are reliable and valid.

In order to establish that the Swedish national media presented a reliable and valid presentation of Vattenfall, Swedish newspaper articles were compared to English and German newspaper articles as well as to other Swedish media sources such as local and industry-specific newspapers. Moreover, to establish their validity as information sources, Vattenfall’s CSR Reports were compared with information obtained from other sources, such as annual reports and interim reports. Both the media and the disclosure data were read several times to ensure that this material was comparable. Furthermore, keywords were searched for in the CSR Reports to ensure that all possible response options were considered in the study. Moreover, the possibility for another researcher to replicate a study is important in qualitative research (Bryman and Bell, 2007; Krippendorf 1980). All data used in this study are publicly available and are fixed in time. Therefore, another researcher could access the same data.

5. Case Study Data

This chapter presents the external expectations and pressures on Vattenfall, together with Vattenfall's response. The purpose of this chapter is to establish a picture for the reader with illustrating examples. The first section introduces Vattenfall and describes its European expansion. The second section describes the external expectations that Vattenfall did not fulfil, the pressures it was exposed to, and its responses. The final section presents the environmental uncertainty surrounding Vattenfall's operations and how perceptions of acceptable corporate behaviour changed over time.

5.1 Overview

- From a Swedish to a European Energy Company

Vattenfall¹² is a large, Swedish, state-owned company that operates in the environmentally sensitive energy industry. The company began operations in 1909. At the time, Vattenfall produced hydroelectric power at its Trollhättan hydroelectric plant in Sweden. The Swedish word "Vattenfall" translates to English as "Waterfall". During the years 1970 to 1980, Vattenfall's energy source portfolio also included nuclear power. In these years, the company was associated with clean energy production at its Swedish hydroelectric and nuclear power plants. However, in 1996, the Swedish energy market was deregulated. Then Vattenfall expanded into the Nordic market. In 1998, it entered the European market (www.vattenfall.se). In 1997, the Swedish government, Vattenfall's owner, changed Vattenfall's mission. Within the boundaries of business-like operations, Vattenfall should now lead the transition to new energy production technology that would contribute to an ecologically sustainable Swedish energy supply (Regeringsproposition, 2010).

Vattenfall purchased energy companies in Finland (1996: Hämeen Sähkö), Germany (1998 & 2001: HEW, 2001: VEAG, LAUBAG), Poland (2000 & 2006: EW, 75%, 2001 & 2006, GZE, 75%), Denmark (2005:Elsam A/S, 35, 2 %) and the Netherlands (2009: NV Nuon Energy). Because of its expansion in Europe, Vattenfall today is Europe's fifth largest generator of electricity and the largest producer of heat (Vattenfall, 2009). In 1997, the company had a net turnover of 28458 MSEK and 7847 employees. In 2010, these numbers increased to a net turnover of 213572 MSEK and 38 459 employees. In 1999, when the CEO was Carl Erik Nyquist, Vattenfall's net turnover was 27 754 MSEK (employees 7991). In 2000, when Lars G. Josefsson was CEO, the net turnover was 31695 MSEK (employees 13123). In 2002, net turnover increased to 101025 MSEK (employees 34 248); in 2008, net turnover was 164549 (employees 32 801). In 2010, with Øystein Løseth as CEO, the net turnover was 213572 MSEK (employees 38 459). However, with the European expansion, despite the increase in turnover and employees, the company was no longer associated with only "clean" Swedish hydroelectric and nuclear power. Now it was associated with "dirty" coal power. Economically, the expansion was beneficial for the company. However, from a corporate social responsibility point of view, different actors started to ask if Vattenfall actually was as responsible as it claimed.

In 2003, Vattenfall stated that its operations were based on a "long-term environmental approach" intended to meet today's demand for energy without compromising the lives of future generations. Furthermore, the company claimed that one of its main objectives was to reduce

¹² For more company information, see Appendix 1.

carbon emissions. For instance, in 2006, the company stated that it intended to reduce carbon emissions by 50% between 1990 and 2030 (Vattenfall CSR Report, 2006). In 2007, the company stated its long-term ambition to become climate neutral by 2050 (Vattenfall CSR Report, 2007). In 2008, Vattenfall's strategic focus was presented as "Making electricity clean". At the time, Vattenfall ran a commercial in various media that showed an exhausted polar bear crawling up a disintegrating ice shelf (*Dagens Nyheter*, 28th of May, 2010). The message of the commercial was to encourage people to sign a climate agreement. However, during these years, Vattenfall was heavily criticized for its large investment in "dirty" coal power. In 2009, the company received a less-than-flattering award, the *Climate Green Wash Award* (*Dagens Nyheter*, 28th of May, 2010).

In 2010, the Swedish government changed Vattenfall's owners' directive. The new directive stated that Vattenfall within business-like boundaries should take a leadership role in the transition to an environmentally friendly energy supply. This directive expanded Vattenfall's responsibility geographically. Moreover, instead of being the leader, Vattenfall was to be one of the environmental leaders (Regeringsproposition, 2010).

5.2 External expectations not perceived as fulfilled and pressures

Besides complying with the legal requirements that companies have to meet in order to achieve social validation, they are also expected to act in accordance with external expectations (Lindblom, 1994, Carroll, 1979). According to the Swedish press, Vattenfall failed to meet specific external expectations.

5.2.1 "Vattenfall does not take responsibility for solving the climate threat through its investment in the European coal industry" ...

As Vattenfall began to expand outside the Nordic countries, it included coal in its energy source portfolio. During the years examined in this study, a large part of Vattenfall's production – approximately half its electric power and more than half its heat production (See Appendix 1) – was from fossil fuels (Vattenfall Annual Report and CSR Reports, 2003-2010). The Swedish media described Vattenfall as a company that did meet stakeholders' expectations since it did not take responsibility for its environmental impact. The reason given was Vattenfall's production of power from fossil fuels.

"...the global warming cannot rise more than 2% [...] coal is pointed out as the big threat and here Vattenfall receives massive criticism".

(Dagens Nyheter, 18th of May, 2007)

It was not enough that Vattenfall was portrayed as a company that generated electricity and heat through coal power that is associated with high carbon dioxide emissions. The media also charged that Vattenfall owned some of the dirtiest coal power plants in Europe.

"[...] WWF's dirty thirty list of Europe's 30 most environmentally hostile power plants [...] Two of Vattenfall's power plants in East Germany are included in the list, at fifth and eleventh places."

(Dagens Nyheter, 23rd of November, 2009)

The media also pointed out that Vattenfall's growth through coal power did not follow its owners' directive that stated the company should lead in the energy transition to ecologically and economically sustainable energy supplies. Moreover, the company's high proportion of energy produced from coal (compared to other energy sources) was said to harm its status in the environmental debate. For instance, it was pointed out that the Swedish, state-owned power plants emitted more carbon dioxide than Chinese power plants. Hence, it would be difficult to argue that Chinese carbon emitters should reduce their emissions

"It was announced in the 1997 energy agreement that Vattenfall should have a leading role in energy transition. The company should within business-like limits put on resources for developing new energy production technology and as such contribute to an energy supply that is economically and ecologically sustainable [...] Vattenfall's investments in Germany and Poland can hardly be defended, at least not from an environmental point of view [...]"

(Dagens Nyheter, 21st of April, 2004)

External stakeholders, usually environmentalists and politicians, pressured the company to change. Environmental groups, such as Greenpeace and the Robin Wood Environmental Agency, took several actions designed to influence other stakeholders' perception of Vattenfall's operations. Moreover, the Swedish government strengthened Vattenfall's owners' directive.

"On Wednesday, Greenpeace dumped 18 tons of German coal in front of Rosenbad, with the requirement that the government has to direct Vattenfall to stop investing in coal power. The action is part of the campaign against the large carbon emissions in Europe, where Vattenfall, with its 100 million tons of emissions, is one of the biggest climate villains. [...] the EU cannot only require China and USA to take precautions, says Martina Krüger at Greenpeace"

(Svenska Dagbladet, 30th of October, 2009)

The Swedish Minister for Enterprise and Energy stated:

"We are going to strengthen the directive as we do not think it works well today. The new directive focuses on the transition towards environmentally adapted technology, value creation and better care of Vattenfall's brand."

(Dagens Nyheter, 12th of November, 2009)

The negative arguments about Vattenfall's coal operations appeared in the media in all the years included in this study: from 2003 to 2010.

Company response...

In order to change the negative perception about the use of coal power in generating electricity and heat, Vattenfall uses its CSR Reports. The company emphasizes that coal, in combination with the developing Carbon Capture and Storage (CCS) technology, is a solution that can be used as a bridge until alternative, low-emitting energy sources become available.

“CCS technology will give us an opportunity to reduce CO₂ emissions significantly at a reasonable cost. It is a technology that will enable us to use fossil fuels over a transitional period, as a bridge to more efficient, sustainable alternatives.”(2007: 12)¹³

Vattenfall emphasizes external factors. For instance, the company states that the demand for energy will increase.

“Energy consumption in OECD countries has increased by 50 per cent since 1980. As yet there are no signs of a decrease in consumption. [...]” (2003:10)

Because of the increase in energy demand, Vattenfall argues that currently coal cannot be replaced by alternative energy sources. Energy production from renewable energy sources is insufficient to meet energy demands. Moreover, occasionally Vattenfall comments that coal is a cheaper and more stable energy source than renewable energy sources, which often are weather dependent. Hence, the current lack of alternative energy sources and coal power’s positive attributes means coal is essential for ensuring the energy supply.

“Renewable energy sources are ecologically sustainable, but they are not sufficient to meet society’s energy needs today. Coal and nuclear power therefore have to be used if society’s standard of living is to be maintained and improved. (2007:22)

The company also states it is not entirely up to the company to choose which energy source to use for its production. National conditions determine the energy sources Vattenfall can select among.

“Different starting points... Each country within Europe has pursued its energy objectives based on national conditions. Countries like Sweden and Norway feature large river systems in mountainous regions, which supported the construction of large-scale hydropower. Other countries do not share these conditions, but unlike Sweden, they have local access to fossil fuels. In Poland and Germany, coal offers a secure and affordable domestic energy source, while the Netherlands controls some of Europe’s richest natural gas deposits.”(2010:11)

However, in its 2010 CSR Report, Vattenfall stated: *“In general, coal will become a smaller part of Vattenfall’s portfolio after 2015” (2010:14)*, adding that natural gas, wind and biomass will increase.

As far as fulfilling its ambition as a leader in the energy transition, Vattenfall repeatedly states it takes a leading role. In all years of this study, the company presents its ambition to become a leading energy company in Europe, in terms of size and environmental responsibility. In addition, the company states it intends to take a leading role in renewable energy generation. More than intending to be a leader, Vattenfall claims it is a leader in certain areas such as *hydro power (2004, 2005) nuclear power (2004, 2007) wind power (2005, 2008) bio fuel power (2005) CCS technology (2003-5, 2007- 2010) and renewable energy sources (2005- 2006)*.

¹³ (2007:12) means it is a citation from Vattenfall’s CSR report from 2007 that can be found on page 12.

5.2.2 Vattenfall should not move villages in its search for coal...

In Germany, Vattenfall mines for coal in open-cast mines. These mining operations were criticized because they forced residents to move from villages where the coal was extracted. Questions arose in the media if it was appropriate for a Swedish, state-owned company to force people to move from their homes (*Svenska Dagbladet*, 28th of July, 2004). Moreover, Vattenfall's mining operations are charged with having a negative impact on the environment.

"Protesters are waiting at three villages where approximately 1 000 habitants have to move [...] It is a disaster. We won't give up without a fight, says the Christian Democratic Union Major Peter Jeschke to the daily newspaper Berliner Zeitung."

(Dagens Industri, 20th of September, 2007)

The data in this study show that occasionally (2004, 2006, 2007, 2010) the media charged that Vattenfall's demand for coal damaged the landscape and forced people to move from their homes. Environmentalists and politicians (this time, the German politicians) expressed their concerns about Vattenfall's mining operations.

Company response...

As far as Vattenfall's mining activities, the company usually remarks about two issues in its CSR Reports. First, Vattenfall discloses that the landscape is restored after mining. Second, Vattenfall describes the relocation procedures for the local residents. The company uses the CSR Reports to show that it operates in a responsible way. For instance, the company states that it closely cooperates with local stakeholders (2003 – 2010), signs specific resettlement programmes that involve all problem areas from financial compensation to social structure in villages (2003-2010) and takes responsibility for restoring the land (2003 –2010).

"Vattenfall sets the benchmark for the industry by handling the issues with great care and respect. The resettlement programme involves all aspects, from financial compensation to preserving the social structure in the village..." (2008:65; 2009:70; 2010:62 GRI)

Vattenfall also uses its CSR Reports to highlight the positive effects arising from its coal mining operations. For instance, municipalities and industries are supplied with the fresh water that remains after mining operations (2004 – 2010). Moreover, this water is redistributed and creates wetlands for animals and plants (2003 – 2007). Furthermore, Vattenfall contributes to the lignite industry that is important for both the economy and employment in Germany (2003, 2007). Vattenfall is confident that its mining operations will secure customer energy needs (2007). Moreover, in 2007 the company, noting that it has to consider external opinions, stated; *"Germany's energy policy states that the country should base its energy need on subsidy free, reliable and available fuel"*(2007:22).

5.2.3 "Vattenfall does not have a sufficient safety system in nuclear operations and insufficient crisis communication..."

The Swedish press has other complaints besides Vattenfall's coal operations. Various incidents at Vattenfall's Swedish and German nuclear plants, between 2006- 2009, resulted in negative media attention. First, in 2006 an incident at the Swedish nuclear plant, Forsmark, was covered

by the media. The incident was rated a Level 2 event on the 7 level INES scale that measures the danger of nuclear incidents. In 2007, two more nuclear incidents occurred in Germany. These incidents were rated Level 0 events on the INES. As Vattenfall's was perceived to have managed these crisis situations and communications badly, the media focused on these incidents.

"It started with a short circuit at the nuclear plant Brunsbüttel, owned by Vattenfall [...] Two hours later a fire started in one transformer at the nuclear plant Krümmel. Both nuclear plants were shut down. At 3 pm, thick smoke rose towards the sky. Worried residents in the municipality Marchacht gathered across from the nuclear plant. 'We had no clue about what was going on', Mayor Rolf Roth remembers. [...] 'No information from Vattenfall.' Rolf Roth called the ministry in Kiel where he was informed that the fire fighters were extinguishing the fire and that there was no danger to the public. There was no sign of Vattenfall for weeks and there were no phone centres established for worried residents. These centres were established weeks after the incidents [...]."

(Svenska Dagbladet, 2nd of September, 2007)

The problems at Vattenfall's nuclear plants in 2007, did not end with the incidents in Germany. More criticism arose in Sweden when an investigation after the Forsmark incident revealed that safety routines and culture at Vattenfall's nuclear power plants had to be improved (*Svenska Dagbladet*, 13th of November, 2007). The problems at the company's nuclear plants led to a loss of trust by Vattenfall's stakeholders. For instance, after the German nuclear incidents, 200 000 German customers left Vattenfall (*Dagens Nyheter*, 1st November, 2007).

"Vattenfall has lost 200 000 private customers in Germany this fall... CEO Lars G. Josefsson himself writes in the report for the third quarter that the company should be criticized for its lack of information during the incidents at Brunsbüttel and Krümmel at the end of June. The bad information led to a trust crisis that, together with harder competition, led to Vattenfall's loss of customers."

(Dagens Nyheter, 1st of November, 2007)

Moreover, it was reported that Maud Olofsson, the Swedish Minister of Enterprise and Energy, was concerned (*Dagens Nyheter*, 14th of November, 2009; *Dagens Nyheter*, 10th of February, 2007). EU commissioner, Andris Pielbalgs, was also concerned (*Svenska Dagbladet*, 7th of February, 2007). The German Chancellor, Angela Merkel, was troubled by the incidents that occurred at Vattenfall's nuclear plants (*Svenska Dagbladet*, 21st of July 2009; *Dagens Nyheter*, 24th of July, 2009). Experts state that it was fortunate that the outcome of the incidents was not worse (*Veckans Affärer*, 25th of October, 2006). As trust in Vattenfall's ability to run nuclear plants was lost, Swedish authorities kept operations at the Swedish nuclear power plant, Forsmark, under supervision. Furthermore, two German nuclear power plants remained closed until 2009 since regional German politicians were unsure about Vattenfall's ability to operate nuclear power plants (*Svenska Dagbladet*, 13th of February, 2009).

In 2009, the nuclear power plant Krümmel re-opened on the 21st of June. However, two weeks later on the 5th of July there was another fire in a transformer. The nuclear power plant was closed again (*Dagens Nyheter*, 11 July, 2009; *Svenska Dagbladet*, 15th of September 2009). The confidence in Vattenfall's nuclear power operations was very low.

Company response...

Nuclear power is important to Vattenfall as more than one-fourth of its electricity production has a nuclear energy source (See Appendix 1). Hence, even before these incidents, the company disclosed information about the importance of safety at its nuclear power plants. The company frequently stated that safety is a primary concern. In 2003 – 2006, Vattenfall stated that it had improved its nuclear power safety. In 2003-2004, 2006, 2009- 2010, the company stated that multiple systems are used to minimize the risk of nuclear power incidents.

The nuclear power incident at Forsmark occurred in 2006. Yet, even in the 2005 CSR Report (summarizing year 2005 available in 2006), Vattenfall accounted for the Forsmark nuclear incident and disclosed that it already had sufficient safety systems in place during the incident:

“In the incident at Forsmark, on July 25th 2006, the nuclear reactor Forsmark 1 shut down automatically after a failure in the transmission net. This incident was later classified a Level 2 event on the International Nuclear Event Scale (INES). Essentially, the main consequence of the incident was that the automatic start-up failed in two of the four diesel-powered generators. [...]The incident did not cause any damage to the reactor. The control room personnel acted according to instructions. Cooling of the reactor was present at all times and any risk of radioactive discharge was never present.”(2005:14).

It is observed that in the 2005 CSR Report, Vattenfall included information about the incident that occurred in 2006. Moreover, instead of using the heading “Safeguarding the future” (which it had used in 2003-2004), the heading “Responsible handling of nuclear power generation; Safeguarding the nuclear fuel cycle” (p.13) was used. However, even though the information about Forsmark was included under the heading “Safeguarding the nuclear fuel cycle”, this section mostly discussed securing the energy supply and developing solutions for nuclear waste storage.

In 2006, under the environmental GRI indicator, EN16, “Fines and incidents”, Vattenfall stated there was an incident but that there was no danger to the surroundings. The company stated that the incident was not as bad as the media had charged. However, at the same time, the company also stated that it had improved and adjusted its safety routines at its nuclear plants.

“During 2006, Vattenfall decided to put new emphasis on the safety work, partly as a result of the disruptions that occurred at the Forsmark nuclear power plant in Sweden. A thorough review has been conducted at all of Vattenfall’s nuclear power plants and safety routines are being strengthened. [...] During 2004 – 2012 Vattenfall is investing about EUR 2.5 billion in upgrading safety levels and increasing the life of the Swedish nuclear power plants. In Germany, work to optimize and adjust safety levels continues.” (2006:8)

In 2007, Vattenfall received adverse publicity for the nuclear incidents at its German nuclear power plants Brunsbüttel and Krümmel. Vattenfall explains these incidents in its CSR Report. It is emphasized that the incidents did not jeopardize safety. The incidents were rated at 0 on the INES scale. Moreover, the company stated that it had learned the importance of crisis communications. In Vattenfall’s 2007 CSR Report, there is the heading “Transparent information is a must” (2007:8) is included. Moreover, the company states that its poor crisis communication

led to a negative media spiral. One focus area in the 2007 CSR Report is called “Nuclear power safety – a top priority”. In this section, Vattenfall describes the precautions it took to strengthen safety at its nuclear plants.

“On 28 June 2007, Vattenfall’s German nuclear power plants — Brunsbüttel and Krümmel — were both scrammed independent of each other [...] from a technical perspective, safety was never threatened [...] Confidence in Vattenfall and nuclear power in general suffered substantially [...] information to the general public was insufficient [...] management and the chain of command have been strengthened, and the crisis management team acted proactively to communicate and inform” (2007:8)

In 2008, Vattenfall still claimed, *“Safety is a primary concern in all Vattenfall’s operations”* (2008:41). However, Vattenfall’s work with making nuclear energy more efficient was the focus. In 2009, there was another incident at Krümmel. Vattenfall stated that, from a safety point of view, the incident was not significant, but the event nevertheless received much media attention and was the object of political concern. However, even though the event was regarded as insignificant from a safety point of view, the company dedicated an entire segment in its CSR Report to answering the following question: *“Are your nuclear operations safe?”*

As it had in 2005, Vattenfall, in its 2009 CSR Report, stated that safety measures had worked as intended. However, in 2009 the intention of the disclosure was to inform stakeholders that safety is Vattenfall’s responsibility and that it continues to improve it.

“Yes, safety levels in nuclear operations are not a matter of choice. Our responsibility as an operator is absolute... We continue to look critically at our system and processes and to strive for the highest safety standards (2009:35).

In 2010, Vattenfall’s communications on nuclear power focused on ensuring its readers that nuclear power is a sustainable energy source. However, the CSR Report also mentioned safety. The focus was on how safety had been improved. For instance, the CSR Report stated: *“Today’s safety systems are the result of long intensive research” (2010:22).*

5.2.4 The European expansion through coal and nuclear has not led to lower energy price...

The Swedish energy market was deregulated in 1996. It was expected that market forces would keep energy rates down, but instead rates have increased. The media claimed that energy companies were taking advantage of the system and pointed to this behaviour as a cause of the increase in energy rates. Then in 2005, the emission trading system (ETS) for trading greenhouse gas emissions was launched. This system forces companies with high carbon dioxide emissions to pay a fee for their emissions. The same year Swedish hydro reservoirs were full. Even so, Swedish energy rates increased. Stakeholders started to wonder why Swedish customers and businesses had to pay higher energy rates when the majority of energy in Sweden comes from low-emitting energy sources (nuclear power and hydro power).

“The reservoirs are filled up to 85 %, more than normally. This should mean lower energy rates on a warm August Saturday, but the Swedish spot price on Nordpool today is 29 öre/kwh. That is much more than the average rate during January and

February. The increase in rate is caused by the emissions allowance [...] But the Emission Trading System should not affect energy rates in Sweden? [...] Deregulated markets and the expansion of the European market affect energy rates in Sweden..."

(Svenska Dagbladet, 20th of August, 2005)

High energy rates affected Swedish companies and households. The Swedish media speculated that the rate increases would force energy companies to cease their operations until energy rates decreased to an acceptable level. The Swedish media also addressed concerns about Swedish employment since energy rates affect whether companies can continue operating in Sweden. Moreover, high energy rates have a negative effect on households. At the same time, the media addressed energy companies' huge profits.

"Vattenfall and other Nordic energy companies take over 100 billion Swedish crowns from industry and households. [...] Vattenfall has made large profits that are invested in foreign coal and gas power. It is now ranked as one of the EU's biggest emitters of greenhouse gases."

(Dagens Industri, 13th of April, 2010)

"[...]the enormous profits led critics from Sweden's energy intense industry to claim that Swedish jobs have been lost due to the high energy rates [...]."

(Dagens Industri, 10th of February, 2006)

Hence, the Swedish press presented Vattenfall as a company whose profits increased due to the emissions allowance system. However, instead of investing the extra profits in environmentally friendly energy sources, according to the media Vattenfall used the money from Swedish industries and households to invest in high-emitting energy sources, such as coal. This image contradicted the self-image Vattenfall had projected as number one in environmental issues and number one in customer service (Vattenfall, 2005).

Moreover, the deregulated market had resulted in co-ownership of nuclear power plants. Vattenfall, Eon and Fortum, who co-own the Swedish nuclear power plants, were accused of co-operating to increase energy rates. This charge also threatened Vattenfall's reputation as a legitimate market player. The reason for this accusation was that the nuclear plants on several occasions did not operate as intended, causing rates to increase.

"Three big energy companies are the majority owners of the Swedish nuclear plants. Critics claim it is oligopoly and want to change the complicated ownership. [...] a majority in the Swedish government want to improve the energy market competition – but have no suggestions as to how. The suspicion that the three energy companies, Vattenfall, EON and Fortum, co- operate to increase energy rate is the reason that the Swedish government wants to break up the co-ownership of Swedish nuclear plants."

(Svenska Dagbladet, 23rd of September, 2010)

Vattenfall's customers – Swedish households and industry – and the politicians have used the media to criticize Vattenfall's and other energy companies' use of the energy systems. They have accused Vattenfall of transferring money from industry and households to themselves, without improving the environment.

Company response...

The company declines to take responsibility for the increase in energy rates. It explains that external factors, such as weather conditions and the ETS, cause the increased energy rates.

“It is sometimes claimed that electricity companies themselves are in control of the market and can set the rates that gives them the results they seek. This is not the case in an open and deregulated energy market.” (2005:30)

Occasionally the company points to the positive effects of the deregulated markets such as increased competition that leads to lower rates (2003, 2006-2007) and to the ETS, which is a first step in solving climate change issues (2004, 2005).

However, at the same time, the company frequently states that low energy rates are crucial for customers. According to Vattenfall’s CSR Reports, “providing energy at low cost is of importance” (See Appendix 2). According to the company, rates affect its customer satisfaction index. The company also discloses information about its launch of different products that may increase customer satisfaction:

“[We are] constantly developing offerings, including a launch of an attractively priced outline product in Germany and a three-year, fixed rate electricity contract with renewal rights in Swedish market.”(2007:7)

Furthermore, the company states that it takes an advisory role in order to reduce customers’ energy use. For instance, in 2009, the company assumed this advisory role as a way to take responsibility for reducing energy rates and to deal with environmental issues.

“Dutch energy supply is mainly based on fossil fuels (about 90%), and the possibilities of introducing a new sustainable energy supply... are limited... in order to address the challenge of sustainability, we promote savings in our role as an advisor. ... It is a win-win-win situation: less environmental impact, a smaller bill for you as a customer and we benefit through additional sales. (2009:31)

The accusation that Vattenfall cooperates with other energy companies to raise rates is not addressed in the company’s CSR Reports. Vattenfall only explains that it has an “*Antitrust compliance programme for its management team and other employees with extensive external contracts. The programme provides primary knowledge of antitrust and competition rules...*” (2005: 33)

Moreover, *Svenska Dagbladet* wrote that Vattenfall, EON and Fortum negotiated with the Swedish government to break-up their co-ownership of Swedish nuclear plants. (*Svenska Dagbladet*, 16th of January, 2010)

5.3 Conflicting opinions and pressure

Gamson and Modigliani (1989) write that public opinion usually does not consist of only one opinion but rather of a set of opinions. Stakeholders’ perceptions about a company can be both positive or negative (Einwiller et al., 2010). Table 5-1 shows the division among positive, negative or neutral articles revealed by the search for “Vattenfall AND kol” (English: Vattenfall AND coal). Table 5-2 shows the number of articles in the search for “Vattenfall AND kärnkraft”

(English: Vattenfall AND nuclear power). Moreover, Table 5-1 and Table 5-2 indicate whether the articles related specifically to Vattenfall or to a more general issue related to Vattenfall.

Year	Positive	%	Negative	%	Neutral	%	Total	General	Specific
2003			1	20	4	80	5	2	3
2004	1	10	7	70	2	20	10	2	8
2005	1	5	10	47,5	10	47,5	21	9	12
2006		0	11	65	6	35	17	9	8
2007	2	9,5	13	62	6	28,5	21	11	10
2008	3	9	17	51,5	13	39,5	33	16	17
2009		0	36	57	27	43	63	17	46
2010		0	29	60	19	40	48	9	39
TOTAL	7	3	124	57	87	40	218	75	143

Table 4-4 Coal - Swedish national press content

Table 5-1 shows that a majority of articles about coal power operations presented coal power in negative terms. Furthermore, many articles specifically discussed Vattenfall's coal operations. This indicates the Swedish media's generally negative opinion of Vattenfall's coal operations. However, a few stakeholders were positive about the development of CCS technology, although a majority of articles on this technology were negative. A clearer division among opinions was found in the articles on Vattenfall's nuclear power operations.

5.3.1 Replacement and phase out of nuclear plants...

Unlike the articles on coal power, the articles on nuclear power reflected conflicting opinions. This heterogeneity of opinion was especially evident in the debate on whether nuclear power is a low-emitting energy source that is difficult to replace or whether nuclear power is an energy source that should be phased-out, the sooner the better.

Year	Positive	%	Negative	%	Neutral	%	Total	General	Specific
2003	4	29	1	7	9	64	14	11	3
2004	8	23,5	8	23,5	18	53	34	20	14
2005	10	31	13	41	9	28	32	15	17
2006	7	20	11	31	17	49	35	29	6
2007	4	9,5	23	53,5	16	37	43	18	25
2008	8	29,5	11	41	8	29,5	27	7	20
2009	13	22	25	42	21	36	59	22	37
2010	9	17	29	55	15	28	53	35	18
TOTAL	63	21	121	41	113	38	297	157	140

Table 4-5 Nuclear - Swedish national press content

Stakeholders with a positive attitude towards nuclear power argued it should not be replaced because of its environmental advantages, primarily that it is a low carbon emitting energy source. Hence, the argument goes, it is necessary to keep nuclear power because there not enough environmentally friendly low-emitting energy sources.

“Göran Tunhammar, CEO Confederation of Swedish Enterprise: – Rethink nuclear power. It is the cleanest, safest and cheapest energy source we have today.”

(Svenska Dagbladet, 21st of January, 2003)

In addition, to the environmental issue, it is claimed that nuclear power ensures an energy supply for Swedish industry. Nuclear power is regarded as a stable energy source since it does not depend on weather conditions. Furthermore, the cost of producing energy from nuclear sources is low. According to the industry and the trade unions, a secure energy supply and reasonable energy rates are necessary conditions for keeping jobs.

However, industry and the unions support nuclear power. In 2006, a SOM-survey¹⁴ showed that the Swedish general public also supports the use of nuclear power. Moreover, many Swedish politicians (e.g., Jan Björklund) and German politicians (e.g., Angela Merkel) favour nuclear power.

“German Chancellor Angela Merkel claims that Europe’s largest industrial countries need nuclear power as a bridging technology so that the transformation to renewable energy will not harm the economy.”

(Svenska Dagbladet, 7th of September, 2010)

Stakeholders with a negative opinion of nuclear power have a different set of arguments. They point out that uranium is a finite resource and that the problem of nuclear waste storage still exists. They argue that the nuclear power lifecycle (from mining uranium to storage of waste) has an environmental impact, both by emitting carbon dioxide when mining uranium and by releasing heated water into the sea in the cooling down process. Moreover, these stakeholders note that nuclear power investments could have been used to develop renewable energy sources. They argue that if new nuclear plants are established, Sweden will be dependent on nuclear power for the next 70 years. They also claim it would be cheaper to establish renewable energy sources than build new nuclear plants. Moreover, to illustrate the risk for Sweden of sole dependence on nuclear power, these opponents recall that during the upgrading of Ringhals, Oskarshamn and Forsmark, these nuclear plants only operated at half their capacity. Such events increase energy rates.

“Nuclear power harms the climate, on one hand through carbon emissions, [...] according to an independent lifecycle analysis, on the other hand, through enormous warm water discharges. [...] Wind power is cheaper than new nuclear power.”

(Svenska Dagbladet, 12th of July, 2008)

Various politicians and industry representatives have the loudest voices on the positive side, while other politicians and environmentalists have the loudest voices on the negative side. However, some people in industry also support the investments in renewable energy sources and some environmentalists argue that nuclear power is environmentally friendly.

¹⁴ SOM- institution, is an institution, belonging to the university of Gothenburg, collecting research data and presenting annual trend analysis about how society changes. (www.som.gu.se).

Company response...

Vattenfall produces approximately 25 per cent of its electricity by nuclear power (See Appendix 1). The company responds to the supporters of nuclear power by disclosing the company's upgrades in nuclear power.

"Upgrading programmes are underway with the aim of increasing the capacity of existing nuclear and hydro power plants in Sweden. (2004:71; EN3-4)

However, some arguments in Vattenfall's CSR Reports imply that the company also responds to the critics of nuclear power. For instance, the company states that the upgrades in nuclear power plants are not only to increase capacity and efficiency, but also to increase safety and protect against environmental damage. Hence, Vattenfall's CSR disclosure is directed towards both nuclear proponents and nuclear opponents.

"Vattenfall will remain involved in nuclear power, and will keep options open for growth. Currently, investments are being focused on upgrading and safety improvements." (2010:14)

Moreover, in its CSR Reports Vattenfall addresses uranium supply and nuclear waste issues by informing readers that the use of uranium has been approved and nuclear waste disposal is better managed. In the years of this study, Vattenfall educated their readers about how nuclear waste was managed. However, in 2006, because of the incident at Forsmark, the focus of the CSR Report was on the safety of nuclear power and other energy sources and on investments in renewable energy supplies. The nuclear waste management section was much shorter than in previous years and referred to the information disclosed in the 2005 CSR Report. In 2007, due to the incidents at the German nuclear plants, the CSR Report focused on those incidents and how the company intended to improve its crisis communications. Even so, investments in upgrading nuclear plants appeared under the heading *"Fulfilling society's energy needs in a responsible way"*. There was only one sentence, under the GRI indicator EN11, about waste storage. However, uranium procurement was discussed under the heading *"Case Benchmark of the Industry, Responsible procurement of resources"*. In 2008, Vattenfall highlighted the improvements made in using uranium more efficiently. Vattenfall included a section in this CSR Report called *"Efficient use of nuclear fuel"* in its narrative.

"Today, fuel is used more efficiently thanks to improvements in fuel fabrication and how fuels are used in generation of power. This has resulted in less mining and reduced amounts of nuclear waste for the same amount of generated energy."(2008:29)

In all years of this study, Vattenfall explains that sea water is used to cool the nuclear power plants. However, in 2008 the company also informed its reader that it took responsibility for water use. For instance, the company takes a "Water balance perspective" and monitors the temperature of water discharged.

"The largest amount of cooling water is used in Vattenfall's nuclear power plants in Sweden and Germany, and most of the water is taken from the sea. The temperature increase from discharge of cooling water is monitored and kept within specific limits for each plant." (2008:53)

Moreover in 2010, the year in which the Swedish government lifted the ban on constructing new nuclear plants, Vattenfall's CSR Report included the heading: *"Can nuclear power be part of sustainable energy system?"*

This study also found that Vattenfall tries to convince opponents of the need to use nuclear power. The company argues that nuclear power is a low-emitting and controllable energy source since it does not depend on weather conditions. In addition, the company points to the need for nuclear power in order to provide for future increases in energy demand. The company also uses its CSR Reports to show it is a responsible company. For instance, Vattenfall discloses it audits its uranium suppliers and monitors its impact in "life cycle" analyses *"from the cradle to the grave"*.

"Vattenfall has commissioned certified life cycle analyses of its own nuclear operations in Sweden, and our calculations shows a low emission of 5.36g CO₂ per KWh – comparable to the life cycle emission of best renewable energy sources" (2009:21)

5.4 Scepticism and pressure

Ashford and Gibbs (1990) observe that sometimes when companies try too hard to make their operations appear legitimate, stakeholders are sceptical. There are various ways in which this scepticism is revealed.

5.4.1 "Scepticism towards the developing technology Carbon Capture and Storage (CCS) ..."

As mentioned in Section 5.2.1, Vattenfall promotes the combination of coal and CCS technology as a bridging solution to the climate change threat and to increased energy demands. However, in the media, stakeholders such as environmentalists and politicians have expressed their scepticism of such technology.

For instance concerns about when, or if, the CSS technology will be ready were raised in the Swedish press.

"'It is uncertain if the technology ever will be used commercially', said Daniel Häfner from Robin Wood [...] Greenpeace and other activist have in recent days started spectacular protest actions. Regional politicians are also sceptical..."

(Svenska Dagbladet, 10th of September, 2008)

Furthermore, residents of areas where CCS technology is established have also expressed their scepticism of the technology. This scepticism among residents has postponements of the political decisions necessary for establishing the infrastructure needed to operate coal power plants using CCS technology.

"Vattenfall's plans to build a ten times bigger coal power plant than the pilot plant in Schwarze Pumpe has met resistance from the residents in north German Schleswig-Holstein. The government is postponing the decision in order to avoid making carbon capture and storage a voting issue. "

(Dagens Industri, 26th of July, 2009)

Moreover, there was concern about the effect of storing carbon dioxide in the ground.

“The knowledge about CCS technology’s negative environmental impact and the cost for such is poorly mapped, for instance, the increased demand for cooling water, increased coal mining and the network of pipelines transporting the carbon dioxide to storage places.”

(Svenska Dagbladet, 19th of October, 2008)

Company response...

In all years of this study, the CSR Reports commented on the CCS technology. To respond to the scepticism towards the CCS technology, Vattenfall explained to readers how the technology works (2003-2005, 2007-2009) and informed them about the progress of the project (2003-2010).

As early as 2003, Vattenfall informed its readers about the “CO₂ free power plant” (2003:15) and the progress of the project. In 2003, the CCS technology was presented as a technology that would reduce carbon dioxide emissions from German power plants. Furthermore, the company stated that it was leading a project that would enable coal power plants to emit virtually no carbon emissions. In 2004, the company emphasized that it was appropriate to invest in CCS technology. The company presented CCS technology as an essential tool that helps the company achieve the EU’s goals of reducing carbon emissions by 60 per cent by 2050 (2005, 2006, 2009) and by 50 per cent by 2030 (2007) and of being climate neutral by 2050 (2008, 2010).

“The EU’s long-term goal is to limit the temperature increase due to climate change to a maximum of 2°C. This requires a 60-80 per cent reduction in Europe’s emissions by 2050, compared to present levels. According to the recently published special report from the International Panel on Climate Change, these ambitious targets can hardly be reached without the carbon capture and storage technology” (2005:28)

In 2006, Vattenfall still told its readers how the CCS technology worked, but emphasis was on informing how the project was progressing. Instead of using an educational picture of how CCS technology worked, the company showed a picture of Vattenfall’s pilot plant Schwarze Pumpe in Germany. In 2007, a time-line showed how the CCS technology had developed and the plan for future progress.

“Our goal is to make CCS fully commercially available and to equip all our newly built coal plants with CCS technology starting in 2020.” (2007:12)

It is only in 2007 that Vattenfall responds to concerns about the risks of CCS technology.

“All known risks can be handled with known technology and skills. The risks of CCS are very small in comparison to the risk of not going for CCS” (2007: 13)

In 2008, one heading in Vattenfall’s CSR Report is “Technology as a tool for reducing emissions” under which the CCS technology is promoted as a technology that reduces emissions. New CCS technology projects in Germany and Denmark are presented. In 2009, more emphasis was put on the CCS technology under the heading “Can you make carbon capture and storage a reality? (2009:12-13). Both the 2009 and 2010 CSR Reports have the sub-heading “The road to 2020”.

In 2009, Vattenfall emphasized that it believed it could make the CCS technology a reality in a timely manner. The company also claimed that the progress of the CCS technology was not entirely under its control. External factors such as the establishment of a legal framework and

local acceptance for the technology were pointed to as factors that delay the technology. In 2010, the company emphasized that no coal plants without CCS technology would be built after 2015. It also stated that it was not entirely its decision as to how quickly the CCS technology would develop.

"We can also prepare for tomorrow, by developing a demonstrating carbon capture and storage (CCS) technologies that will reduce emissions from coal plants in the future. [...] Unfortunately, legislative requirements for transport and storage, particularly in Germany, are behind schedule" (2010:24)

5.4.2 "Vattenfall's words and actions do not correspond..."

Some news articles charged that Vattenfall only showed concern for the environment in its rhetoric, but not in its practice. In the later years of this study, environmentalists used the media to express their scepticism of Vattenfall's self-image as an environmentally responsible energy company.

Making electricity clean is the slogan in Vattenfall's Annual Report for 2008, but in recent years the company has not delivered many results in that direction...

(Dagens Nyheter, 17th of November, 2009)

Furthermore, environmentalists accused Vattenfall of using the CCS project to cover up its poor environmental record.

"Coal power has a future' says Lars G. Josefsson. [...] A group of environmentalists [...] accuses him of Green Wash because he tries to protect the company's large emissions from German coal power plants with a small environment project."

(Dagens Industri, 10th of September, 2008)

As the result of this criticism and scepticism, Vattenfall won the unimpressive Climate Green Wash Award in 2009.

"Vattenfall is one of the most criticized companies by environmentalists. A year ago the company was awarded the Climate Green Wash Award, organized by several environmental organizations."

(Dagens Nyheter, 28th of May, 2010)

Company response...

Vattenfall did not respond to stakeholders' concerns about how well its self-image matches its reality. However, Vattenfall announced that the company would change its communication strategy. In its interview with *Svenska Dagbladet*, Vattenfall's communication director stated that the company plans to communicate as a leading European energy company that owns a lot of coal power but that at the same time is exceptionally skilled at environmental work, such as the capture and storage of carbon emissions (*Svenska Dagbladet*, 8th of January, 2010).

5.5 Dynamics of Legitimacy, Future Uncertainty and Pressure

The perception on what acceptable practices are may change over time (Dowling and Pfeffer, 1975). The media data about Vattenfall's coal power and nuclear power operations imply that there are uncertainties about what the future holds for both coal and nuclear power.

As far as coal power, the media attention has been mostly negative in the years this study covers. Although the media reports that most stakeholders want to cease using coal as an energy source, there are conflicting opinions about the potential of the CCS technology as a bridging solution. The CCS technology itself faces an uncertain future because of stakeholders' scepticism and the uncertain legal and economic conditions. Vattenfall's desire for growth and economic benefits has been satisfied by its coal power operations. However, social legitimacy has not been achieved. Vattenfall's coal power operations do not fit comfortably with society's environmental concerns. Vattenfall's investments in coal, as presented in the media, conflict with various stakeholders' interests and demands. The conflict is especially evident between Vattenfall's view of coal combined with CCS technology as a necessity and the environmentalists' view that the fossil fuel energy supply has to be phased-out in order to come to terms with climate change.

As far as nuclear power, the media data show that the number of positive and negative articles in 2004-2006 and 2008 are relatively equal, in comparison to each other. However, incidents at Vattenfall's nuclear power plants, could explain why the number of negative articles increased during some years. After these incidents, Vattenfall was no longer perceived as a company with top quality security systems. However, the discussion regarding the replacement of nuclear power changed over time due to other incidents. Nuclear disasters in Harrisburg, PA, Chernobyl and Fukushima have changed many people's opinions about nuclear operations. In the 1980s, after the Chernobyl disaster, the Swedish people voted to phase out nuclear power as an energy source. However, historically it has been shown that such negative opinions of nuclear power have reversed, owing to the concerns about fossil fuel emissions. Hence, conflicting opinions about nuclear power replacement have existed for some time.

Such conflicting opinions about nuclear power did not seem to affect Vattenfall's operations - either economically or socially. However, the incidents at their nuclear plants did seem to have a negative effect. The company's legitimacy was damaged when it was no longer perceived as having a top-of-the-line security system in its nuclear plants. There were negative economic consequences for Vattenfall as evidenced by the loss of customers and by the loss in production as German politicians delayed the re-opening of the plants.

News articles used in this study indicate that perceptions about Vattenfall's coal and nuclear power did not change considerable during the period included in this study. However, uncertainty about the future exist.

6. Analysis

This chapter presents the findings from this study. Case study data is analyzed in accordance to the models established in chapter 4. The chapter begins with descriptions of the external expectations and pressures Vattenfall was exposed to, from 2003 to 2010. The following three sections describe Vattenfall's disclosure practices: how the company used its CSR disclosure to respond to these external expectations and the challenges they faced as a result. The chapter concludes with comments on the different pressures and the media attention in relation to certain events and to their influence on Vattenfall's CSR disclosures. Table 6-1 summarizes the expectations, pressures and challenges that are described in the chapter.

6.1 External Expectations, Pressures and Challenges

Expectations

This study of the media attention on Vattenfall's nuclear and coal operations, during 2003- 2010, reveal that various external actors expected Vattenfall to assume the role of the good corporate citizen. Vattenfall was expected to take environmental and social responsibility for its coal operations, to have top-of-the-line security at its nuclear power plants with good routines in place in the event of problems, and to supply Swedish households and industry with energy at competitive rates. The general perception in the media was that Vattenfall failed to meet these expectations. External stakeholders pressured the company to assume more responsibility for its societal/environmental footprint. For instance, Vattenfall should take more responsibility for its contribution to hinder climate change, for improved safety routines and crisis management at its nuclear power plants, and for the development of a product portfolio that would provide reliable and affordable energy.

Pressures

According to Oliver (1991), the media's impact on a company's behaviour depends on how significant an issue is (High = H, Medium= M, Low= L). The significance of external demands or requests depends on how well these demands or request fit with organizational goals and what constraints the company could be exposed to if it does not fulfil them.

The issues that appeared in the Swedish media about Vattenfall's coal and nuclear operations should be important to the company. Approximately 50 per cent of Vattenfall's heat and electricity production was produced from coal, and more than 25 per cent of its electricity was produced from nuclear sources (See Appendix 1). Moreover, Vattenfall's strategic ambition was to be number one among energy companies in environmental issues, number one in customer service (Vattenfall CSR Report, 2005) and number one in nuclear safety (Vattenfall CSR Report, 2008).

Oliver (1991) also states that a company's behaviour depends on how dependent it is on the actors exerting the pressure. The extent of Vattenfall's dependence on such actors varies. The company is highly dependent on politicians since they have the power to allocate resources to the company as well as to change operating conditions and restrictions. Vattenfall is also highly dependent on its customers since the loss of customers has financial implications. In general, Vattenfall is less dependent on the environmentalists although they do have some influence on

perceptions of the company. They can affect Vattenfall indirectly, by influencing the perception of other stakeholders.

These stakeholders use different means to exert pressure on Vattenfall: e.g., protests, demonstrations, threats to change conditions/control, threats to enforce cessation of operations and cancellation of user contracts. Perhaps the most powerful stakeholders are the politicians. For example, the Swedish politicians threatened to change market conditions for Vattenfall's co-ownership of nuclear plants. The German politicians threaten to close down Vattenfall's nuclear power operations. The Swedish politicians also changed the owners' directive and pressured Vattenfall to take environmental responsibility outside Sweden.

Oliver (1991) states that the means stakeholders use can influence companies' behaviour. The result depends on whether the means used involve legal coercion or voluntary compliance. For Vattenfall, various pressures influenced perceptions of the company. However, citizen pressure is not legally enforceable. On the other hand, government pressure is powerful since it may be backed up by legislation.

The pressures identified in this study were not always specifically directed towards Vattenfall as a company. For instance, there was a general debate on whether nuclear power plants should be phased out. Vattenfall was pressured between conflicting opinions. On the one hand, some politicians and industry representatives insisted that nuclear power was needed. On the other hand, other politicians and environmentalists argued that nuclear power should be phased out as soon as possible. However, some industry representatives supported renewable energy source development, and some environmentalists supported nuclear power. The inability to determine the future of nuclear power increases the environmental uncertainty related to nuclear operations. Oliver (1991) writes that environmental uncertainty affects a company's behaviour. She states that the likelihood that a company will conform to external pressures is less when environmental uncertainty is high.

Moreover, Ashford and Gibbs (1990) state that a company can try too hard to become legitimate. Instead of gaining, maintaining or repair legitimacy, companies may encounter stakeholder scepticism of the images they present. Various stakeholders were sceptical of Vattenfall's conviction that coal combined with CCS technology was a bridging solution for the energy supply and climate issues. There was doubt whether this technology would become a reality and if the risks with the technology had been sufficiently studied.

Oliver (1991) also states that company behaviour influences why it faces pressure. The pressures described above threatened Vattenfall's social legitimacy and economic viability. The pressure on its coal operations posed a risk to Vattenfall's reputation. Instead of an environmentally responsible company, Vattenfall was perceived as an environmental villain. Hence, Vattenfall's social legitimacy was threatened, as environmentalists, German politicians and German residents expressed their scepticism of the CCS project and its technology. As a result, Vattenfall's ability to operate was at risk since it needed the politicians' approval for the required project infrastructure.

There was also a sceptical attitude directed toward Vattenfall's self-image as an environmentally responsible company. As Hines (1988) states, the image produced by a company may be

challenged when stakeholders do not believe that they have received a “true and fair” view of a company’s operations. Instead of being perceived as environmentally responsible company, Vattenfall received the *Climate Green Wash Award*.

Moreover, pressure about improved security at Vattenfall’s nuclear plants threatened the company economically as customers left the company and governments hesitated to give Vattenfall permission to operate nuclear plants.

<p>1. Expectation Coal: Responsibility for environmental impact</p>	<p>Pressure factors: <u>What demand:</u> Less coal (H) <u>Who:</u> Environmentalists (M), Politicians (H) <u>How:</u> Protest (L), Changed owners’ directive (H) <u>Where:</u> Uncertainty about CCS and coal future <u>Why:</u> social legitimacy not received</p>
<p>2. Expectation Coal: Responsibility for impact on local community</p>	<p>Pressure factors: <u>What demand:</u> Do not engage in actively moving villages (M) <u>Who:</u> Environmentalists (M), Politicians (H), Local residents (M) <u>How:</u> Protest (L) <u>Where:</u> <u>Why:</u> social legitimacy not received</p>
<p>Challenge 1: Scepticism towards CCS technology - Local residents, environmentalists and politicians</p>	
<p>3. Expectation Nuclear: a) Responsibility for safety at nuclear plant (2003- 2010) b) Responsibility crisis communication. 2007-2010</p>	<p>Pressure factors: <u>What demand:</u> Improve practice (H) <u>Who:</u> Customer (H), Politicians (H), Environmentalists (M) <u>How:</u> Supervision (H), Closed plants (H) <u>Where:</u> Uncertain nuclear future <u>Why:</u> both economic gain and social legitimacy threatened</p>
<p>Challenge 2: Conflicting opinions about replacement of nuclear power: -Politicians, industry and environmentalists</p>	
<p>4. Expectation Energy Rate: Ensure stable energy supply at reasonable rates</p>	<p>Pressure factors: <u>What demand:</u> Ensure stable, reasonable energy rates <u>Who:</u> Customer (H), Industry (H), Politicians (H) <u>How:</u> Threats of changed conditions (M) <u>Where:</u> <u>Why:</u> social legitimacy threatened.</p>
<p>Challenge 3: Scepticisms if words and actions do not correspond - <i>Climate Green Wash Award</i></p>	

Table 6-1 Context -External expectations, pressure and challenges.¹⁵

¹⁵ Challenge 3 is not connected to any expectations as the Challenge belongs to the overall image Vattenfall presents.

6.2 Response to Coal Expectations, Pressures and Challenges

After its European expansion, Vattenfall, which formerly had been associated with hydroelectric and nuclear power, became associated with coal power. Vattenfall entered into new markets where coal was a significant portion of its energy source portfolio. However, coal is associated with high carbon dioxide emissions, which did not correspond to Vattenfall's goal of reducing carbon dioxide emissions. Hence, Vattenfall began to engage in helping CCS technology to become commercial.

According to Tilling and Tilt (2009), when a product is in its early stage of development, a company will try to gain acceptance for it (See Table 6-2). Vattenfall entered new markets with its developing CCS technology that would convert coal power from a problem to a solution. Vattenfall used its CSR Reports to gain legitimacy for its "new" coal power operations.

Even when important stakeholders used strong measures to pressure Vattenfall to make changes in their actions and policies, and its social legitimacy was threatened, the company resisted conforming to these external expectations. Vattenfall was like the fictitious paper company in Lindblom's (1994) study that was expected to reduce its pollution. In one of Lindblom's four scenarios, this company, like Vattenfall, resisted conforming to external expectations. Instead of conforming to expectations, Lindblom's (1994) company used disclosure to change external perceptions. The paper company told its stakeholders it would not be financially defensible to invest more money in pollution reduction and that it could provide greater benefit to the community as a stable employer. Vattenfall used its CSR disclosure in a similar way to justify its practice. Vattenfall showed that it would provide more value to its surroundings if it continued using coal power. It also argued that coal combined with CCS technology was a low-emitting energy source that ensured a stable energy supply.

Hence, to gain legitimacy and to convince stakeholders that continuance of the coal operations was valuable to the public, the company, consistent with Suchman's (1995) ideas on managing legitimacy, tried to disassociate coal production from its reputation as the source of high carbon dioxide emissions. Moreover, the company, consistent with Oliver's (1991) ideas on strategic responses, actively tried to challenge external expectations by claiming that coal combined with the developing CCS technology was a solution instead of a problem. In addition, to alter social values, Vattenfall promoted the positive attributes of coal such as low cost and reliability (See O'Donovan, 2002). Furthermore, Vattenfall, consistent with Cho's (2009) ideas on legitimation strategies, used the disclaimer approach to deny its responsibility by addressing external factors that make the energy supply dependent on coal. For example, the lack of alternative low carbon dioxide emitting energy sources were identified as such an external factor.

In its 2010 CSR Report, Vattenfall still made these arguments in trying to convince readers that it is acceptable to use coal as an energy source. However, the company also stated that it would decrease its use of coal. The company also responded to the concerns of environmental groups and some politicians on how it intended to achieve its environmental goal as a large user of coal. The company acknowledged that this may not be possible, but still stated that the most essential tool to achieve its goal was to combine coal with the CCS technology. Hence, in 2010, the company still argued that coal combined with CCS technology is appropriate. However, at the same time, the company accepted external demands to reduce coal in its energy source portfolio.

Response - coal power	Gain¹⁶
Acceptance	
Justifying¹⁷	<p>Vattenfall does not take responsibility/ follow societal environmental ambitions (2003- 2010¹⁸)</p> <p><i>Arguments in the text used to convince audience that the company should continue to invest in coal:¹⁹</i></p> <p><u>Disentangle coal from high emission and positive effects (See Table 6-4)</u> *Coal is a solution in combination with CCS technology (2003- 2010)²⁰</p> <p><u>External factors (deny responsibility)</u> * Dependence on coal increases as demand for energy increases (2003- 2010) * Challenge to replace coal with renewable energy sources exists (2003- 2010)</p> <p><u>Positive effects:</u> * Advantages with using coal as energy source (2004- 2006, 2008) - Lower cost (2004, 2006) - Stable energy supply (not weather dependent) (2005, 2008)</p> <p><i>Arguments to show that Vattenfall takes responsibility:</i></p> <ul style="list-style-type: none"> * Vattenfall's (VF) has vision/ambition/is/will/has etc. to take a leading role or Vattenfall has or is taking a leading role... in forming sustainable energy supply systems (2003-2010) * VF helps CCS technology develop (2003- 2010) * Designs its operations so that footprint is minimized (2003- 2010) * Investment and ensure that coal power plants run efficiently (2003- 2010) <p><i>Arguments and responsibility that signals acceptance:</i></p> <ul style="list-style-type: none"> * Investments are made in renewable energy sources (2003- 2010) * Renewable energy sources are a substantial part of Vattenfall's portfolio (2004, 2005, 2007) * Bio fuel can replace coal (2006, 2008, 2010) * Natural gas plants can replace coal (2010) * Less coal (2010)
Tricking	
Escape	

Table 6-2 Vattenfall's response to coal expectations and pressures.

¹⁶ Shows what sort of objective caused by the situation around Vattenfall that the company had with its disclosure.

¹⁷ Shows what sort of disclosure tactic, Vattenfall's CSR disclosure arguments indicate that the company had.

¹⁸ The year put into parentheses, informs which years Swedish press covered an issue.

¹⁹ The study is divided between arguments used to convince and arguments used to show that the company takes responsibility. Disclosure approaches are underlined; arguments used are divided under each disclosure approach or responsibility argument. Sometimes examples are given under the arguments used by Vattenfall.

²⁰ The years put in parentheses after an argument, inform which years the argument was used in Vattenfall's CSR Reports.

Moreover, Vattenfall also used its CSR Reports to present itself as a company that takes environmental responsibility. For instance, the company disclosed that it takes such responsibility and fulfils its owners’ ambition to lead the energy transition by taking a leading role in the energy transition, both through coal power development and in investments in renewable energy sources (See Table 6-2).

Vattenfall admitted that residents had to be relocated because of its coal mining operations (See Table 6-3). However, the company rejected the demand that a Swedish, state-owned company should not engage in activities that force residents of German villages to relocate. Through its CSR disclosure, Vattenfall justified its actions by emphasizing that it takes great responsibility for residents relocated from their homes and for the restoration of the land damaged by its mining operations. Furthermore, to change the perception about open-cast mining, Vattenfall tried to alter social values by educating stakeholders about the positive effects of its current practices (O'Donovan, 2002). For instance, the company stated that it creates more jobs because of its mining activities.

Response - Mining for coal.	Gain
Justifying	<p>Vattenfall' demand for coal demands residents of villages to move (2004, 2006, 2007, 2010)</p> <p><i>Argument to show that Vattenfall takes responsibility:</i></p> <ul style="list-style-type: none"> * Resettled villagers’ relocation is managed by the company. (GRI 2003- 2010, Narrative: 2003, 2007) <ul style="list-style-type: none"> - Resettlement programmes involve all aspects (2003- 2010) - Cooperates closely with local stakeholders (2003-2010) * Benchmark of industry (2007- 2010) * Restore the land (GRI 2003- 2010; Narrative: 2003, 2004, 2006, 2007, 2010) <ul style="list-style-type: none"> - Land is recovering (2003 - 2010) - Groundwater is managed (2003- 2010) <p><i>Arguments in text used to convince audience that it is positive that the company engages in mining activities:</i></p> <p><u>Positive effects</u></p> <ul style="list-style-type: none"> - Excess ground water made available to municipalities and industry nearby (2004 - 2010) - Remaining water creates wetlands for plants and animals (2003-2007) - Lignite industry important for economy and employment (2003, 2007) - Ensures company energy supply (2007)

Table 6-3 Vattenfall’s response to coal mining expectations and pressures.

From 2006 to 2010, the Swedish press published many articles that were very sceptical of Vattenfall's argument that coal combined with the CCS technology was a solution. Du et al. (2010) state that it is a major challenge for companies to manage stakeholders' scepticism. This was true for Vattenfall, especially since the company needed the German politicians' approval and the local residents' trust in order to develop the CCS technology and to disentangle coal from illegitimate regimes. Hence, the company used its CSR Reports to convince stakeholders that CCS technology was a solution for the future and a good investment (See Table 6-4). The company explained to its readers how the technology worked and kept them informed on how the CSS project was progressing. From 2003 to 2005, the emphasis was on educating readers on how the technology worked; from 2006 to 2010, the emphasis was informing readers how the technology was progressing. Furthermore, consistent with ideas by O'Donovan (2002), Vattenfall promoted the positive effects of the CCS technology. However, in 2009 and 2010, the company used the disclaimer approach that Cho (2009) describes. In using this approach, Vattenfall stated that the slow path to commercialization of CCS technology was not wholly its fault since local resistance and the need for certain legal frameworks had caused delays.

To summarise, Vattenfall did not conform to external expectations. Instead, it used its CSR disclosures to challenge them (See Oliver, 1991) and to try to change external perceptions (See Dowling and Pfeffer, 1975; O'Donovan, 2002) by informing and educating stakeholders about the benefits of its investments and operations in coal power (See Lindblom, 1994). In this effort, Vattenfall tried to change societal values by informing its stakeholders about the positive effects of its operations (See O'Donovan, 2002) and by denying responsibility for any harmful results (See Cho, 2009).

Response - CCS	Gain	Main-tain	Repair
Acceptance			
Justifying	<p>There are uncertainties regarding the developing CSS technology ... (2006- 2009)</p> <p><i>Education</i> about how the technology works (2003-2005, 2007-2009) <i>Information</i> about the progress of the project (2003- 2010)</p> <p><i>Arguments in the text used to convince audience that the company should continue to invest in technology:</i></p> <p><u>External factors causing delay:</u> * Building acceptance for CCS in local communities (2009, 2010) * Development of a legal framework (2009, 2010)</p> <p><u>Positive effects:</u> * Solution for reducing carbon emissions (2003 – 2010) - important tool in order to achieve the Kyoto Protocol goal of reducing emissions by 8% from 1990 levels (2003) - one of the most important tools in order to reach the EU’s target to reduce CO₂ emissions by 60% by 2050 (2005, 2006, 2009) - One of the most important tools to help Vattenfall to reach its goal of reducing CO₂ emissions by 50% by 2030. (2007) - One of the most important tools to help Vattenfall to reach its goal of being climate neutral by 2050 (2008, 2010) * Most cost-efficient solution (2005, 2008) * Risk related to CCS can be handled and is very small compared to the risk of not using CCS (2007) <i>Arguments to show that Vattenfall takes responsibility:</i></p> <p>* The company is a leading energy company engaged in the development of techniques to reduce carbon emissions from coal (2003-2005, 2007-2010) *Investment in CCS (2004, 2006, 2007) * Dialogue with NGOs about CCS (2005- 2010; only GRI) * Receives award for its CCS pilot plant (2007)</p>		
Tricking			
Escaping			

Table 6-4 Vattenfall’s response to CCS technology scepticism.

6.2 Response to Nuclear Expectations, Pressure and Challenges

From 2003 to 2010, there was a debate in the press about how nuclear power should be replaced and how the energy supply should be ensured. Since nuclear power was a significant energy source for Vattenfall, the company was concerned with maintaining the legitimacy of its nuclear operations. This became a disclosure objective for Vattenfall (See O'Donovan, 2002, on environmental disclosure objectives).

In 2005, the company stated that in the 2006 Forsmark nuclear power incident, personnel at the plant had acted as they were supposed to and the cooling system had worked as intended. The interpretation of this disclosure was that the company was trying to identify itself with the external view of how a nuclear power plant's safety system should work. As Dowling and Pfeffer's (1975), write, a company can use disclosure that allows it to become identified with external expectations and demands. Thus, Vattenfall stated that its operations already met external stakeholders' expectations. However, in 2007, the press revealed that there were still safety problems at Forsmark (*Svenska Dagbladet*, 13th of November, 2007). Therefore, Vattenfall appeared to be using the tricking tactic by which it used disclosure to draw attention away from the lack in routines and instead focus on its multiple safety systems at the nuclear power plants.

In 2007, confidence in Vattenfall's ability to run nuclear power plants safely was damaged when the lack in safety routines and culture at Forsmark became evident. This caused the Swedish government's nuclear inspection organization SKI (*Statens Kärnkrafts Inspektion/English: Swedish Radiation Safety Authority*) to evaluate Vattenfall's activities at Forsmark. Furthermore, two more nuclear incidents occurred, at Vattenfall's German plants. As a result, German politicians forced Vattenfall's nuclear plants in Germany to close until 2009. Hence, Vattenfall's disclosure objective shifted from maintaining to repairing legitimacy (See Table 6-5). Accordingly, the company's disclosure tactic changed. Instead of showing how its nuclear operations conformed to external pressures, the company used its CSR Reports to show that it conformed to external expectations by using the accepting tactic.

In contrast with the incident at Forsmark, where only the safety routines at the nuclear plants were criticized, Vattenfall's crisis communication system was criticized after the Krümmel and Brunsbüttel incidents. Vattenfall used its CSR disclosure to show that it conformed by strengthening its crisis communications. The company assured its readers that, in the event of a new incident, its improved system of crisis communication would work in accordance with external expectations.

Like Lindblom's (1995:6) fictitious case in which a paper company announced that it had adapted to external expectations by continuing "to look for opportunities to further reduce pollution", Vattenfall in 2006, 2007 and 2009 stated that it would continue to improve and strengthen the safety culture at its nuclear plants.

Response – nuclear safety	Gain	Maintain	Repair
Accepting			<p>Vattenfall does not have a sufficient safety system in nuclear operations... (2006-2009, Forsmark, Krümmel and Brunsbüttel)</p> <p><i>Argument to show that company fulfils expectations</i></p> <p><u>Improvements made to conform to external expectations:</u></p> <ul style="list-style-type: none"> * Safety at nuclear plants has been improved (2004, 2006- 2007, 2009- 2010) * Safety routines and culture are strengthened (2006, 2007, 2009, 2010) * Chief Nuclear Officer, who reviews safety levels like a controller (2007, 2009) * New crisis organization has been developed/ Improved communication routines (2007- 2010) - Must make sure transparent information and good communication are provided. (2007, 2009) *New emphasis on safety work (2006) <ul style="list-style-type: none"> - Adjust and improve safety *Research has been conducted (2009, 2010) * Employees are trained (2005, 2009- 2010) <p><i>However VF also argued that:</i></p> <ul style="list-style-type: none"> * there was no danger to surroundings (2005- 7,2009) * Safety measures function as intended (2005, 2007, 2009) <p><i>Arguments to show that Vattenfall takes responsibility:</i></p> <ul style="list-style-type: none"> * Safety is a primary concern (2003-2010) * Become number one in nuclear safety within 5 years (2008)
Tricking		<p>2003- 2005 Safety (Forsmark): <i>Promote good aspects to hide bad info.:</i></p> <ul style="list-style-type: none"> * Multiple safety system technology (2003-2004, 2006, 2009-2010) *Investment and improvement in nuclear safety (2003- 2006) 	

Table 6-5 Vattenfall's response to nuclear safety expectations and pressure.

Besides the media attention on nuclear safety issues and crisis routines, the replacement of nuclear power was discussed (See Table 6-6). There was a disclosure challenge in the area of nuclear power replacement because of the conflicting opinions about nuclear power. On the one hand, proponents argued in favour of retaining nuclear power plants; on the other hand, opponents argued for closing down nuclear power plants. According to Oliver (1991), companies that deal with heterogeneous stakeholders' demands must compromise among these demands if the stakeholders are important. Compromise means that a company conforms partly to external demands.

Oliver (1991) identified three ways companies compromise among conflicting demands: balancing, pacifying or bargaining. Vattenfall's compromise choice between the two conflicting nuclear power demands (retain or cease plant operations) was to take the pacifying approach. In this approach, the conflicting demands were managed by working to pacify (i.e., calm down) the opposing sides. To that end, Vattenfall informed proponents of nuclear power that it had conformed to their demands at the same time that it tried to pacify the opponents. Moreover, the company presented arguments intended to convince opponents of its reasons for continuing to use nuclear energy sources. For example, Vattenfall disclosed data that showed it had upgraded its safety system when it upgraded its nuclear capacity. The company stated that it had also invested in nuclear waste storage research and development activities. Moreover, Vattenfall argued that the use of uranium had become more efficient, and waste storage solutions had improved.

Response – Conflicting demands	Gain	Maintain	Repair
Acceptance (Partial)		<p>Conflicting picture _ Replace nuclear... (2003- 2010) <i>Arguments showing that company works to fulfil external expectations:</i></p> <ul style="list-style-type: none"> * Upgrades are conducted that will improve capacity and efficiency of nuclear plants. (2004- 2010) <p><i>However ... (Pacifying arguments):</i></p> <ul style="list-style-type: none"> * Upgrade also covers upgraded safety (2005, 2010) * Investment enhancement, state-of-the-art security (2007) * Waste management is being developed (2003- 2010) (2006-2007 only GRI) * Efficiency of using uranium as fuel is developed (2007, 2008) * R&D development in nuclear operation and waste storage (2009) <p><u>Positive effects</u></p> <ul style="list-style-type: none"> * Low-emitting energy source (2005, 2007- 2010) <p><i>Show that Vattenfall is a responsible actor:</i></p> <ul style="list-style-type: none"> * Suppliers of uranium are audited (2003- 2010) * Life-cycle analysis is conducted (2003- 2005, 2010) “Responsible handling from cradle to the grave” * Water balance perspective (2008- 2010) * Water used to cool down nuclear plants – monitor increase in heat (2008- 2010) 	

Table 6-6 Vattenfall’s responses to conflicting opinions about nuclear power replacement.

6.4 Response to Energy Price Expectations, Pressures and Challenges

Deregulation of the Swedish energy market did not work as intended. Instead of a decrease in energy rates, there was an increase. As a result of deregulation in the Swedish energy markets, Vattenfall and other large foreign energy companies entering the Swedish market joined in co-ownership of Swedish nuclear power plants. Since these nuclear power plants did not always operate at full capacity, the perception was that they were cooperating to increase energy rates. Moreover, when Vattenfall profited from the emission trading system (ETS), it was accused of investing the extra profits in “dirty” coal power instead of in renewable energy sources. Hence, Vattenfall’s objective was to repair its reputation (See Table 6-7).

According to O’Donovan’s (2002) research, it is unlikely that a company would use the justifying tactic to repair its legitimacy. However, because of the accusation that it had abused the deregulated markets and misused the ETS to increase profits, Vattenfall repeatedly made the same arguments – rates had increased, not because of its actions or decisions, but rather because of various external factors such as weather conditions, taxes and fuel prices. Moreover, occasionally the company commented on the positive effects of deregulated markets and the ETS.

At the same time, Vattenfall admitted that the level of the rates is very important to customers. Hence, the company repeatedly used its CSR Reports to present itself as a responsible market player that saves customers money by offering new products that reduce costs. Occasionally, the company disclosed that it engaged in positive activities. For example, Vattenfall stated that it took part in the ETS discussions. Moreover, the three large energy companies started negotiations with the Swedish government about how they could dissolve their co-ownership of nuclear power plants. However, Vattenfall did not disclose this information in the CSR Reports of this study.

Vattenfall’s disclosure approach, on one hand, resembles Cho’s (2009) disclaimer disclosure approach since the company denies that its operations increased energy rates. On the other hand, Vattenfall argued that it took responsibility for decreasing rates. This tactic could also be interpreted as a use of the image enhancement strategy that Cho (2009) describes. In this strategy, a company reviews its commitments and accomplishments in order to show it has met external expectations. However, Vattenfall’s CSR Reports indicate that the company used its CSR disclosures to inform its readers that external rather than internal factors were the cause of increased energy rates.

Response – Energy rates	Gain	Main - tain	Repair
Accepting			
Justifying			<p>Investments in coal and nuclear has not decreased energy rates... (2003- 2010) <i>Arguments to convince stakeholders that VF acts appropriately:</i></p> <p><u>External factors:</u> * <i>Weather conditions (2003, 2006- 2010)</i> * <i>Taxes (2003- 2005)</i> * <i>Supply – fuel rates increase (2005, 2008)</i> * <i>Deregulated markets:</i> - <i>It is not electricity companies themselves that are in control of the markets in open and deregulated energy markets. (2003-2005, 2009)</i> * <i>Emission allowance system (2005, 2006)</i></p> <p><u>Positive effects:</u></p> * <i>Deregulated markets (2003, 2006, 2007)</i> - <i>More competition – more pressure to cut rates (2003, 2006, 2007)</i> - <i>Higher level of efficiency/ functionality transparency (2003, 2006)</i> - <i>Higher level of service (2003)</i> * <i>ETS (2004, 2005)</i> - <i>Setting correct and global prices for emissions is vital for solving climate change issues (2004)/ a step in the right direction (2005)</i> - <i>Arguments showing that company take responsibility to provide energy at reasonable rates:</i> * <i>New products to meet request from customers (2003- 2010)</i> * <i>Help customers to save (2006- 2010)</i> * <i>Initiated the antitrust compliance programme for management team and other employees. (2004- 2010)</i> * <i>Take part in the global discussion about Emission Trading System (2004)</i> * <i>Increase efficiency at plants so as to supply energy at affordable rates (2009)</i>
Tricking			
Escaping			

Table 6-7 Vattenfall's response to energy price expectations and pressures

6.5 How do the external expectations and pressures acknowledged by the media influence a company's corporate social disclosure practice?

Observations about the media's acknowledging external expectations and pressure and how companies respond to such are summarised in the following sections. Similarities and differences in how Vattenfall used statements and arguments are analysed, over time.

Coal power

This study of the media coverage on coal power shows that powerful stakeholders, such as politicians, pressured Vattenfall to reduce their carbon emission and as such coal possession. Moreover, environmentalists, who mostly exert indirect pressure, also pressured Vattenfall (See Table 6-1) using local protests and media articles. Even when, because of these pressures, Vattenfall's social legitimacy was threatened, the company did not conform to external expectations and pressures. Instead, the company tried to gain legitimacy by trying to justify its operations.

This study suggests that external pressures, exerted by the media, sometimes influenced Vattenfall's disclosure practices. For instance, in 2006, scepticism of the self-image Vattenfall presented of itself arose. According to Ashford and Gibbs (1990), a company can try too hard to legitimate its activities. Hence, instead of accepting the legitimacy of Vattenfall's investment in its coal power operations, stakeholders began questioning the company image Vattenfall had presented. They were sceptical of the argument that the CCS technology could convert coal from a problem to a solution. Stakeholders wondered if they had received a "true and fair" view of the company's ability to reduce its high carbon dioxide emissions.

Vattenfall did not change its arguments as a direct response to the external pressures appearing in the media. However, there were some changes that indicated that the company had noted the media attention. In 2006, Vattenfall admitted that biomass could replace coal to some extent. Furthermore, 2006 is the only year in this study in which Vattenfall did not state that it was a leading actor engaged in developing the CCS technology. From 2007 to 2009, questions arose about when (or if) the CCS technology would be ready for use and if the risks of such technology had been examined properly. Beginning in 2006, Vattenfall placed more emphasis on informing readers about how the progress of CCS technology. In 2009 and 2010, Vattenfall offered new arguments when it said that it takes time to commercialize CCS technology – society must be educated to accept the technology and legal frameworks have to be established. However, the media (2007) also supported CCS technology. Moreover, Vattenfall was rewarded for its work with CCS technology. The year 2007 was also the only year in which Vattenfall stated that the risk of not having CCS technology was worse than having CCS technology.

Moreover, in 2010 Vattenfall's owners' directive changed. As the result of the change, Vattenfall was to be one of the leaders in the European energy transition (to ecologically and economically sustainable energy sources) rather than being the leader. In 2010 Vattenfall still argued that coal and CCS technology is a solution for carbon dioxide emissions problem. However, at the same time, the company announced that coal power would be a smaller part of its operations. Moreover, energy sources that could replace coal power were presented.

The Swedish press occasionally wrote about Vattenfall's mining activities. Vattenfall's statements of being a responsible actor were quite constant. However, their positive comments about their current mining practices varied and only sometimes included specific information about the coal mining activities. This study found almost no connections between Vattenfall's disclosures and the media coverage. However, in connection with the 2007 protests against Vattenfall's plans to relocate residents of a German village, the company stated it was a benchmark for the industry and re-emphasized the positive effects of coal mining (e.g., on employment and the economy).

Overall, there was a great deal of media attention in the years of this study on the negative environmental impact of Vattenfall's coal operations. The company responded frequently as it tried to disentangle coal from high emissions via the use of CCS technology. The company stated that external factors influenced its choice of coal as an energy source, and it took responsibility for its environmental impact. Occasionally, Vattenfall argued that there were positive effects from coal operations in an effort to convince stakeholders of the acceptability of its mining activities and its production of coal power energy. Moreover, at times the company stated that it could replace coal power with other energy sources. However, this study does not find that the occasional claims of positive effects and the coal replacement idea were connected to media pressure.

Vattenfall's attempt to gain legitimacy for its expansion into the European coal power market by the use of CCS technology to disentangle coal from illegitimate carbon dioxide emissions is the kind of proactive activity that O'Donovan (2002), Suchman (1995) and Ashford and Gibbs (1990) describe. This legitimacy-seeking attempt may explain why the company only occasionally changed its disclosure approach in reaction to the media attention.

To conclude, the media presented Vattenfall's coal operations negatively as harmful to the environment. However, Vattenfall always claimed it was a responsible actor. Some variations were found in statements about renewable energy sources. More changes occur towards the end of this study's research period. However, in 2007, following the local protests, there was an increase in the responsibility statements. In 2006, the context of Vattenfall's coal operations changed as scepticism of Vattenfall's CCS project grew. Also, in 2006 Vattenfall excluded its claim that it was a leader of CCS technology although it continued to focus on educating readers about CCS technology and its development.

History - from hydro- to nuclear- to coal- power						Vattenfall's disclosure during period included in this study							
History and Events behind Media attention - Coal power	VF starts its operations -Hydro		Sweden deregulated energy market		VF Europe expansion - includes Coal		Vattenfall's mining activities acknowledged	Emission Trading System	Scepticism towards CCS arguments arise. Mining.	Mining protest.	Polar icebear commercial	Green Wash Award	New CEO & owner directiv. Mining.
	1909	...	1996	.	1998- ...	2003	2004	2005	2006	2007	2008	2009	2010
Response:	Arguments					Gain - Justify							Both Justify and Accept
Detangle coal from high carbon emission:	Coal + CCS= solution					√	√	√	√	√	√	√	√
	CCS important to reach international climate goals					√		√	√			√	
	CCS important to reach VF's own climate goals									√	√		√
External factors having an impact on VF choice:	Dependence of coal					√	√	√	√	√	√	√	√
	Challenge with renewable energy sources					√	√	√	√	√	√	√	√
External factors affecting progress of CCS	Build acceptance for CCS takes time											√	√
	Develop legal framework for CCS takes time											√	√
Positive effect: from CCS-technology	Advantages with coal (cost, stability)						√	√	√		√		
	CCS is cost effective							√	√		√		
	Risk of not having CCS worst than risk with CCS									√			
from mining	Watersupply to nearby municipalities						√	√	√	√	√	√	√
	Appreciated wetlands					√	√	√	√	√			
	Employment & economy					√				√			
	Makes it possible for Vattenfall (VF) to ensure energy supply									√			
Responsibility statement (Environment):	VF took or will take a leading role in forming sustainable energy supply system					√	√	√	√	√	√	√	√
	VF helps CCS to develop					√	√	√	√	√	√	√	√
	VF designs to minimize its operations' footprint					√	√	√	√	√	√	√	√
	VF invest in efficient plants					√	√	√	√	√	√	√	√
Acceptance (to less coal, more renewables):	VF invest in renewable energy sources					√	√	√	√	√	√	√	√
	Renewable a substantial part of VF's portfolio						√	√		√			
	VF can use bio fuel to replace coal power								√		√		√
	VF can use gas to replace coal												√
Responsibility statement (Mining):	Less coal power in VF energy source portfolio												√
	VF takes responsibility for resettling villages					√	√	√	√	√	√	√	√
	VF cooperates with local stakeholders					√	√	√	√	√	√	√	√
	VF is a benchmark of industry when it comes to resettlement									√	√	√	√
Responsibility statements (CCS Scepticism):	VF takes responsibility for restore ground affected by its mining operations					√	√	√	√	√	√	√	√
	Leading development of techniques					√	√	√		√	√	√	√
	Invest in CCS						√		√	√			
	Dialogue with NGO							√	√	√	√	√	√
	VF is award for its CCS pilot plant									√			

Table 6-8 Summary - Coal power events and responses 2003- 2010.²¹

²¹ White = occasionally used arguments/statement, but without any connection to external expectations or pressure expressed in the media.

Light grey = arguments used by Vattenfall from year to year

Dark grey = arguments used by Vattenfall that had a connection to external expectations and pressures in the media.

Nuclear power

The media coverage on nuclear power revealed two issues that Vattenfall needed to manage. First, it was required that safety should be high at nuclear plants. Safety concerns were addressed in the many discussions about how and if nuclear power plants should be phased out and replaced. Second, there were two different time periods of relevance: pre-nuclear incident and post-nuclear incident. In the post-nuclear incident period, influential stakeholders, such as customers and politicians, pressured Vattenfall by using powerful pressure tools. For example, the company was forced to close its nuclear power plants until improvements were made. Moreover, customers showed their dissatisfaction by leaving the company. Vattenfall's economic position, as well as its social legitimacy, was harmed. For instance, profits decreased between 2007 and 2010 (See Appendix 1). Vattenfall explained these decreases as the result of the low capacity in its nuclear power plants (Vattenfall Annual Reports 2009).

Consequently, between these two periods, Vattenfall's nuclear disclosure changed. From a tool to maintain legitimacy (pre-nuclear power incident), the disclosure became a tool to repair legitimacy (post-nuclear power incident). Other researchers (O'Donovan, 2002, Suchman, 1995, Ashforth and Gibbs, 1990) state that companies that are trying to repair their legitimacy use "reactive disclosure activities". Similarly, this study finds that the pressure from the media influenced Vattenfall's disclosures. Vattenfall reactively responded to issues that the media previously had not focused on. Vattenfall argued that safety was its primary concern. For example, in 2007 the media focused on the poor safety culture at Forsmark and on new nuclear incidents. Vattenfall responded that it had appointed a Chief Nuclear Officer to strengthen the control of security. Furthermore, in 2007 the media charged that Vattenfall's crisis communication was poor during the German nuclear power incidents. Vattenfall responded that it had improved its crisis organization and management. Moreover, in its 2006 CSR Report (which was published in 2007), the company stated it had new safety routines. Moreover, in 2008 the year between the nuclear power incidents, Vattenfall made no arguments about such improvements and instead stated that its goal was to become number one in nuclear safety. However, in 2010, the year after the nuclear incidents, the company again presented its safety claims.

Even if most of Vattenfall's arguments in its CSR disclosures were made to show it had improved its practices in response to expectations, some arguments were used to justify its practices. In 2005, 2007 and 2009, the company stated that its nuclear safety system had worked as intended during the nuclear incidents.

Stakeholders use the media to convey their perceptions (Einwiller et al., 2010). Hence, reparation of legitimacy by a company is usually a reactive activity, undertaken to convince stakeholders that it is conforming to external expectations. In its 2006, 2007 and 2009 CSR Reports, Vattenfall emphasized that the reality was not as severe as the media had reported. The media, Vattenfall claimed, had presented an exaggerated description of the nuclear incidents. This claim, combined with Vattenfall's reactive response to the media attention, indicates that the media coverage of the incidents at Vattenfall's nuclear plants influenced its disclosures.

Nevertheless, Vattenfall still used its CSR Reports to achieve a compromise between conflicting opinions about the phase out and replacement of nuclear power plants. To some extent, its disclosures were affected by the safety concerns. As expected, the focus of each CSR Report

depended on whether a nuclear incident had occurred during the year. Thus, while there was a greater focus on safety issues in the years 2006, 2007 and 2009, the CSR Reports focused on conflicting opinions in non-nuclear incident years: 2005 (before), 2008 (between) and 2010 (after). For instance, in 2005, there was significant emphasis on the conflicting opinions on how nuclear waste should be stored, while the Forsmark incident was mentioned only in a note. However, the nuclear power incidents also influenced Vattenfall's response to conflicting opinions. In 2010, many more "safety" arguments were included than in 2005. Moreover, in both 2005 and 2007, Vattenfall used the upgrading of safety as a pacifying argument. Hence, this study suggests that media attention around safety at Vattenfall's nuclear power plants also affected how Vattenfall used its CSR disclosures to draw a compromise between conflicting opinions about nuclear power plant replacement.

		History - from hydro- to nuclear- to coal- power				Vattenfall's disclosure during period included in this study								
History and Events behind Media attention - Nuclear		VF starts its operations - Hydro	VF includes Nuclear	Harrisburg Nuclear disaster	Chernobyl nuclear disaster	2003	2004	2005	Emission Trading System	Nuclear incidents: 1. Forsmark	2. Krümmel & Brunsbüttel	Polar icebear commercial	3. Krümmel (Green Wash Award)	New CEO & owner directiv
		1909	70-80	1979	1986	2003	2004	2005	2006	2007	2008	2009	2010	
Response		Arguments												
<i>Safety at nuclear power plants has been improved</i>						Maintain - Tricking			Repair - Accept					
Responsible statement:	Safety- primary concern					√	√	√	√	√	√	√	√	
	VF goal to become number one in nuclear safety within 5 years										√			
Lift forward good aspects:	Safety- ensured with multiple Safety system					√	√		√			√	√	
	Safety investments					√	√	√	√					
Improvements made to fulfil:	Safety at nuclear plants has been improved						√		√	√		√	√	
	Safety routines is strengthened								√	√		√	√	
	VF appointed Chief Nuclear Officer									√		√		
	VF established new crisis organisation/ improved communication routines									√	√	√	√	
	Safety- New emphasis on Safety								√					
	Safety - research conducted											√	√	
However:	During nuclear incident there were no danger for VF's surroundings							√	√	√		√	√	
	Safety worked as intended							√	√	√		√	√	
<i>Replacement - keep or close down nuclear power plants</i>						Maintain- Partial acceptance / compromise								
Conform (partially):	Upgrade - capacity and efficiency						√	√	√	√	√	√	√	
Pacifying arguments:	Upgrade/ invest also in nuclear power safety							√		√			√	
	A solution for waste management is progressing					√	√	√	√	√	√	√	√	
	Ways to use fuel better is developed								√	√				
	R&D development in nuclear operation and waste storage											√		
Positive effect:	Nuclear is a low emitting energy source							√		√	√	√	√	
Responsible Statement:	VF audits its uranium supplier	√	√	√	√	√	√	√	√	√	√	√	√	
	VF makes a life- cycle analysis	√	√	√	√	√	√	√					√	
	VF takes a water balance perspective										√	√	√	
	VF monitors its water heating, caused by nuclear power plants										√	√	√	

Table 6-9 Summary - Nuclear power events and responses 2003- 2010.

To conclude, Vattenfall's responsibility statement was the same before and after the nuclear incident. However, the arguments changed as the company recognized the media coverage and the corporate image aspects. Vattenfall changed its disclosure arguments after its nuclear incidents. The company used its CSR report to inform how the company complied with external expectations that show how the company worked to improve its practice to comply with external pressure.

Energy Price

The media attention on energy rates related to two external events: the deregulation of the Swedish energy markets in 1996 and the creation of the emission trading system (ETS) in 2005. The media discussed how energy companies took advantage of these systems, resulting in large profits. The stakeholders' perception was influenced by press reports that the energy companies' behaviour had increased energy rates. Hence, Vattenfall needed to repair stakeholders' trust by showing that the company was a fair market player that charged only competitive energy rates. Influential stakeholders, such as households, industry and politicians, used the media to express their concerns. Politicians threatened to change the market conditions for co-ownership of the companies. However, there were no teeth in the threat. The media announced that the politicians had threatened to change market condition but had offered no suggestions of what would be done. Nevertheless, this charge in the press, that Vattenfall was a company engaged in illegal co-operation, threatened the company's social legitimacy.

The media described the energy companies' impact on energy rates in numerous articles throughout the years of this study. Vattenfall's constant response was to lay blame for the increase in energy rates on external factors. As a responsible actor, it said it could take no blame. The company even continued to present the positive effects of the deregulation and of the ETS.

As in the case of nuclear power, Vattenfall needed to repair its legitimacy. Such reparation, according to (O'Donovan, 2002, Suchman, 1995, Ashforth and Gibbs, 1990), usually includes reactive activities. However, in contrast to its response to the nuclear power problems, in which it conformed its activities to external expectations, here Vattenfall used CSR disclosures to defend itself. The arguments, made, were that the company did not set the rates in open markets and that it was external factors, without the control of the company, which set the energy price.

Unlike the nuclear power situation, there were only weak indications that Vattenfall responded reactively to the pressure in the media. First, when the ETS began, Vattenfall argued in favour of the positive effect that the ETS would produce. However, when the media claimed that the ETS caused wealth transfer from households and industry to large energy companies and resulted in extra profits that were invested in "dirty" coal power, Vattenfall no longer argued for the positive effects of the ETS.

Moreover, Vattenfall faced a challenge when dissatisfied customers complained about high energy rates (See Ashford and Gibbs, 1990). To respond to accusations that it used deregulated markets and the ETS to increase its profits, the company provided statements about how the company took responsibility by helping customers reduce their energy usage and save money. Moreover, Vattenfall published a customer satisfaction index that was used to show that Vattenfall had improved its performance and had fulfilled its ambition to become number one among energy companies as far as customer service. Thus, instead of arguing that external factors affected rates, Vattenfall focused on showing that it took responsibility. The company published information about new products that helped customers' reduce their costs and their energy consumption.

Hence, the external pressures found in media did not make Vattenfall conform to external expectations. Instead, the company used its CSR Reports to disclaim its responsibility (See Cho, 2009).

		History - from hydro- to nuclear- to coal- power						Vattenfall's disclosure during period included in this study																	
History and Events behind Media attention - Energy Price	VF starts its operations - Hydro		VF includes Nuclear		Sweden deregulated energy market		Owner directive lead ecological sustainable energy transition		VF Europe expansion - includes Coal		Coal mining activities acknowledged		Emission Trading System		Nuclear incidents - Forsmark		Nuclear incident - Krümmel & Brunsbüttele. Protest - Mining		Polar ice bear commercial		Nuclear incident - Krümmel / Green Wash Award		New CEO & owner directive		
	1909	...	70-80	...	1996	1997	1998-	...	2003	2004	2005	2006	2007	2008	2009	2010									
Response	Arguments						Repair - Justify/ Defend																		
External factors affecting energy price:	Weather conditions									√				√		√		√		√		√			
	Taxes									√	√		√												
	Fuel prices												√												
	Deregulation									√	√		√									√			
	Emission Trading system												√		√										
Positive effects of	Deregulation									√				√		√									
	Emission Trading system										√		√												
Responsible statement:	VF launched new products to meet request									√	√		√		√		√		√		√		√		
	VF advise customers how they can save money on energy													√		√		√		√		√		√	
	Anti- trust compliance programme + competition										√		√		√		√		√		√		√		
	VF took part in global ETS discussion										√														
	VF increased efficiency to supply energy at affordable price																						√		

Table 6-10 Summary - Energy price events and response 2003- 2010.

To conclude, on the issue of energy rates, Vattenfall changed its disclosures only slightly during the years of this study. One change, which occurred after 2006, was that the company worked more on its portrayal of itself in its responsibility statements. Previously Vattenfall had presented arguments that supported their responsibility statements. Hence, in this study Vattenfall's CSR Reports indicate that it worked with creating an image that contrasted with the one presented by the media.

7. Discussion and conclusion

Companies have to show that they meet external expectations in order to receive the social validation that gives them the licence to operate (Eriksson-Zetterquist, 2009, Moll et al., 2006, Deegan, 2006, O'Donovan, 2002, Oliver, 1991, Dowling and Pfeffer, 1975). Therefore, stakeholders expect companies to disclose information about their social and environmental performance (Cornelissen, 2008). Accordingly, this study examines the role of CSR disclosure as a response to external expectations and pressures.

Companies are motivated to make CSR disclosures since such information helps them obtain access to various resources, including money, advantages and to avoid disadvantages (Bebbington et al., 2007, Owen, 2005, Laufer, 2003, O'Dwyer, 2002, Coombs, 1995, Schilizzi, 2002). As CSR disclosure is voluntary, a company can set the stage (Gray et al., 1996) by presenting a favourable picture of its operations (Morgan, 1988, Hines, 1988). However, external actors such as the media are in a position to hold companies responsible for their effect on society and their environments. The media have the power to influence external perceptions of companies' operations (Greening and Gray 1994). Hence, this study contributes to the field of CSR disclosure in its examination of how external pressures to meet external expectations influence voluntary disclosure practices.

7.1 How do the external expectations and pressures acknowledged by the Swedish press influence Vattenfall's corporate social disclosure practice?

Depending on a company's current situation, its objectives with CSR disclosures differ (Ashforth and Gibbs, 1990). For instance, if a company wants to launch a new product, its disclosure objective is to gain legitimacy for this product. However, if a company's product is challenged or threatened, its disclosure objective is to repair its legitimacy (Ashforth and Gibbs, 1990). This study indicates that how external pressures, reflected in the media, influence a company's disclosure depends on the disclosure objective.

In this thesis, Vattenfall's disclosure objectives for its coal power and nuclear power operations differed. Vattenfall tried to gain acceptance for its coal operations by disentangling coal from its reputation as high carbon emissions energy source. However, instead of reacting and responding to the media coverage, the company consistently used its CSR disclosure to justify its coal power operations. That is, Vattenfall did not reactively change its arguments as a response to the media coverage. However, as far as its nuclear power operations, Vattenfall tried to repair its legitimacy after several nuclear incidents occurred. Vattenfall reactively responded to these incidents that the media had reported on. CSR disclosure was used to show that the company improved its practices in accordance to external expectations. Vattenfall's reaction and response was in agreement with O'Donovan's (2002) prediction (See Table 3-1), that it is very likely that a company, with the objective to gain legitimacy will use the justifying tactic, and that it is very likely that a company, with the objective to repair legitimacy will use the accepting tactic.

This study of Vattenfall's responses to the media attention on coal and nuclear power reveals that the media influenced Vattenfall's disclosure practices more when the company's disclosure

objective was to repair its legitimacy. O'Donovan (2002), Suchman (1995) and Ashford and Gibbs (1990) state that companies that are trying repairing their legitimacy often use reactive responses, while companies trying to gain legitimacy often use pro-active responses. This may explain why external pressures in the media influenced Vattenfall's disclosure practices more when the company was trying to repair its legitimacy.

However, in trying to repair its reputation, Vattenfall did not respond reactively to the criticism it was not a fair market player because it charged unfair rates for energy consumption. Instead, as it had done to gain legitimacy for its coal operations, Vattenfall tried to repair its reputation by justifying its operation by informing users that the rate increases were the result of external factors. Hence, in opposition to O'Donovan's (2002) prediction, the company used the justifying tactic to repair its legitimacy.

Before 2006, the company's focus was more on the external factors that influenced energy rates. After 2006, when it was claimed that the ETS increased the rates, Vattenfall focused more on customer satisfaction by offering different product solutions and by taking responsibility as an advisor to its customers. Thus, Vattenfall made statements that it was a responsible company that provided industry and household customers with energy at a reasonable cost. Hence, Vattenfall did not use arguments but rather created a different image of itself by changing its responsibility statements.

Consequently, the Vattenfall case study shows that external pressures and media attention influence only partially depends on a company's disclosure objectives. Both the nuclear incidents and the energy rate situation show how media attention influenced stakeholders to perceive the company as illegitimate. Hence, the company's objectives with its disclosures should have been to repair its legitimacy. However, as shown above, Vattenfall's responses and its use of the CSR disclosure to manage legitimacy differed.

A difference between the two scenarios was the external pressure Vattenfall was exposed to. Table 6-1 shows that, in both cases, powerful stakeholders pressured Vattenfall. They used strong means to exert pressure on Vattenfall to improve its nuclear safety practices. Another difference was that the media's attention on nuclear safety was specifically directed towards Vattenfall, while its attention on energy rates was largely directed towards the big energy companies operating in the Swedish market. Hence, this study implies that it is not only a company's disclosure objectives that determine how external pressures and media attention influence its disclosure tactics. Like Oliver's (1991) research, this study concludes that the type and strength of external pressure a company is exposed to also affect how external pressures and media influence a company's disclosure behaviour. Moreover, Hopwood (2009) states, that companies engage in CSR disclosure either to receive legitimacy or to facilitate a different image. The difference between the two situations, nuclear power incidents and energy price, could be explain by Hopwood's observation. That is that companies in certain situation (such as the nuclear power incident case) use their CSR report to create legitimacy around the company's activities, while they in other situations (such as the energy rate case) use the CSR report to facilitate a new image.

The examination of the external pressures on Vattenfall's coal power operations also implies that pressures can influence a company's disclosure behaviour. Oliver (1991) predicted that companies would resist conforming up until the point where their success is threatened. This

study shows that when scepticism of Vattenfall's coal power operations first arose, the company indicated that its coal power operations could be replaced by other energy sources. In 2010, after the company was awarded the *Climate Green Wash Award*, its owners' directive was changed, and a new CEO was appointed, there were more signs of conformity in its CSR Reports. Although Vattenfall still used its CSR Reports to justify its coal operations, there was more evidence that Vattenfall recognized the need to reduce its coal development (Vattenfall CSR Report, 2010).

Therefore, this study implies that external pressures and media attention influence depends on a company's disclosure objectives and how strong the external pressures are.

Furthermore, this study examines whether the media's effort to hold a company accountable for its environmental impact influences that company's disclosure behaviour and role of CSR disclosure. Opponents of voluntary information state that when information is unregulated, it does not contribute to the public good as companies tend to hold back unfavourable information (Verrecchia, 2001). However, proponents of voluntary information believe that there are risks strong enough to ensure that voluntary disclosure works properly (Dye, 1990). For example, one risk companies face in producing a favourable image is that stakeholders begin to question if the image is "true and fair" (Hines, 1988). One actor who could challenge such an image of a company is the media. Negative media attention may damage companies' social validation since the media have the power to influence stakeholders' perception of a company (Islam and Deegan, 2010, Deephouse, 2000, Gamson and Modigliani, 1989).

A company's reputation can be affected by how it communicates its assigned role in society (Capirotti, 2004). Vattenfall promoted itself as a company that takes environmental responsibility, and, as such, was expected to act accordingly. O'Donovan (2002) writes that external expectations are affected by how a company promotes itself. A company needs to meet public expectations in order to maintain its legitimacy (O'Donovan, 2002). From 2003 to 2010, the media challenged the self-image Vattenfall produced. When the media reported that Vattenfall was one of Europe's worst carbon dioxide emitters owing to its coal operations, scepticism of the image produced by Vattenfall grew. Vattenfall's slogans, such as "Making electricity clean", were challenged. Moreover, Vattenfall's reputation as a fair market and a company that made nuclear power safety a top priority was also challenged when the media described security system problems at Forsmark and the energy rate increases as wealth transfers from industry and households to big energy companies.

This study imply that media attention on an issue influences the information a company provides. For example, as scepticism (2006) grew on whether the CCS technology would become a reality was reported in the media, Vattenfall increased its disclosure of information on the progress of the CCS technology. Moreover, in 2007, as the media focused on the deficiencies in Vattenfall's safety culture and crisis communication, the company began disclosing information on improvements in both their safety and crisis management systems. Moreover, as the media reported on the negative effect of the ETS, Vattenfall ceased including arguments on the positive effect of the ETS in its CSR Reports.

Hence, this study, consistent with institutional and legitimacy theories, concludes that a company's CSR disclosure practice is influenced by its surroundings. Moreover, this study, also consistent with these theories, concludes that Vattenfall used its CSR Reports to gain social

validation (Eriksson-Zetterquist, 2009, Moll et al., 2006, Deegan, 2006, O'Donovan, 2002, Oliver, 1991). In the nuclear power case, Vattenfall informed its stakeholders on how it conformed to external expectations in order to retain a “license to operate” its nuclear power plants. Moreover, the company used its CSR disclosures to obtain a “license” to establish commercial CCS power plants by explaining that CCS technology is a solution to the conflicting problems of climate change and increased energy demands. In the energy rate case, Vattenfall seemed to use its CSR disclosure to establish a different image of it- self.

7.2 *What does the case study of Vattenfall tell us?*

In this thesis, Vattenfall’s CSR Reports were examined by looking at the statements and arguments that Vattenfall used to respond to external expectations and pressures that appeared in the media. The study revealed some patterns in Vattenfall’s CSR disclosure practices. The findings of this thesis are presented below.

Vattenfall repeatedly used its CSR Reports as a way to keep its “license to operate”. The company used its CSR Reports to justify its choices and results by pointing to external factors that impacted its operations (See Cho, 2009). Occasionally, the company promoted its current practice by pointing to the positive results of these factors (See O’Donovan, 2002). Moreover, the company worked with its responsibility statements.

In its CSR Reports, Vattenfall presented itself as a company that took responsibility for the effect of its operations. As mentioned in Section 7.1, external expectations are greater for a company that presents itself as environmentally and socially responsible than for a company that does not (O’Donovan, 2002). Patterns in Vattenfall’s use of statements and arguments were searched for in this study.

Several arguments used by Vattenfall were recycled. For example, arguments used to show that Vattenfall operated its coal power activities responsibly were repeated throughout the years of the study. Even when scepticism towards the CCS technology arose around 2006, Vattenfall’s statements and arguments were similar to those of previous years. Despite this recycling of these statements and arguments, small changes in Vattenfall’s coal power disclosures occurred. For example, in 2007, as the media reported on the protests of Vattenfall’s mining activities, some changes in disclosure occurred. Moreover, in 2010, as the company was exposed to more pressure, its CSR disclosures changed slightly.

Hence, the study concludes that in certain situation Vattenfall recycled statements and arguments year-to-year, even if the context changed. In other situations, the company changed its statements and/or arguments. One example of a change in Vattenfall’s disclosure occurred after the nuclear power incidents at its plants. During the years when these incidents occurred, the statement that the company was a responsible nuclear power operator, with safety as its primary concern, was made repeatedly. However, arguments used to support the responsible actor statement changed. This could be compared to the energy price case where less arguments were provided in the latter years, while responsibility statements were used to facilitate or improve Vattenfall’s image.

One explanation why Vattenfall responded in this way is that the company’s objective was to repair legitimacy. Repairing legitimacy usually requires reactive activities. The case of Vattenfall

showed that when the company was exposed to strong pressure, widely reported in the media, a company's CSR disclosure approach is influenced.

This study shows that even though a company can use its CSR disclosure to highlight information (Guthrie and Parker, 1989, Deegan et al., 2002, Aerts and Cormier, 2009), Vattenfall also responded to negative reports in the media. The CSR Reports were either used to convince stakeholders that the company was working to meet external expectations or to convince them that the company's current practice was acceptable. Hence, the Vattenfall case shows us that a company does not just feature favourable information in order to receive social validation. The study also shows that a company uses responsibility statements and other arguments to receive social validation.

Statements and arguments on various issues were used to receive social validation. For instance, Vattenfall tried to gain legitimacy for its coal operations by disentangling coal from illegitimate regimes, by blaming external factors and by noting positive effects of current practice. Even so, the stakeholders did not accept the picture presented by the company as "true and fair". The media presented a contrasting picture of an irresponsible company. Vattenfall's operations were damaged as the CCS technology was not locally accepted and a legal framework, for the CCS technology was not established. The pro-active arguments for social validation for coal combined with the CCS technology were quite constant throughout the period of this study. The recycling of arguments used by Vattenfall to establish a favourable image of the company did not convince stakeholders. As a result, the company did not receive the support it needed to establish commercial coal power plants combined with the CCS technology.

Hines (1988) states that a company's construction of its reality does not face a problem as long as people using the company's information believe that they have received a "true and fair" picture. The problem begins when people who rely on a company's information no longer believe in that picture. Such was the case with Vattenfall. The company was once considered a "green energy" company that used "clean" Swedish hydroelectric and nuclear power to produce energy. Then, as it expanded in Europe and acquired coal operations, it was associated with "dirty" coal power. Vattenfall used its CSR Reports to justify its behaviour and to convince its stakeholders that its operations were appropriate. However, the media again and again reported on the negative aspects of these operations. Hence, stakeholders did not trust Vattenfall's self-image and therefore denied the company social validation.

This study shows that it is not possible for a company, which is highly visible in media, to use its CSR disclosure only to highlight favourable aspects of its operations. The media can hold the company accountable for the image it produces of itself. As the media has the power to influence external perceptions, a company's success may be threatened. For instance, in Vattenfall's case, the lack of local acceptance prevented Vattenfall from commercializing its CCS project.

7.3 *Further research*

A company needs social validation in order to operate successfully. In this study, Vattenfall's effort to receive social validation through its CSR disclosure where interpreted. Vattenfall's coal power activities were unhelpful since it needed permission to establish coal power plants with the CCS technology. In 2011, it was recognized that Vattenfall had reduced its coal power operations and was forced to halt its CCS project as legal rights to conduct such operations had not been obtained. It was also shown that national differences, such as the accusation of illegal co-operation, mining and CCS protests exist in national contexts. Vattenfall, like many other companies, operates in different countries with cultural and institutional differences. Hence, it would be interesting to examine how national differences affect companies' operations and CSR disclosure practices.

As a company operates in different national markets, it is exposed to different institutional systems. Therefore, it would be of interest to extend this research and contribute to institutional theory by exploring how institutional pressures, in different national contexts, influence a company's corporate social responsibility communications.

Examining the impact of external pressures on a company's CSR disclosure based on different national contexts is not possible given this study's data limitations. Such study would require a media overview from different national contexts. A study that examined companies' use of different disclosure tactics would elicit more precise information about when and how the interaction between pressures and responses occurs.

Thus, this study could be extended by examining if there is a difference between what and how different corporate social disclosure methods are used in different contexts. Furthermore, in addition to examining the arguments a company uses in order to support a responsibility statement, such a study could examine the measures companies use to account for their environmental and social performances. In addition, a study that examines the statements and arguments a company uses in its CSR disclosure to manage external pressures could look at the accounting methods companies use in different institutional contexts. For instance, a study of how energy companies disclose information about the impact their operations have in different countries would be of interest. Are the same types of disclosures used in different countries and in different industries?

Furthermore, since this study imply that media coverage influences a company's disclosure practices, it would be interesting to examine if companies' efforts to disclose information about their CSR activities and performance affect their business environments' perception of them. It would be interesting to examine CSR disclosure from this aspect because it is often assumed that CSR disclosure is used to receive social validation. However, as the case of Vattenfall shows, sometimes a company does not receive social validation. At the same time, one of the main factors motivating companies to disclose voluntary CSR information is the opportunity to justify their behaviour. Hence, it would be interesting to examine the influence a company's disclosure practices have on its stakeholders' perceptions.

Methodologically, this study could also be extended by using triangulation where different research methods are used in order to validate the results. If possible, interviews could be used to validate the results from the content media and disclosures study.

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Appendix 1: Key facts about Vattenfall

Key facts about Vattenfall: The fifth largest electricity producing company in Europe.															
Year	2003	Δ%	2004	Δ%	2005	Δ%	2006	Δ%	2007	Δ%	2008	Δ%	2009	Δ%	2010
Government ownership	100 %		100%		100%	0	100%	0	100%	0	100%	0	100%		100%
Employees (average)	35 296	-6,5	33 017	-3,4	32 231	+0,23	32 308	+0,27	32 396	-1,2	32 801	+11,8	36 655	+4,9	38 459
Turnover (MSEK)	111 935	+1,3	113 366	+11,9	126 808 ²²	+7,09	135 802	+5,8	143 639	+14,6	164 549	+24,8	205 407	+4	213 572
Revenue	9 123	+29	11 776	+74,2	20 518	-3,3	19 858	+4,2	20 686	-14,1	17 763	-24,3	13 448	-2	13 185
Assets (MSEK)	216 203	-2,3	210 775	+54,2	325 068	-0,6	323 166	+4,7	338 236	+31,8	445 827	+35	602 127	-10,1	541 432
Equity	52 506	+18,7	62 316	+46	90 909	+18,4	107 674	+15,3	124 132	+13,5	140 886	+1	142 404	-6,4	133 321
Debt	212 459	-8,5	194 599	+20,3	234 159	-8,7	215 492	-0,7	214 104	+42,4	304 941	+50,75	459 723	-11,3	407 811
<i>Sustainability report</i>															
Global reporting Initiative	Yes		Yes		Yes		Yes		Yes		Yes		Yes		Yes
Pages	76		88		80		25 + 55		29+ 69		85		85		76

²² Redovisningsprinciper ändras 2007 för nettoomsättning, siffror enligt nya redovisningsprinciper redovisas i tabellen för 2005- 2006.

	Mission to reduce CO ₂ from 1990 until 2030 with 50 %														
Year	2003	Δ%	2004	Δ%	2005	Δ%	2006	Δ%	2007	Δ%	2008	Δ%	2009	Δ%	2010
CO ₂ emission (kilo tonnes)	78,611 ²³	+1,3	77,561	+2,8	79,71	+14	90,96 ²⁴	-7,6	84,5	-2,6	82,5	+9	90	+1,6	91,5
- CO ₂ emission Sweden	0,878	-11	0,781	-34,7	0,51	-9,8	0,460	-26	0,339	+25	0,424	+3,8	0,44	+34	0,59
- CO ₂ emission Finland	0,266	-11,7	0,235	-23,4	0,18	+112	0,382		0,328	0	0,328	-8,5	0,30	-6,6	0,28
- CO ₂ emission Denmark							6,53	-6,1	6,13	-14	5,26	+18	6,21	+3	6,4
- CO ₂ emission Germany	70,333	+1	71,044	+2,3	72,66	+6,6	77,49	-8,2	71,6	-1,7	70,4	-4,1	67,6	+3,7	70,1
- CO ₂ emission Poland	6,423	-3,3	6,212	+2,5	6,37	-4,1	6,11	+0,5	6,14	-1,3	6,06	-1,3	5,98	+7	6,4
- CO ₂ emission NL													9,15	-14,9	7,78

²³ CSR rapport 2004

²⁴ Different numbers in different reports for the total in 2007 – the total carbon emission amounting to 84.8. 90.96 is calculated by adding carbon emission from electricity (79.88 million tons) and heat (11.08 million tons).

Year	2003	Δ%	2004	Δ%	2005	Δ%	2006	Δ%	2007	Δ%	2008	Δ%	2009	Δ%	2010
Electricity generation (TWh)	159,7	8,8	173,7	0,7	174,9	6,3	186	-10,8	166	-3	161	-1,3	158,9	8,5	172,5
- Hydro power %	18		20		23		20		22		24		21		21
- Nuclear power %	37		39		37		35		21		28		26		25
- Fossil-based power %	45		41		40		45		46		46		51		52
- Other %													2		2
Heat production	37,478 (GWh)		36,383		35,3 (TWh)		40		37,9		38,2		39,4		?
- Peat %	3,1		2,5		2		2		2		2,2		2,2		2
- Waste non-biogenic %			6,2		1		1		2		2,1		2		1,6
- Biomass %	8,8		8,89		9		8		12,1		12		11		11,3
- Electricity, waste heat and other sources %	8,5		3,4		8		6,3								
<i>Fossil fuel %</i>	<i>(79,6)</i>		<i>(79,1)</i>		<i>(86)</i>		<i>(85)</i>		<i>(83,9)</i>		<i>(83,7)</i>		<i>(84,8)</i>		<i>(83,9)</i>
- Other incl. oil %	3,8		2,5		2		2		3		2,7		2,6		2,8
- Lignite %	13,7		14,2		15		13		13		13,5		13,6		12,3
- Gas %	15,5		14,8		15		16		14,1		14,1		15,6		22,2
- Hard coal %	46,6		47,6		54		54		53,8		53,4		53		46,6

Source: Vattenfall's corporate Annual Reports and CSR Report, 2003- 2010

Appendix 2 External expectations identified by Vattenfall

CSR reports	Expectations
2003	<p>CEO heading: <i>Vattenfall – A company where responsibility is part of everyday life.</i></p> <p><i>“Safeguarding the future”</i></p> <p>Environmental</p> <ol style="list-style-type: none"> 1. Supply energy with as little impact as possible 2. Reduce green house gas emissions. 3. Supply more energy from renewable sources 4. Promote R&D on renewable energy technologies 5. Assume responsibility for physical impact on energy production. <p><i>“Reliability and fair rate – top priorities in society”</i></p> <p>Social</p> <ol style="list-style-type: none"> 1. Provide energy at low cost 2. Secure Energy supply 3. Increase customer service level 4. Priorities production safety 5. Managing nuclear waste 6. Assuming responsibility for our neighbors 7. Be an attractive employer 8. Assuming responsibility for employees made redundant <p><i>“Profitability enables Vattenfall to meet stakeholders requirements”</i></p> <p>Economic</p> <ol style="list-style-type: none"> 1. Provide long- term profitability 2. Take the lead in a changing market. 3. Prove commitment to our strategy 4. Transparency at every level 5. Fair players in business 6. Secure first class corporate governance
2004	<p>CEO heading: <i>Our way to sustainability</i></p> <p><i>“Safeguard the future”</i></p> <p>Environmental</p> <p>See 2003</p> <p><i>“Reliability and fair pricing – top priorities in society”</i></p> <p>See 2003</p> <p><i>“Profitability – a prerequisite for meeting stakeholder requirements”</i></p> <p>See 2003</p>
2005	<p>CEO heading: <i>Society is our customer</i></p> <p>Environment</p> <p>See 2003</p> <p>Society</p> <p>See 2003. <i>Change from Assuming responsibility for employees made redundant to Assuming responsibility for our employees “health and safety”</i></p> <p><i>New: Active stakeholder dialogue</i></p> <p>Economic</p> <p>See 2003.</p>

2006	<p>Environment See 2003 Although changed from Supply more energy from renewable sources to “<i>Supply more electricity and heat from renewable sources</i>” and from Assume responsibility for physical impact on energy production to <i>Assume responsibility for the physical impact of electricity and heat generation.</i>” From 2005: <i>Active stakeholder dialogue.</i></p> <p>Social See 2005</p> <p>Economic See 2003</p>
2007	<ol style="list-style-type: none"> 1. Managing nuclear waste 2. Reduce greenhouse gas emissions 3. Supply energy with as little impact as possible 4. Priorities production safety 5. Secure energy supply 6. Promote R&D on renewable energy technologies 7. Transparency at every level 8. Fair players in business 9. Provide energy at low cost 10. Assuming responsibility for our employees’ health and safety 11. Active stakeholder dialogue 12. Provide long- term profitability 13. Assume responsibility for the physical impact of electricity and heat production 14. Prove commitment to our strategy 15. Secure first class corporate governance 16. Increase customer service level 17. Assuming responsibility for our neighbors 18. Be an attractive employer 19. Take the lead in changing market
2008	<ol style="list-style-type: none"> 1. Nuclear waste 2. Emission 3. Resource efficiency and management production residues 4. Supply chain practices and contracting 5. Security of supply 6. Operational safety 7. Investments in renewable 8. Employer practices 9. Land use and ecosystem impact 10. Customer service 11. Economic performance and growth 12. Stakeholder engagement and community relations.
2009	<p>Environmental</p> <ol style="list-style-type: none"> 1. Greenhouse gas emission and climate change 2. Renewable energy 3. Nuclear waste 4. Other emission, pollution and waste 5. Land use and ecosystem impact 6. Material (incl. Water) used in production 7. Transport 8. Electro Magnetic Fields <p>Economic</p> <ol style="list-style-type: none"> 1. Energy efficiency in operations 2. Market presence 3. Economic performance <p>Social</p>

	<ol style="list-style-type: none"> 1. Nuclear safety 2. Community relations 3. Pricing of energy and services 4. Corruption, bribery and anti- competitive behavior. 5. Customer service 6. Customer energy efficiency 7. Security of supply 8. Occupational health and safety 9. Job security and job creation 10. Workforce training and Benefits 11. Public affairs and lobbying 12. Labor/ Management relations 13. Marketing communication 14. Human rights issues 15. Supply chain management 16. Gender equality 17. Diversity and non- Discrimination <p>Other</p> <ol style="list-style-type: none"> 1. Openness and transparency 2. Stakeholder engagement and dialogue 3. Corporate governance
2010	<ol style="list-style-type: none"> 1. Community relations 2. Corporate governance 3. Corruption, bribery and anti- competitive behavior 4. Customer service 5. Energy efficiency in operations 6. GHG emissions and climate change 7. Job security and job creation 8. Land use and ecosystem impact 9. Material (incl. water) used in production 10. Nuclear safety 11. Occupational health and safety 12. Openness and transparency 13. Other emissions, pollution and waste 14. Pricing of energy and services 15. Renewable energy 16. Smart grids 17. Stakeholder engagement and dialogue 18. Sustainable biomass 19. Customer energy efficiency 20. Economic performance 21. Supply chain 22. Diversity and non- discrimination 23. Gender equality 24. Labor/management relations 25. Market presence 26. Marketing and communication 27. Public affairs and lobbying 28. Security of supply 29. Workforce training and benefits 30. Electromagnetic fields 31. Human right issues