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(Article)

Between Image and Reality: EDP's Social Responsibility through the Lens of Silent and Shadow Accounts

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Abstract: This study aims to examine the consistency between a company's internal discourse and the external information it discloses. The analysis of corporate social responsibility (CSR) reports, alongside the reconstruction of silent accounts and shadow accounts, enables the identification of potential discrepancies. The scope of the topic was delimited through a case study of the Baixo Sabor dam, a project with significant social and environmental impacts, which led to increased media coverage and corporate communication. The research findings indicate that, for the majority of participants, despite growing concern for environmental and social issues, price remains the primary factor considered by consumers when choosing a product or service. Quality and convenience are regarded as intermediate factors, while corporate social responsibility is considered the least influential..

Keywords: Social responsibility; Silent accounting; shadow accounting

1. Introduction

Each individual represents a small yet meaningful contribution to the transformation of mindsets and perspectives, with such change constituting a fundamental step towards progress. It is incumbent upon each person to believe in their capacity to effect change, however minimal it may seem; it is incumbent upon humanity to aspire to, and work towards, improvement at every level.

Companies play a central role in both the economy and society, as they produce the goods and services that fulfil citizens' needs. In doing so, they rely on natural and human resources and thus bear a critical responsibility towards the environment. As such, they must

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consider societal expectations by promoting employment opportunities and environmental stewardship as outcomes of their strategic decisions.

While companies generally fulfil their economic purpose—generating value and creating wealth for shareholders—the question remains as to whether they also fulfil their civic responsibilities effectively, contributing to a fairer and more sustainable society. The manner in which such information is disclosed is inconsistent, with no standardised or mandatory reporting framework in place. Disclosures are often fragmented across different reports, sometimes appearing within the entity's annual report or communicated solely through internal channels such as corporate magazines or brochures. From an external perspective, additional information may be reported by the media, either in response to shortcomings or following corporate actions.

There is a growing recognition that corporate social responsibility (CSR) can be a source of opportunity, innovation, and competitive advantage. A corporate posture that integrates respect for the environment and society is increasingly seen as a distinguishing factor, particularly as numerous companies are frequently associated with negative publicity, often accused of depleting environmental resources in pursuit of profit. In this context, it becomes necessary to assess the consistency of the discourse found in CSR reports and the tone conveyed through silent and shadow accounts.

Given the above, this study was driven by a range of motivations, most notably the pressing need for change and the pivotal role individuals play in shaping both society and the environment. Hence, the importance of examining the impact of CSR on consumer perceptions. The primary contribution of this research is to foster individual and collective awareness, encouraging more active participation in social and environmental responsibility. As the objective is to understand consumer opinion on the matter—and recognising the topic’s subjectivity and breadth—this study adopts a case study approach, focusing on a real-world issue involving a specific company and its impact on both the environment and the surrounding community.

2. Literature Review

Bebbington et al. [1] acknowledge that accounting must encompass a range of conceptions regarding society, nature, and the very notion of business success. Gallhofer and Haslam [2] discuss the idea of *social accounting*, asserting that accounting should be evaluated based on its contribution to social and environmental well-being. However, Malpas and Wickham [3] argue that accounting does not offer a universal remedy for

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institutional shortcomings, whether economic or environmental, further suggesting that one of the reasons underpinning its relevance lies in the limits of human knowledge [4].

In this regard, Bebbington [5] contends that research in this area should increasingly focus on developing new forms of social and environmental accounting.

Social and environmental accounting, as produced by companies, constitutes an alternative to financial reporting, aiming to meet stakeholder needs—primarily by enhancing transparency. According to Moerman and Van der Laan [6], there are various approaches to reporting on social accounting, including reports produced by external organisations that disclose social, environmental, and other impacts. These authors conducted a study based on the asbestos controversy in Australia to explore shadow and silent accounts as more comprehensive accountability mechanisms. The analysis of these accounts revealed numerous gaps in the asbestos-related disclosures and brought to light interests that had previously remained hidden. The authors concluded that their study revealed implications across multiple forms of accountability from the perspectives of risk management, legitimacy, and transparency, thereby strengthening the role of accounting.

Ruffing [7] conducted a case study on BP, analysing its 2005 sustainability report. The study aimed to contribute to the development of a more rigorous body of literature and to explore various conceptualisations of silent and shadow accounts. The findings highlighted that oil companies tend to have significantly larger environmental and social footprints, while governments appear largely indifferent to environmental protection and social justice—an attitude that ultimately influences corporate culture and governance. The author notes that BP remained in denial about its environmental and social shortcomings, framing them as isolated incidents rather than systemic management failures. By employing *The Financial Times* as a source of shadow accounting, Ruffing identified management gaps, noting that between 2005 and 2006 BP had been the subject of media reports concerning refinery explosions, oil spills, alleged failures in the sale of its chemical plant, and lists of oil platforms in the Gulf of Mexico.

The author argues that, despite the abundance of information, it remains insufficient for assessing BP's performance either within its sector or in financial terms. He further suggests that BP may have been collecting data disaggregated by region in order to streamline information sharing with its US-based operations and shareholders. He proposes that quantitative indicators should be standardised and that BP should explain any methodological changes applied in its sustainability reporting—especially where such

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reports are integrated into the Annual Report—to facilitate performance evaluation and comparison.

In light of the foregoing, the concepts of *silent* and *shadow accounting* emerge as external critiques of corporate reporting, intended to identify disclosure gaps and challenge organisational conduct [8]. These practices are rooted in a longstanding tradition of counter-narratives aimed at exposing the deficiencies in social and environmental accountability. Such gaps are identifiable when the perspective of shareholders—or reality itself—diverges from the official reports provided by companies. These gaps may be classified into two broad categories: *actual* and *potential*. The former reflect the organisation's active knowledge and its neglect of claims, while the latter refer to possible future social or environmental issues [6].

Shadow accounts are considered alternative perspectives that bring new knowledge to light, acting as catalysts for intervention and representing a plurality of voices. However, the evaluation of such accounts must take into account the underlying power dynamics and the intent to influence decision-making [9].

Dey et al. [9] emphasise the critical potential of shadow accounts, showing that they are effective in generating new understandings and in reformulating institutional practices and forms of governance. These accounts aim to promote social change and should therefore be educational, stimulate debate, reshape collective knowledge around controversial issues, identify viable alternatives, and suggest pathways for implementation.

In this context, Dey et al. [9] also note that shadow accounts enable substantive critique of the reporting entity, challenge managerial decisions, and scrutinise compliance with both internal policies and external regulations. In essence, they provide a mechanism to question prevailing norms, social standards, regulatory frameworks, and legislation.

Any assessment of shadow accounts must acknowledge their power and intent to influence decision-making, which may, in turn, call into question the motivations and strategies behind their use, given that they rely on external and independent public information [6]. As such, they have the potential to render visible evidence that challenges and interrogates the behaviour of those in positions of power [9].

If shadow accounts are to serve emancipatory purposes, they must expose and reflect the invisible and silenced experiences of specific marginalised groups, re-examine and question prevailing situations from new perspectives, reconstruct existing narratives, and identify solutions for particular issues. Emancipatory shadow accounts should not perpetuate dominant narratives but rather increase the diversity of stories and the range of

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storytellers—representing both internal and external voices to the organisation. Ultimately, shadow accounts should foster awareness not only of the existence of a problem but also of its structural causes, prompting reflection on the need for social reform [9].

By contrast, silent accounts typically develop an internal structure based on publicly available corporate information, such as market announcements [9]. In 2001, the Centre for Social and Environmental Accounting Research (CSEAR) launched a project on silent reporting in an attempt to systematise approaches to the subject and encourage companies to adopt their own mechanisms for social responsibility reporting. According to the authors, this shift stems from the exposure of organisational silences, which raises awareness among stakeholders and pressures companies to take action [6].

Ruffing [7] argues that existing corporate social and environmental reports are often designed to enhance corporate image, thereby creating the "paradox of image", whereby managers focus more on how the company appears externally than on whether it actually performs responsibly.

It is important to emphasise that such reporting remains voluntary and is selectively prepared by individuals or organisations based on the changes they wish to pursue, as well as their beliefs and requirements. This raises the critical question of what characteristics these reports must embody in order not to become mere political instruments [9].

3. Case Study

Companies that are more exposed to stakeholder scrutiny have stronger incentives to increase the level of disclosure concerning their social responsibility practices. As such, it is essential to deepen our understanding of this subject in order to explore it more effectively.

Taking the above considerations into account, the present study seeks to address a fundamental research question: does socially responsible corporate behaviour influence consumers' perceptions of the company and its products to the extent that it becomes a decisive factor in their selection? To answer this question, a real-world situation was selected to encourage consumer reflection on the issue. A case study methodology was adopted, focusing on a large company involved in a public controversy and known for disseminating—through both internal and external channels—the measures it undertook in an attempt to compensate society and the surrounding environment for the impact caused.

In 2007, EDP – Energias de Portugal launched what was then the largest hydroelectric expansion plan in Europe. This initiative involved the construction of new dams, the reinforcement of existing capacity, and the implementation of sustainable development

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strategies for local communities. One of the major projects included in this initiative was the construction of the Baixo Sabor dam. The Baixo Sabor region is home to rich biodiversity, protected by various regulatory bodies, and the dam's construction inevitably entailed the loss of some of its original natural heritage.

Following the company's commitment to the project, a number of contentious issues arose, prompted both by local communities and by national media outlets

4. Methodology

The analysis of *silent* and *shadow accounting* as a means to assess the impact of positive and socially responsible corporate disclosures on stakeholder perceptions was directed towards a specific target group—namely, consumers. The research was conducted using the focus group method, as this technique allows participants to influence and be influenced by one another, replicating the interactions that occur in their daily lives and broader social context [10].

A focus group is a methodological tool commonly employed to explore controversial topics and elicit a range of perspectives through group interaction around a specific issue. According to Silva, Veloso and Keating [11], one of the key strengths of this method lies in its ability to observe both the degree and nature of consensus among participants.

The composition of the groups was based on participant similarity [10]. The first group consisted of young adults aged between 20 and 25 years, all of whom were university students from various academic backgrounds. The second group included adults aged between 26 and 35 years, all in stable employment situations. It is important to note that both groups included men and women, with no gender-based selection criteria.

The focus group process was structured in two phases. The first phase, broader in scope, involved the moderator providing an overview of the key concepts and background on the company in question—potentially drawing on the participants' own practical experiences. The second phase introduced the case study, with a concise and focused presentation sufficient to familiarise participants with the topic.

The first phase was guided by the following questions/statements:

- "A company is an organisation with an intrinsic social function." (Are you familiar with the principles and objectives of a company?)
- More than an individual, an organisation has the duty to act consciously, be socially active, and environmentally responsible. (Are you aware of the concept of corporate

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social responsibility? Do you believe companies have social and environmental responsibilities?)

- There is growing concern among companies to acknowledge and rectify actions that negatively affect society and the environment. (Can you name a company that reports on its social responsibility initiatives?)
- Annual reporting provides insight into a company's approach to environmental and social dilemmas. (*silent accounting*)
- External information may complement or contradict a company's internal disclosures. (*shadow accounting*) (Are you familiar with the communication channels through which such external information is disseminated?)

The second phase involved the following questions/statements:

- The Portuguese energy sector is characterised by a monopoly. (Are you familiar with the company EDP?)
- Regarding the construction of the Baixo Sabor dam, João Santos (President of the Foundation for the Protection of Wild Animals) stated: "What made our country unique is disappearing. The valleys were the last remaining natural habitats." (Are you aware of any social or environmental measures implemented by the company in question?)
- Factors such as price, social concerns, customer service, service quality, technical support, and environmental awareness influence consumer choice.
- "There is no standard metric for assessing corporate social responsibility." // In your opinion, how should the level of social and environmental responsibility among organisations be measured?

Moderation was carried out by two individuals to increase the effectiveness of the method. One served as the primary moderator, tasked with guiding and maintaining the flow of discussion, while the second acted as an assistant, responsible for managing recording equipment and, where necessary, taking notes during the session.

5. Methodology

Participants indicated that the primary objective of a company is to generate profit while addressing societal needs.

With regard to environmental responsibility, participants acknowledged its relevance, particularly because a company is seen as a representative entity of a broader community. However, most participants perceived that companies tend to adopt a reactive stance—only

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responding when an issue becomes highly visible or gains public attention, at which point they seek to justify their actions to social groups.

In terms of social responsibility, it was noted that companies internally reward employees through the provision of services, while externally they make donations to charitable and humanitarian institutions. These actions, in addition to providing tax benefits, also contribute positively to the company's public image.

The general perception was that companies typically respond only after the public becomes aware of negative consequences related to their activities, with efforts focused on repairing their image or reputation.

Participants observed that annual reports usually highlight successful initiatives, while failed measures—or the lack of implementation thereof—are often omitted or obscured through manipulation of the information. In short, companies tend to disclose only the most favourable aspects of their operations, avoiding the communication of any negative impacts.

Participants also believed that media coverage significantly shapes consumer opinion and can affect a company's image—even through unverified rumours.

Within the Portuguese context, participants noted that EDP is no longer the sole energy provider in the national market, although it still holds considerable influence due to its role in supplying electricity to other companies in the sector.

They confirmed awareness of the Baixo Sabor dam project and noted that electricity bills now indicate the proportion of electricity derived from renewable sources.

Participants mentioned the strong environmental impacts associated with dam construction, citing, for example, the depletion of sand on Portuguese beaches and the negative effects on fish populations.

There was unanimous agreement that the *EDP University Challenge* is primarily a reputational strategy aimed at enhancing the company's image. While it may give the appearance of corporate concern, participants viewed it as a superficial measure, emphasising the earlier argument that companies act only once negative impacts have occurred and been publicly exposed.

Price emerged as the most immediate factor influencing consumer choices. However, some participants stressed the importance of service quality, noting that people often remain with service providers out of convenience, even when dissatisfied. Social and environmental responsibility was generally perceived as invisible in terms of its influence on consumer decision-making.

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Finally, participants stated that there is no standardised metric for assessing corporate social responsibility. Its evaluation depends largely on individual awareness and personal judgement, highlighting the subjective and interpretive nature of the topic in the absence of a universal framework or set of guidelines.

6. Conclusion

The present study sought to analyse *shadow* and *silent accounts* through the use of a focus group, with a particular emphasis on the social and environmental impacts of the Baixo Sabor dam construction by EDP. The dam was built to increase energy production, a project that generated significant social repercussions. These effects were reported by a range of entities and in varying ways, often with conflicting narratives—particularly in local media sources. Within this context, EDP found an opportunity to publicise the measures it had undertaken to mitigate environmental damage. More than that, it launched a challenge to society at large, involving university students (well-informed individuals already attuned to the concept of sustainability) in developing profitable projects that would highlight and give value to the measures implemented.

Over the course of the study—and particularly through the observation of focus group dynamics—it was possible to identify a shift in perspective. Participants expressed unequivocal views regarding corporate reporting on social responsibility: they firmly believed that companies adopt a reactive approach when confronted with negative impacts and, conversely, promote a proactive stance when their actions are perceived as beneficial to society, thereby enhancing their public image. The prevailing view among participants was that companies use the discourse of social responsibility primarily as a reputational tool. While acknowledging the variety of measures that could be undertaken, their commentary consistently pointed to image management as the central motivation.

One participant defended the view that many environmental initiatives were indeed designed to make a genuine positive contribution to the ecosystem. However, this opinion was quickly dismissed by the others, who regarded it as naïve and lacking credibility.

Given the aims of the study and the opportunities created by the chosen methodology, an attempt was made to go further and explore the possibility of developing a metric to assess the level of corporate social responsibility. It became clear that participants found this task highly complex and promptly acknowledged the inherent difficulty, citing the multitude of factors and variables involved, which would preclude the development of a single, standardised measure. While there was some recognition that the evolution of concepts and

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reporting tools might, in the future, make such a metric feasible, participants felt that in the current business environment this remained impractical. Only one participant challenged this position, suggesting that the creation of more and adaptable variables could make the development of such a metric possible.

In concluding the study, it became evident that there remains a vast array of unexplored opportunities in this area, despite the rapid growth of interest in the subject. It is necessary to shift the mindset that views the environment as a threat, and instead recognise it as a source of opportunity for businesses. The persistent notion that profit is incompatible with a healthy planet must be rejected—after all, should the Earth itself not be considered a stakeholder?

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