

**ARE SOCIAL ISSUES RELEGATED TO THE  
BACKBURNER? AN ANALYSIS OF CSR REPORTS OF  
AUSTRALIAN MNES**

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Keywords: Sustainability, Global Reporting Initiative (GRI),  
MNEs, Australia

JEL Classification: M41, M14, Q56

**Abstract**

Using the GRI guidelines, this paper examines changes in reporting/disclosure for three broad performance areas of sustainability disclosure - environmental, social and economic - of Australian MNEs between 2004 and 2007. The social performance area is further sub-divided into four categories: labour practice and decent work; human rights; product responsibility; and society. Based on

a non-parametric method of analysis, the paper provides evidence that most of the material changes in disclosure happened in the environmental category rather than those of social or economic performance areas. While increased disclosure in specific environmental areas is worth reporting, the main concern of the authors is the lack of similar improvement in disclosure in other performance areas by Australian MNEs. The aim of the paper is to examine advances in disclosures during the release of G2 and G3. The findings of this paper provide insights for policy makers to develop appropriate strategies that will encourage corporations to disclose information in accordance with social values. It is envisaged that appropriate disclosure will also encourage sustainable economic growth. Furthermore, knowledge of these areas will provide useful input for the current revision of the GRI guidelines.

## **1. INTRODUCTION**

The importance and application of sustainability in the arena of social responsibility is gaining momentum both in business circles and the academy. The economic dimension of sustainability refers to sustainable development that meets the needs of the present without compromising the ability of future generations to meet their own needs (World Commission for Environment and Development, 1987). Sustainable development is a holistic concept, a strategy that requires the integration of economic growth, social equity, and environmental management. Sustainable development aims to make the global economy not just better off, but better altogether (New Zealand Business Council for Sustainable Development, 2008). The diversity of sustainability in the public arena, a globally shared paradigm, and its reflection in business organisations attracts more public awareness of corporate

activities to disseminate their responsibility and accountability towards the society as a whole.

It is argued that there is a positive relationship between business and sustainability, and businesses have their own version of sustainability to suit their own needs. While the quest for profits is legitimate, profits from socially responsible activities should arise from socially responsible investment projects and their proper broadcasting to stakeholders. This is due to the enormous impact their products and processes have on the creation of societal values for sustainable economic growth. The motivation for businesses to pursue sustainability has therefore moved from concerns about corporate image to the strategic and competitive advantages that sustainability reporting provides (Daniels, 2006).

With growing attention upon sustainability and corporate social responsibility (CSR), this paper explores Australian MNEs social performance in terms of their corporate social responsibility strategies that relate to socially responsible investments (SRI). Given a very low rate of socially responsible investments by Australian companies up to 2003, it is of interest to examine changes in disclosure that occurred between the periods 2004 and 2007 for all three performance areas.

To observe changes in reporting between 2004 and 2007, we rely on the GRI guidelines as the basis of analysis. The reason for choosing this time period is that corporations began substantive disclosures on all three main performance areas of sustainability in 2004, after the release of the G2 guidelines. The second generation of the GRI guideline (G2) was released in 2002 and a third (revised) version G3 in 2006.

It was also envisaged that companies will have started reporting in accordance with the G3 guideline from 2007, a year after its release in 2006. The choice of 2004 and 2007 is therefore likely to provide a better comparison between disclosure before the release of the G3 guidelines and afterwards. A more recent disclosure in 2010 and 2011 is not likely to provide an appropriate

comparison, since reporting will be made in line with the G3 only in both years.

The remaining sections of the paper are as follows: Section 2 provides a brief description on literature review and CSP reporting, to develop the hypotheses of the study; Section 3 focuses on research design elaborately; Section 4 provides results of the analyses of the study; Section 5 extends the discussion on findings; Section 6 provides some concluding remarks.

## **2. LITERATURE REVIEW**

### **2.1 CSR and Associated Issues**

The concept of corporate social responsibility (CSR) emerged more than a century ago. However, Bowen (1953) is credited with providing the first widely-accepted definition of the concept, describing it as ‘the obligation to pursue policies, make decisions, or follow lines of action that are in tune with society’s objectives and values’ (Bowen, 1953; p. 6).

The concept has evolved over time as researchers analyse and refine these initial definitions and explain its implications for businesses. Three major themes are evident in the CSR literature: the link between performance of corporate social responsibility (CSP) and financial performance and the associated debate on stakeholder versus shareholder interests; drivers of CSP; and reporting of CSP. Johnson (1971) led the stakeholder perspective of CSR, suggesting that companies must balance a multiplicity of stakeholder interests, in addition to those of shareholders, in recognition of the fact that they operate within a broad socio-economic system.

Johnson identified employees, customers, suppliers, communities and the nation as stakeholders and reasoned that pursuit of stakeholder interest will have long-term economic consequences for the business. Extending the stakeholder theory, Freeman (1984) emphasised that the primary goal of business (enhancing shareholder value) will be compromised if companies

neglect the demands of other stakeholders. This proposition informed several subsequent studies, some supporting the overlap between CSP and shareholder value and others reporting a negative or no association.

Qualifying support for Freeman's proposition is provided through the fact that attending to the interests of all stakeholders will detract from the goal of maximising shareholder wealth. Companies must therefore be selective in pursuing stakeholder interests, with a major selection criterion being addition to shareholder value (Bird et al., 2007). Other drivers of CSP have been proposed in addition to shareholder value.

Carroll (1979, 1999) presented the types of responsibilities embodied in CSR as economic, legal, ethical and voluntary. He argued that the primary role of business is economic: provision of goods and services required by society at a profit, with businesses obliged to perform this role within the framework of legal requirements determined by society. Carroll urged businesses to go beyond their legal obligations to act ethically and also engage in voluntary activities that help society achieve its goals.

In effect CSP is driven by economic and legal requirements of society, the ethical expectations of society, and society's desire for corporations to be philanthropic. Subsequent researchers have examined the conditions under which CSP will be driven by philanthropy (Shaefer, 2008; Bird et al., 2007), arguing that businesses will only invest in activities rewarded by the market and that corporate philanthropy which goes beyond legal and community standards rarely adds to the value of companies.

Wood (1991) extended Carroll's work by examining the motives for, processes followed, and outcomes of corporate social activities. She introduced three levels of motives for CSP: institutional, organisational, and individual. Wood explained that CSP may emanate from the individual interests of managers; from a desire for the business to become a credible and legitimate actor in a shared environment (organisational); or from a sense of public responsibility (institutional). Despite the various drivers of CSP, a

general consensus is that CSP is about building trust between companies and their stakeholders; particularly, between companies, society and the government (Cannon, 1992).

A positive relationship is necessary because companies undertake the economic functions of society (Wartick and Wood, 1998) and as primary producers of goods and services are a necessary part of society. Companies in turn require a stable environment to achieve their aims. In providing this stable environment society expects companies to address a wide range of issues (Moir, 2001) associated with the impact of their activities on society (Heald, 1957 cited in Ullmann, 1985). Development of the CSR concept and associated themes occurred along side with the development of reporting corporate social performance (CSP) as discussed below.

## **2.2 CSP Reporting**

The initial perception of social responsibility as voluntary acts of companies gave rise to a culture of voluntary reporting of CSP in annual reports (McQueen, 1998). It is worth mentioning that the CSR literature initially developed separately from the environmental literature, so that social and environmental performances were reported separately (Chua, 2005; Porter, 1998). Companies found it more appealing to respond to environmental issues, thus their reports centred on their contributions in this area (KPMG, 2005).

However, few companies provided environmental reports and the issues reported were diverse. Reports were inadequate, inaccurate, incomplete and not comparable (McQueen, 1998; Adams, 2004). Reporting of environmental performance subsequently increased, pushed by pressure from environmental groups although it remained largely voluntary. Poor CSP and reporting and increasing social pressure encouraged some governments to mandate CSP reporting.

Examples of mandatory reporting of environmental performance include the 'green account' for Danish companies, the

European Union's Eco-Management and Audit Scheme (EMAS) and the double environmental reporting format in the Netherlands (White, 1999; Holgaard and Jørgensen, 2005).

Similarly, companies in Sweden were asked to include some form of environmental reporting in their accounts before being issued with environmental permits (Kolk, 1999). Very few companies provided social reports in addition to or separate from their environmental reports. It was not until the 1990s that the notion of a combined CSR report covering corporate performance in three areas - environment, social and economic - emerged, following Elkington's proposed triple bottom line (TBL) reporting framework (2004).

With TBL reporting came the need for a global framework to guide clear, accurate, complete, timely and comparable CSP reporting, giving rise to the global initiative reporting guidelines (GRI). Some countries such as France have made reporting in all three areas of CSP compulsory.

Other European countries have mandated reporting of environmental performance whilst reporting social performance remains voluntary, based on the argument that compulsory reporting will stifle innovation and competitiveness (Delbard, 2008). This argument underlies voluntary CSP reporting in the United States of America (USA) and in the United Kingdom (until 2008 when the British Company's Act called for mandatory CSR reporting).

The three research areas of CSP discussed so far (CSP and financial performance, and drivers and reporting of CSR) converge when the contents of CSP reports are analysed. A general finding is that whilst companies are reporting more CSR initiatives, particularly in the environmental area, the increased quantity of reporting does not reflect actual performance (Deegan and Gordon, 1996; Hughes et al., 2001).

Adam (2004) identified a reporting gap, as companies avoid reporting incidents that may tarnish their reputation. A primary driver for reporting is thus economic: companies will invest in and report on CSR activities that provide immediate cost

savings, increase profitability and ultimately market value (in areas such as energy and water).

They will also attend to areas that affect their reputation and provide goodwill, such as improved product quality and environmental management, expecting to reap rewards for these investments in the long term (Bird et al., 2007). Other areas that will be of concern to companies are those regulated by the government or other regulatory bodies and for which companies will incur significant costs if they do not comply: examples include employee health and safety. Thus companies will be selective in the CSR areas they attend to and disclose in their reports. Johnson (2003) noted that CSR activities that go beyond legal and community standards are not rewarded by the market.

Until recently CSR reporting was voluntary for Australian companies and centred on environmental performance. Only Australian companies whose operations were subject to a particular and significant environmental regulation under a law of the Commonwealth or a State or Territory in Australia were required to report (Section 299(1) (f) of the Corporations Act 2001; Burritt, 2002). Since July 2008 it has become a requirement for large and medium listed Australian companies to report on all three areas of CSP using the GRI guidelines (Tarrant, 2008). Moreover, the Australian emissions trading scheme, expected to commence in 2010, should increase environmental reporting among Australian companies.

Frost (2007) provides some evidence that the introduction of s299 (1) (f) of the Corporations Act did significantly affect the quantity of information provided by Australian companies, with increased disclosure of information relating to environmental performance. The study showed that many companies were not fully disclosing performance information under a voluntary reporting regime.

However, the study also indicated that for many companies the limited scope of the provision did not result in further "useful" information being reported and that there was considerable

variation in the interpretation of the information required. Adam (2004) noted: "Room for doubt as to whether reporting reflected performance on the scale highlighted here would not be tolerated in financial reporting" (p. 752). A study of 25 Australian companies that issued discrete sustainability reports found considerable gaps in the information being disclosed (Frost et al., 2005).

Using 40 indicators from the GRI as a benchmark, the analysis found that on average only 11.44 of the indicators were reported against in the primary reporting mediums adopted (annual report, corporate website and discrete report). The results indicate that even for those organisations that have made a greater commitment to reporting compared to many of their peers, there is still considerable scope for improved reporting.

We investigate the areas emphasised in the 2004 and 2007 CSR reports of Australian companies using the GRI guidelines, and changes in emphasis over the period. We assume that CSR reporting will to a reasonable extent reflect CSP, especially proactive CSR initiatives. Thus, based on the above literature review we propose that the CSR reports of Australian companies will emphasise those areas that provide economic benefit and enhance their reputation and that issues involving compliance with regulations and corporate philanthropy will receive relatively lower attention. Specifically, we develop the following hypotheses for testing:

1. Quantity of actual reporting has increased significantly for most of the major CSR categories between 2004 and 2007.
2. With respect to the aspects of each CSR reporting category, companies will pay greater attention to those that provide clear economic benefits than those that enhance their reputation with associated long term benefits, while aspects that involve compliance with legislation or corporate philanthropy will receive the least attention.
3. Increases in reporting between 2004 and 2007 for the various CSR categories and their aspects will reflect

economic benefits, effect on corporate image, legislative requirements and corporate philanthropy in that order.

### **3. RESEARCH DESIGN**

#### **3.1 Sampling Process and Data Development**

Non-probability sampling, specifically purposive sampling, was used to select twenty companies for the study, based on a number of criteria. First, the company must have produced environmental reports for both 2004 and 2007. Second, their reports must have been based on the GRI sustainability reporting guidelines for 2002 and 2006 (G3), for the reporting years 2004 and 2007 respectively. Third, the reports must be available on the internet for easy access. Fourth, the companies must be wholly or partly Australian owned and registered with the Australian Securities Exchange. The Australian SAM Sustainability Index (AuSSI), with a database of 70 reporting companies as at January 2008 in 21 industry-clusters ([www.aussi.net.au](http://www.aussi.net.au)) was used to select the sample. At the time of collating the sample only twenty companies met the above criteria.

Secondary data from the TBL reports of the sample of companies were used for this study, comprising 47 disclosure codes from the 2006 GRI guidelines and 55 codes from the 2002 GRI guidelines. The 47 disclosure codes from the 2006 guidelines (G3) were made up of: environmental (30); relating to social issues (8); economic codes (9). Similarly, the 55 disclosure codes from the 2002 GRI were made up of 35 environmental codes, 7 social codes, and 13 economic codes.

A database was constructed with data showing the number and percentage of codes for each aspect of each of the six reporting categories disclosed by each company in relation to the requirements of the 2002 and 2006 GRIs in their 2004 and 2007 reports respectively. In addition, data for the total number and percentage of codes reported by each company for each of the six reporting categories were recorded, following the same procedure

as for the aspects. Social performance comprises four categories: society; human relations; product responsibility; and labour practices and decent work.

### **3.2 Disclosures Required by the GRI Guidelines**

Businesses are required to provide economic prosperity and opportunity whilst ensuring social equity and quality, and ecological/environmental resource preservation (Fiksel, 2006; Dunphy et al., 2003). The GRI guidelines therefore focus on three areas of CSP: environmental, social, and economic. As noted above, the social performance area comprises four categories.

The environmental category requires companies to report on the impact of their operations on living and non-living natural elements such as land, air and water. To contribute to sustainable development companies must reduce their use of non-renewable resources (material, energy, biodiversity, transport and water) by using renewable alternatives and recycling, and to minimize the adverse effects of their outputs (emissions, effluents and waste) on the environment. The environmental category also includes compliance with legislation on environmental issues, production of environmentally friendly goods, and overall investment in environmental protection.

Social equity and quality captures the impact of companies' operations on their stakeholders such as employees, customers, suppliers and the public as a whole. Based on the Global Reporting Initiative, corporate responsibilities in these areas encompass society, human rights, labour practices and decent work, and product responsibility. As good citizens, companies must ensure that their activities (including entering operating and exiting) contribute positively to the communities in which they operate. They must have good corporate governance systems that discourage corruption and anti-competitive behaviour. Companies are also to report on contributions to public policy formulation and lobbying, as well as contributions to political parties and politicians. Disclosure requirements for labour and decent work

practices cover information on the workforce: employment type and condition and labour turnover for each location, as well as fringe benefits to full time but not part time employees. Companies must report on the proportion of their workplace covered by collective bargaining agreements as part of their labour/management relations; occupational health and safety issues; employee training and education (such as average hours spend on training annually per employee and employee career and performance reviews); and proportion of minority groups and other indicators of diversity on the governance bodies associated with the company.

The human rights category requires companies to disclose practices associated with investment and procurement of labour, anti-discrimination, Freedom of Association and Collective Bargaining, Child Labour, Forced and Compulsory Labour, Security Practices, and Indigenous Rights. Companies also have obligations to customers in relation to the products and services supplied. These cover Customer Health and Safety, Product and Service Labelling, Marketing Communications, Customer Privacy, and Compliance (Global Reporting Initiative, 2000).

Traditionally, economic performance focused mainly on financial matters. However, it has now broadened to include accountability for the impact of corporate operations on the economic conditions of its stakeholders, as well as on economic systems at the local, national and international levels (Group100, 2003). Specifically, companies disclose the direct economic value generated and distributed among stakeholders, how the company's activities are affected by climatic changes and financial assistance from the government.

Market presence, an aspect of the economic category, refers to the interaction between companies and their employees, suppliers, customers and other stakeholders in specific markets (Tuppen and Zadek, 2000). For example, companies must disclose the ratio of their entry level wages to the minimum wage requirements in each location; amount of purchases from local

suppliers; and the number of senior managers hired locally. Indirect economic impacts relate to the ability of a company to invest in infrastructure and services to the benefit of the community in which it operates.

### **3.3 Analytical Technique**

Descriptive statistics and non-parametric research tools were used for this study, due to the small sample size and the fact that the variables examined were not normally distributed, so that the assumptions required for parametric analyses were not met. Another reason for the small sample size is that details on the GRI database showed that companies began disclosing substantive sustainability information from 2004. These companies were also few in numbers: comparability would be enhanced if the same companies were chosen in 2007.

Descriptive statistics were used to investigate hypotheses 1 and 2, whilst the Wilcoxon matched paired signed rank test was used to investigate changes in quantity of reporting between the periods 2004 and 2007 (hypothesis 3). For this study, data on the proportion of codes for each reporting category and aspect of the 2002 and 2006 GRI guidelines that were reported by each company were collated for 2004 and 2007 respectively. Thus, disclosures for 2004 were matched with those for 2007. One tailed tests were carried out as the hypotheses were phrased in one direction, that is, increases in reporting

## **4. ANALYSIS OF RESULTS**

The twenty companies that comprise the sample for this study represent a broad array of industries including mining and metals, materials, energy, minerals, food beverage and tobacco and transport. For the analysis of results, firstly we focus on major categories of CRS reporting (for example, environment, society, economic, labour practices and decent work, product responsibility and human rights), so as to observe their extent of disclosure in 2004 and 2007 and to see whether statistically significant changes

took place within that period. Secondly, a detailed analysis of all aspects in each of the above categories is carried out with regard to their disclosure practices in 2004 and 2007; to establish whether changes occurred within that period were statistically significant.

#### **4.1 Reporting on CSR Categories**

Table 1 reveals that in both 2004 and 2007 the environment category has highest the percentage of disclosure, followed by the economic category. The changes taking place within the period for both environment and economic categories were statistically significant, as P values are at 0% level. Reporting on social issues received moderate level of emphasis in both years and the changes were also significant at 5% level. Similarly, product responsibility category has least level of disclosure in 2004, but improved significantly in 2007.

In 2004, product responsibility was the category with the lowest proportion of GRI codes addressed (11%) compared with 20% for human rights. However, the product responsibility category achieved the highest increase in reporting between 2004 and 2007 among all reporting categories. On the other hand, labour practices and decent work was at moderate level of reporting in 2004 and that increased further in 2007, though the improvement is not statistically significant.

Finally, the human rights category was the least attended disclosure area both in 2004 and 2007 and the increase between the periods is not significant. It became the category with the least proportion of codes addressed by the companies examined. Therefore, 4 out of 6 categories of reporting show significant change in disclosure between the periods 2004 and 2007. This indicates that Australian MNEs are more concerned on disclosing information for categories directly linked to socio-economic and environmental areas (such as environment, product responsibility, society and economies) than in labour practice areas (such as labour practices & decent work, and human rights).

These findings provide support for hypothesis 1, indicating that total quantity of disclosure has improved significantly for most of the CSR reporting categories between 2004 and 2007.

**Table 1: Average CSR Reporting by Category for 2004 and 2007**

Category	2004		2007		% change	Z-value	P-value
	Mean %	Std. Dev.	Mean %	Std. Dev.			
Environment	50.1	20.4	68.7	18.21	18.6	3.57	0.000
Labour Practices & Decent Work	36.2	17.2	46.4	27.5	10.2	1.27	0.10
Human Rights	19.6	17.2	23.9	29.3	4.3	0.48	0.32
Product Responsibility	10.9	8.6	41.7	30.6	30.8	3.51	0.000
Society	40	14.3	54.4	26.4	14.4	1.78	0.04
Economic	45.4	17.8	60.0	18.5	14.6	3.14	0.001

#### 4.2 Reporting on aspects in each of the CSR Categories

To test hypothesis 2, we examine the aspects of each CSR reporting category with the highest average percentage of codes addressed in the 2004 and 2007 CSR reports of the companies. Results of the Wilcoxon matched paired signed rank tests were used to examine hypothesis 3. Table 2 contains the results for the environment category and its associated aspects. Biodiversity and energy aspects were emphasised in the 2004 environmental reports.

These aspects were followed by compliance, water, and then product/services. The pattern of emphasis changed somewhat in 2007. Energy remained important, but was followed by transport, emissions, water, and product/services in that order. The re-use and recycling of materials and reporting on the cost of investments in environmental management (the overall aspect) also gained more attention in 2007 than in 2004.

A comparison of the 2004 and 2007 reports show minimal changes in reporting for biodiversity management and compliance with environmental laws and regulations. This is because all the above-mentioned aspects under the environmental category have

shown significance at a level of 5% or below for the changes taking place between 2004 and 2007, except for biodiversity management and compliance.

**Table 2: Average Environmental Reporting by Aspects for 2004 and 2007**

Aspect	2004		2007		% change	Z-value	P-value
	Mean	Std. Dev.	Mean	Std. Dev.			
Material	37.5	39.3	62.5	42.5	25	1.96	0.025
Energy	56.0	28.0	85.0	20.4	29	3.57	0.000
Water	55.0	30.0	68.3	27.5	13	2.06	0.02
Emissions	47.2	27.7	69.0	20.5	21.8	3.16	0.001
Product/ Services	50.0	32.4	67.5	24.5	17.5	1.81	0.036
Transport	40.0	50.3	70.0	47.0	30	1.51	0.03
Compliance	55.0	51.1	60.0	50.3	5.0	0.38	0.35
Biodiversity	56.1	39.4	57.0	39.1	0.9	0.51	0.31
Overall	25.0	44.4	65.0	48.9	40	2.83	0.003

In Table 3, the CSP report on economic category shows relatively higher attention to the economic performance aspect in both years. In 2004 market presence received relatively more emphasis than indirect economic impact, although only few companies disclosed information on these aspects. This pattern changed in 2007, as then all 20 companies (compared with 2 only in 2004) disclosed information on the indirect economic impact of their operations on the communities in which they operate.

Therefore, reporting efforts were least for market presence in 2007. Disclosures for all three aspects of the economic category increased between 2004 and 2007 at a 5% level of significance, particularly for indirect economic impact and economic presence.

**Table 3: Average Economic Reporting by Aspects for 2004 and 2007**

Aspect	2004		2007		Z-value	P-value
	Mean	Std. Dev.	Mean	Std. Dev.		
Economic Performance	57.2	21.4	72.5	19.7	2.4	0.008
Market Presence	21.7	27.1	38.3	29.1	2.07	0.02
Indirect Economic Impact	10.0	30.8	70.0	25.1	3.87	0.000

Table 4 reveals that for the society category, the community aspect received the most attention as it was addressed by all companies in both years. Attention to bribery and corruption and public policy was similarly low in 2004, whilst very few companies disclosed information on anti-competitive behaviour.

Attention to public policy increased in 2007 so that it ranked next below community in quantity of information disclosed. Levels of disclosure were similar for anti-competitive behaviour and bribery and corruption in 2007. Reporting increased significantly for public policy, anti-competitive behaviour and community between 2004 and 2007 (showing significance at 5% level) while disclosure on bribery and corruption increased between the periods though not significantly.

**Table 4: Average Society Reporting by Aspects for 2004 and 2007**

Aspect	2004		2007		Z-value	P-value
	Mean	Std. Dev.	Mean	Std. Dev.		
Community	82.5	24.5	95.0	22.4	1.89	0.03
Bribery and Corruption	35	48.9	40.0	41.3	0.36	0.36
Public Policy	30	25.1	60.0	41.7	2.45	0.007
Anti-competitive Behaviour	10	30.8	45.0	51.0	2.65	0.004

Table 5 shows disclosure on different aspects of the product responsibility category for 2004 and 2007. As mentioned in Table 1, very limited disclosure was made for this CSD category in 2004, which is reflected in all of its aspects, particularly advertising and respect and privacy. However, there were significant improvements of disclosure in 2007 for all aspects, particularly product and services, advertising and respect and privacy.

It is also noted that increases reporting in all aspects under the product responsibility category between 2004 and 2007 is statistically significant at 5% level or below. This means that Australian MNEs are taking special care on their products and services in respect to customer health, safely and privacy.

**Table 5: Average Product Responsibility Reporting by Aspects for 2004 and 2007**

Aspect	2004		2007		Z-value	P-value
	Mean	Std. Dev.	Mean	Std. Dev.		
Customer Health and Safety	15.0	12.6	35.0	40.1	2.04	0.02
Product and Services	15.0	20.2	50.0	31.5	2.96	0.002
Advertising	2.5	11.2	47.5	38.0	3.45	0.000
Respect and Privacy	5.0	15.4	40.0	50.3	2.64	0.004

In Table 6, disclosure on different aspects of the CSP report on labour practice and decent work category is shown for 2004 and 2007. As indicated in Table 1, this category received moderate attention in both years and the changes which took place in reporting were not statistically significant (10% level).

Among the aspects of this CSR category, the employment aspect contains most of the disclosure in both years followed by health and safely and training & education. However, the improvement in reporting is statistically significant only for health and safely rather than employment and training & education.

Again, there was least disclosure in diversity and equal opportunity, and labour/management relations aspects in 2004.

Although the disclosure increased considerably, however the change is not statistically significant. This means that while employment received the most attention, followed by health and safety, and training and education, there is room for improvement in diversity and equal opportunity, and labour/management relations in a multicultural Australian society.

**Table 6: Average Labour Practices and Decent Work Reporting by Aspects for 2004 and 2007**

Aspect	2004		2007		Z-value	P-value
	Mean	Std. Dev.	Mean	Std. Dev.		
Employment	66.7	18.7	68.3	29.6	0.31	0.38
Labour/Mgmt Relations	15.0	27.5	32.5	46.7	1.40	0.08
Health & Safety	33.3	13.2	47.5	31.3	1.70	0.04
Training & Education	40.0	27.8	45	36.3	0.44	0.33
Diversity & Equal Opportunity	25	34.4	27.5	44.4	0.37	0.35

Table 7 displays different aspects of the human rights category in 2004 and 2007. It was mentioned in table 1 that this category received least disclosure both in 2004 and 2007, and the improvement between the periods is not statistically significant. With respect to all of its aspects, only indigenous rights show adequate disclosure in 2004, along with non-discrimination. The rests are marginally reported.

This trend has changed in 2007, though there was little improvement in disclosures in 2007 for all aspects (particularly non-discrimination, security practices, and freedom of association and collective bargaining). Also, surprisingly the indigenous rights aspect of disclosure severely deteriorated in 2007 from its level in 2004, with very limited disclosures on security practices, and freedom of association and collective bargaining.

However, in terms of the significant test, the improvement in reporting between the periods, it is found that all aspects are showing significant change at 5%v level or below other than the non-discrimination aspect.

**Table 7: Average Human Rights Reporting by Aspects for 2004 and 2007**

Aspect	2004		2007		Z-value	P-value
	Mean	Std. Dev.	Mean	Std. Dev.		
Strategy & Mgmt	11.3	22.2	25.0	35.7	1.83	0.03
Non-discrimination	30.0	47.0	30.0	47.0	0.000	1.00
Freedom of Association and collective bargaining	5.0	22.4	20.0	41.0	1.73	0.04
Child labour	15.0	36.6	40.0	50.3	2.24	0.01
Forced and compulsory labour	15.0	36.6	30.0	47.0	1.34	0.09
Security practices	0.0	0.0	15.0	36.6	1.73	0.04
Indigenous rights	43.3	26.7	5.0	22.4	-3.46	0.000

## 5. DISCUSSION

Responsible businesses that fulfil their social obligations and are accountable gain competitive advantages through increased investment and reduced operations risks (Capaldi, 2005; Gray, Owen and Adams, 1996; Cannon, 1992). Research shows that CSR information that affects future cash flow is value-relevant to shareholders and investors and that share prices respond to externally produced information that affects environmental risk profiles of businesses or their future cash flows and liabilities (Cochran and Wood, 1984).

Other economic benefits of CSR performance and reporting include improved corporate image and reputation, advantages in

labour markets and increased shareholder value (Menon and Menon, 1997; McWilliams and Siegel, 2001).

We argue that Australian companies emphasise the environment in their reports for a number of reasons. First, CSP reporting has until recently centred on the environment, so that companies are likely to have invested in initiatives in specific environmental areas that are worth reporting. These initiatives are likely to be those that provide cost savings (for example: energy, water, and materials), are pushed by increasing social pressure or covered by legislation.

Second, Australian companies participating in the European Union Greenhouse Gas Emission Trading Scheme (EU ETS) which commenced in January 2005 would have compiled information for compulsory reporting of their emissions, which can then be included in the CSR reports.

In addition to the lack of balance between disclosures and actual performance in CSR issues, there also appears to be disproportionate emphasis in these area three areas that constitute sustainable development, as companies increase efforts in areas that are pushed by legislation and social pressure, so that performance reporting is dictated by social events.

By the mid-1970s concern for the environment has grown to a point where intervention was necessary to ensure some level of environmental protection was achieved. In the Western world, environmental reporting moved from a voluntary to a mandatory stage as governments working through the accounting profession began to monitor corporate impact on the environment through legislation (Chua, 2006).

The emphasis on environmental reporting continued in the 1980s following industrial disasters such as Bhopal (in 1984), Chernobyl (in 1986) and Exxon Valdez (in 1989), further pushed in the 1990s by national social pressure (Kolk et al., 2001; Adams et al., 1998; Chua, 2006). The greater recognition of the impact of global warming and the greenhouse effect, increased concern for global sustainability as world population rose to six billion, and

realisation of the environmental impact of the growth of the Asian economies are factors that drove social concern for the environment and demand for increased corporate accountability. Companies responded as environmental reporting increased and environmental reports were presented separately from annual reports.

Following the collapse of a number of large companies at the beginning of the twenty-first century, corporate governance gained prominence in company reports. Further companies began to shift from a primary environmental focus to a broader sustainability reports encompassing environmental, social and economic performance areas (KPMG, 2005). Again this move was partly due to legislation: countries such as France, Germany and Norway extended legislation from an emphasis on environmental issues to a broader coverage encompassing social and communal activities and health and safety issues. It was also due to the development of the GRI guidelines, which direct reporting on broad sustainability issues.

In the last three or so years concern for the environment has heightened in Australia as a result of increasing temperatures, recurrent drought and diminishing water levels. Temperatures have risen by about 0.7°C in the last century and rainfall patterns have varied considerably, resulting in severe drought (ref).

Average temperatures in Australia are expected to increase by between 0.4 and 2.0°C, and between 1 and 6°C, by 2030 and 2070 respectively (Pittock, 2003). It is generally believed that Australia and nearby nations will be severely affected if no action is taken to reduce levels of greenhouse gas emissions and their effects on global warming. This has led to a number of initiatives to reduce greenhouse gas emissions.

Companies are required to identify, evaluate and report on their cost effective energy saving initiatives and achievements (Department of Environment and Water Resources, 2007). The National Greenhouse and Energy Reporting Act (NGER Act), enacted on the 28 September 2007, requires that from July 1 2008

Australian companies whose greenhouse gas or energy emissions, energy consumption, and energy production exceed a yet to be specified threshold will have to disclose information pertaining to such emissions.

Australia's efforts in this area have culminated in the release of the Green paper on the Carbon Pollution Reduction Scheme, which aims to put Australia in a global leadership position on greenhouse gas reduction. The scheme will target 1,000 of Australia's largest companies known to contribute most to carbon pollution. It would appear that current concern for the environment will cause companies to attend to their environmental performance, neglecting performance in the other major two areas of CSR reporting (society and economic category).

It is also expected this is likely to be the case for larger companies as they devote more resources to reducing the environmental impact of their operations. The decreased emphasis on reporting by companies in other categories, such as society, economic, labour practice, human rights is probably due to less pressure from interest groups, less awareness of stakeholders, no stringent regulation and the unavailability of resources when companies are posing these more for environmental performance in recent years. Therefore, they have fewer incentives to ensure adequate disclosure/reporting for all CSR reporting categories, with the exception of a few.

## **6. CONCLUSION**

Based on GRI guidelines and employing an exploratory investigation method, this paper aims at examining changes in reporting/disclosure for three main areas of sustainability disclosure (such as, environmental, social and economic category) of Australian MNEs between 2004 and 2007. For this study, twenty companies were selected representing a broad array of industries. To test the three hypotheses, descriptive statistics and the Wilcoxon matched paired signed rank tests (e, g. mean, standard deviation, % changes, Z-value and P-value) were used to

investigate changes in quantity of reporting between the periods 2004 and 2007.

The findings suggest that most of the material changes in disclosure mostly happened significantly in environmental category than other areas. Although social, economic and product responsibility categories show significant improvement over the period of reporting, human rights, and labour practice and decent work show no significant improvement, their percentage of improvement not being noteworthy other than for product responsibility.

While increased reporting in the environmental category is to be expected, it is still unclear why Australian MNEs place less emphasis on reporting on other categories, in particular social and economic. Therefore, policy makers should review this shortcoming of disclosure and develop appropriate strategies for the foregrounding of societal values and sustainable economic growth by corporate citizens.

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