

**Sustainability Reporting, Accountability and
Stakeholder Perspectives:
An empirical analysis of Multinational Organizations in
Australia, United Kingdom and South Africa**

By

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DEDICATION

To Seth, your good deeds will never be forgotten

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Abstract

This thesis aims to determine the factors that encourage increased accountable and transparent corporate sustainability disclosures in promoting stakeholder responsiveness towards sustainability reporting. The study argues that the current low level of disclosure and lack of transparency, accountability and responsiveness in corporate sustainability disclosures require urgent attention.

Currently, companies publish sustainability reports mainly to fulfil their legitimate obligations to society. Disclosures are often not balanced, as most companies tend to disclose positive rather than negative outcomes. This problem has widened the information gap between companies and stakeholders, especially those investors who aim to invest in socially responsible enterprises. It also becomes difficult for companies to raise capital for their sustainable development activities. Furthermore, lack of balanced disclosures has rendered sustainability reports less useful to primary stakeholders. Thus, increased transparent and accountable sustainability disclosure is warranted. There is an argument that since companies use societal resources, they should show accountability for the use of such resources through transparent disclosures; independent third parties can provide credibility of such disclosures through 'assurance reports'. Stakeholders can also rely on such disclosures if they are able to physically verify some of the projects undertaken by companies. Stakeholders, especially primary stakeholders, have long been left out of the company decision-making process. This study is of the view that inclusion of primary stakeholders in the corporate decision-making process will help companies to disclose transparent and accountable information. Disclosure of such information will also enhance the corporate legitimacy process. The current study is, therefore, motivated to explore empirically the specific factors that would push companies to increase their sustainability disclosures and also publicly provide transparent and accountable information.

Data for this study were collected from the sustainability and annual reports of 67 companies operating in Australia, United Kingdom and South Africa for the period of two years, 2008 and 2009. After extracting relevant information from sustainability reports which followed the Global Reporting Initiative (GRI) guidelines, an exploratory factor analysis was performed to identify the important components. These components were combined into a disclosure index which comprised environmental, social and economic categories. To test

each of these disclosure components, a number of hypotheses were developed based on a conceptual framework of the legitimacy and stakeholder theories. Accordingly, four explanatory variable sets, namely demographics, stakeholder, legitimacy and financial, were employed in hierarchical regression analyses to test the hypotheses.

Results from hierarchical regression analyses showed that industry type, age, size of company, return on assets, composition of board, assurance and leverage were the factors that influenced increase in corporate sustainability disclosures amongst companies operating in the three selected countries. In other words, companies in environmentally-sensitive industry sectors (those having higher environmental impacts associated with their activities) with high return on assets have a larger proportion of independent non-executive directors on their boards and showed higher levels of environmental disclosures. Also, larger companies in sensitive industry sectors with high return on assets showed higher levels of social disclosures. Furthermore, for companies in sensitive industry sectors with high return on assets, high leverage and 'assured' reports showed only marginally higher levels of economic disclosures.

This study provides several theoretical, policy and practical implications for regulators, policy makers and stakeholders. The study also emphasizes the need to adopt forward-looking 'theory building' perspectives. In line with this proposition, both legitimacy and stakeholder theories are adopted as complementary rather than competing theories in this study. Results showed that issues relating to both theories should be considered simultaneously in environmental, social and economic performance indicator disclosures. Thus, a paradigm shift in voluntary disclosure regime is warranted for sustainable growth of corporate sectors across the globe.

As a direction for future research, a longitudinal study with increased sample size that includes both local and multinational companies may be considered.

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Acronyms

ACCA	Association of Chartered Certified Accountants
ACSI	Australian Council of Super Investors
AIG	Australian Industry Group
ASX	Australian Securities Exchange
BSX	Bendigo Stock Exchange
CEO	Chief Executive Officer
CERES	Coalition for Environmentally Responsible Economies
CPRS	Carbon Pollution Reduction Scheme
CSR	Corporate Social Responsibility
DJSI	Dow Jones Sustainability Index
DMC	Equity Domestic Market Capitalisation
EBIT	Earnings before Interest and Tax
ELC	Equity Listed Companies
FEE	Fédération des Experts Comptables Européens
FTSE	Financial Times Stock Exchange
GAAP	Generally Accepted Accounting Practices
GRI	Global Reporting Initiative
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
ILO	International Labour Organisation
IMF	International Monetary Fund
IOSCO	International Organisation of Securities Commission
ISO	International Standards Organization
JSE	Johannesburg Stock Exchange
LSE	London Stock Exchange
MCA	Minerals Council of Australia
MNE	Multinational Enterprise

MRET	Mandatory Renewable Energy Target
NAB	National Australia Bank
NFEE	National Framework for Energy Efficiency
NGER	National Greenhouse and Energy Reporting
NGO	Non-governmental Organisations
NSX	National Stock Exchange
NZX	New Zealand Stock Exchange
OECD	Organisation of Economic Cooperation and Development
OLS	Ordinary Least Squares
PCA	Principal Component Analysis
PERI	Public Environmental Reporting Initiative
PJCCFS	Parliamentary Joint Committee on Corporations and Financial Services
SEC	Securities and Exchange Commission
SRI	Socially Responsible Investment/investor
UN	United Nations
UNEP	United Nations Environmental Program
VERI	Voluntary Environmental Reporting Initiative
WCED	World Commission on Environment and Development
WRI	World Resources Institute