Sustainability Reporting:

Practices, performance and potential

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Contents

Foreword

This report comes at a crucial stage in the development of corporate and business reporting. The International Integrated Reporting Council has recently undertaken a number of important initiatives towards creating a robust framework for the mainstream use of Integrated Reporting. The Global Reporting Initiative (GRI) has also made significant changes with the release of its updated Sustainability Reporting Guidelines (G4).

This report, based on actual corporate disclosures in the public domain, addresses the critical issue of organisational capacity to report sustainability information.

Overall, we investigate what tends to get in the way of non-financial reporting uptake, and explore the attributes of companies that have already made significant inroads in producing holistic and wide-ranging disclosures beyond those mandated by regulation.

The innovative nature of this research provides a rich source of comparison between three key financial markets – Australia, Hong Kong and the United Kingdom. Specifically, we find that companies across these markets tend to have higher levels of governance and environmental disclosures. In contrast, human rights, society and product responsibility attracts low levels of disclosure. We also find that Australian companies at this point in time are more likely to produce an integrated report.

This research aims to help guide the future consideration of appropriate policy-settings and competitive considerations that will drive positive changes with the integration of corporate reporting. This will become increasingly important in the coming years as the traditional roles of accountants broaden and change further.

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Stewart Jones is a Professor in the Discipline of Accounting at the University of Sydney Business School. His current research interests include corporate financial reporting, credit risk modelling, accounting standards and accounting theory as well as issues in sustainability reporting.

Acknowledgements

Overview

This report presents the findings of an analysis of corporate sustainability reporting in 2012. The study's objective was to review current sustainability reporting practices of a sample of the top 40 companies listed in three jurisdictions; Australia, Hong Kong and the United Kingdom. Sustainability reporting by the sample companies was benchmarked against the GRI G3.1 Guidelines. This report also provides an analysis of sustainability reporting practices by establishing relationships between sustainability reporting and financial market characteristics. As such this report provides an update to Jones, Frost, Loftus, & van der Laan's 2005 study on Australian sustainability reporting practices and extends their study's scope beyond the Australian context.

This report is structured as follows: The following section will provide a background for the Global Reporting Initiative (GRI) and the GRI Sustainability Reporting Guidelines before the sample selection and methods of analysis are explained. The findings are presented as country comparisons of sustainability reporting practices and performance. Analysis of reporting performance against financial variables provides further insight into reporting similarities and differences between a sample of the top 40 listed companies in Australia, Hong Kong and the United Kingdom.

Key Highlights from the study

- The GRI Sustainability Reporting Guidelines are acknowledged as a key framework for sustainability reporting by companies in all three jurisdictions.

- Larger, multi-national firms show higher levels of sustainability disclosures, with highest disclosure levels in governance and environment. Companies in the materials and energy industry produce more sustainability information than other sectors.

- External Assurance is sought to varied levels – and most pursued in the UK. Most external assurance statements were provided by large international accounting firms (Big Four organisations). This represents a significant shift from previously observed assurance practices in Australia.

- British companies produced more diverse sustainability information and spread this information across more GRI indicators than companies in other jurisdictions.

- Australian companies disclose most on the environment. This observation is led by reporting practices in the resources sector.

- Disclosure levels in Hong Kong were the lowest in the sample. However, the most proficient reporters in Hong Kong were on par with leading reporters in Australia or the UK.

- Profitability and cash flow return are strongly correlated with "GRI scores"[1], this including analyst projections of future return on equity.

- Specific industry membership is an important influencer of sustainability reporting behaviour, particularly where, within some sectors, there is a requirement to report on certain areas of activity.

Background to the GRI

The Global Reporting Initiative (GRI) was initiated as a project group for the Coalition for Environmentally Responsible Economies, CERES (Boston) in 1997 with the stated objective of developing a reporting framework to report environmental information and increase organisational accountability. The project group launched their first version of a guideline in 2000. Those guidelines were created based on the suggestions of different stakeholder groups on how to improve reporting on environmental performance. Following the launch, the Initiative was set up as a separate not-for-profit organisation with its headquarters in Amsterdam, The Netherlands.

Over time, GRI has become the most widely used reporting framework for non-financial disclosures in the business world. Indeed, it is now referred to as a de facto standard for voluntary sustainability reporting. This position was supported through a number of strategic alliances between GRI and other key international initiatives such as the United Nations Global Compact, the UN Environmental Program and the OECD. Those alliances informed the content of the revised Guidelines and, as such, the G3.1 Guidelines[2] and sector supplements provide organisations with a single

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1 'GRI score' is developed as part of the study's statistical analysis and is explained in this report in the section **Method** under the heading **Analysis of report content**.

2 At the time of writing, and in particular when assembling data for the research, G3.1 was the applicable version of the Guidelines. The latest version, G4, was launched by the GRI in May 2013. G4 provides transitional arrangement allowing reporters to use of G3 and G3.1 for up to two full reporting cycles.

platform for sustainability reporting which satisfies the GRI and, for example, the UN Global compact signatory requirements. As such, the GRI has embedded a number of initiatives and thus sustained its dominance as reporting guidelines on the voluntary reporting market:

> *GRI has global strategic partnerships with the Organization for Economic Co-operation and Development, the United Nations Environment program and the United Nations Global Compact. Its Framework enjoys synergies with the guidance of the International Finance Corporation, the International Organization for Standardization's ISO 26000, the United Nations Conference on Trade and Development, and the Earth Charter Initiative. (GRI Website, accessed 29 January 2013)*

Studies have shown that companies follow the Guidelines with reference to the Application Levels C through B to A, as a basis of demonstrating leadership in both practice and reporting. This is despite the GRI stating that the G3.1 Application Level system in its graduated approach to the number of Performance Indicators does not recognise or 'award' quality of disclosure. This combination of factors has nonetheless led to criticism for its resemblance to school marks and the inherent meaning attached ("A is the best"). Moreover, the Application Level checking process – which GRI has offered G3 and G3.1 reporters and verifies a reporter's self-declaration – is not designed to give exhaustive appraisal of quality of reporting, particularly in relation to some performance indicators, the application of which is open to interpretation.[3] (Beck, Dumay, & Frost, 2010)

Most recently – in 2011, the GRI joined the call for mandatory reporting on non-financial information. The push for mandating sustainability information by the GRI is explained through the following quote, which emphasises the work already accomplished by the GRI:

> *Although reporting on sustainability impacts is becoming increasingly commonplace, it is still not a mainstream activity.* **At the Global Reporting Initiative, we produce guidelines that enable all companies and other organizations to produce comparable reports on their sustainability performance. We are not asking the European Commission to reinvent the wheel, but to look at what many big companies are already doing** *and create new regulation that requires all large and medium-sized companies to be transparent about the impact they are having on the world. Only then can we follow a clear path to a sustainable economy.* (T. Fogelberg, Deputy Chief Executive GRI quoted in Press Release[4], 4 February 2011, emphasis added)

Also see:
https://www.globalreporting.org/information/news-and-press-center/Pages/EU-proposal-sparks-hope-for-new-era-of-corporate-transparency.aspx

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Method

Sample selection

This study's objective is to describe non-financial reporting practices and content in three jurisdictions. The 2012 published annual and stand-alone sustainability reports produced by a sample of the top 40 listed companies from the Australian, Hong Kong and London stock exchanges were analysed. The three countries informing this sample are perceived to be at different stages in their respective voluntary reporting histories (Gamble, Hsu, Devaun, & Radtke, 1995), with the United Kingdom representing a more mature jurisdiction in terms of sustainability reporting practice than Australia and, ultimately, Hong Kong. As such this sample provides a rich data set for inter-country comparisons of reporting practice.

For each company identified, the latest annual and sustainability (or equivalent) reports were downloaded from the companies' websites in 2012. The Hong Kong sample was limited to the English version of the report which concluded a final sample containing 116 companies for 2012. Of those 116 companies, 68 produced a separate sustainability report, which means a total of 184 reports were analysed. Every report was independently read and the information content coded based on the GRI G3.1 Sustainability Reporting Guidelines.

Analysis of report content

The coding instrument was derived from the G3.1 Guidelines. It recorded each G3.1 reporting category data points listing the individual indicators[5], their definitions and further explanations – which were taken from the Technical Protocol *Applying the Report Content Principles.*[6] Consequently, our analysis exercise of reporting practice could observe a maximum of 125 observations for each report; 123 standard disclosures,[7] plus recording whether the organisation follows the G3.1 Guidelines and discloses its Application Level and the assurance provider (if the report is assured), however excluding a limited number of disclosures, such as whether there was a GRI Table, which are not considered relevant to the statistical analysis.

Each report was coded individually. If an organisation produced more than one report, those analyses were brought together, allowing the researchers to show differences in the reports as well as to generate an overall GRI score for the company.

The 'GRI score' is composed of a count of disclosure items or reporting points against our 'benchmark'[8] maximum of 123 available from the GRI G3.1 Guidelines. The sample firms include those which acknowledge reporting against the GRI and firms which do not. The study is an analysis of reporting practices by large listed companies using the G3.1 Guidelines as a basis to determine level and type of sustainability disclosure, rather than a study of self-declared GRI reporters.

Further to recording the content following the descriptions outlined in the G3.1 Guidelines, the analysis also recorded whether the companies disclosed their level of GRI disclosure, whether their report had been Application Level checked by the GRI, whether the data had been assured, and who the company engaged as their assurance provider.[9] All content is cross-referenced in a database to the actual reports. This information allows for a cross check of indicator definitions from an external perspective (i.e. researchers) versus GRI if the analysis result differentiated from the self-declared GRI Application Level.

The sample included a number of companies releasing what was described as an integrated report (n=8, 7 of those were produced by Australian companies). Those were recorded as the annual report if only one report was published for the year.

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5 The indicators are organised into three categories; Economic, Environmental and Social. The Social category is further subdivided in Labour Practices and Decent Work, Human Rights, Society and Product Responsibility.

6 The Technical Protocol's stated objective is to provide "process guidance on how to define the content of a sustainability report" (TP page 2).

7 In the G3.1 Guidelines the Standard Disclosures are divided into 42 Profile Disclosures and 84 Performance Indicators.

8 No inference is made that the GRI Guidelines provides a process of benchmarking. A count of disclosure point nonetheless provides a valid basis for comparison within the objectives of this study. The GRI score is a statistical measure essential to the study's analysis and should not be confused with the GRI's own Application Level checking processes.

9 This approach was taken as the literature demonstrates the differences between Australia's assurance market and the rest of the world. By having an identifier in the coding, this study can shed further light into the impact of assurance provided by Big4 accounting practices vs. assurance providers that are not Big4.

General characteristics of reporting sample

Table 1 below provides an overview of a number of general reporting practices of the sample companies. The overview shows the listing of country of the company, the reports produced (and analysed in this study as 'AR' for annual report and 'SR' for sustainability report), whether the company refers to the GRI Guidelines in the preparation of their report (✓), if it discloses the report's GRI Application Level and where (+) signifies a disclosure that the SR has been externally assured, along with naming the assurance provider.

Table 1: General characteristics of reporting – sample

Company	Country	Report	GRI (Application Level)	Auditor Assurance Provider
AGL ENERGY LIMITED	AUS	AR SR	✓ (A+)	Deloitte Net Balance
AMCOR LTD	AUS	AR SR	✓ (B+)	PWC Net Balance
AMP LIMITED	AUS	AR		Ernst & Young
ASX LIMITED	AUS	AR		PWC
AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED	AUS	AR SR	✓ (A+)	KPMG Corporate Citizenship
BHP BILLITON LIMITED	AUS	AR SR	✓ (A+)	KPMG KPMG
BRAMBLES LIMITED	AUS	AR		PWC
CFS RETAIL PROPERTY TRUST	AUS	AR		PWC
COCA-COLA AMATIL LIMITED	AUS	AR SR		Ernst & Young n/a
COMMONWEALTH BANK OF AUSTRALIA	AUS	AR SR	✓	PWC KPMG
CROWN LIMITED	AUS	AR		Ernst & Young
CSL LIMITED	AUS	AR SR	✓ (B)	Ernst & Young n/a
FORTESCUE METALS GROUP LTD	AUS	AR SR	✓	BDO n/a
GOODMAN GROUP PTY LTD	AUS	AR SR		KPMG n/a
ILUKA RESOURCES LIMITED	AUS	AR SR		PWC n/a
INCITEC PIVOT LIMITED	AUS	AR SR	✓ (C)	KPMG n/a
INSURANCE AUSTRALIA GROUP LIMITED	AUS	AR SR	✓	KPMG KPMG
LEIGHTON HOLDINGS LIMITED	AUS	AR		KPMG
MACQUARIE GROUP LIMITED	AUS	AR	✓ (C+)	PWC
NATIONAL AUSTRALIA BANK LIMITED	AUS	AR SR	✓ (A+)	Ernst & Young KPMG

Company	Country	Report	GRI (Application Level)	Auditor Assurance Provider
NEW HOPE CORPORATION LIMITED	AUS	AR		PWC
NEWCREST MINING LIMITED	AUS	AR SR	✓ (A+)	Ernst & Young Environmental Resources Management
ORICA LIMITED	AUS	AR	✓ (B)	KPMG
ORIGIN ENERGY LIMITED	AUS	AR SR	✓	KPMG n/a
QBE INSURANCE GROUP LIMITED	AUS	AR		PWC
QR NATIONAL LIMITED	AUS	AR		PWC
SANTOS LIMITED	AUS	AR SR	✓ (A+)	Ernst & Young Net Balance
SONIC HEALTHCARE LIMITED	AUS	AR SR		PWC n/a
STOCKLAND CORPORATION LTD	AUS	AR SR	✓ (A+)	KPMG Net Balance
SUNCORP GROUP LIMITED	AUS	AR SR		KPMG n/a
SYDNEY AIRPORT HOLDINGS LIMITED	AUS	AR SR		KPMG n/a
TELSTRA CORPORATION LIMITED	AUS	AR SR	✓ (C+)	Ernst & Young Banarra
THE GPT GROUP	AUS	AR		PWC
TRANSURBAN GROUP	AUS	AR SR	✓ (A+)	PWC Net Balance
WESFARMERS LIMITED	AUS	AR SR	✓ (B+)	Ernst & Young Net Balance
WESTFIELD GROUP	AUS	AR SR	✓ (C) ✓ (C)	Ernst & Young n/a
WESTPAC BANKING CORPORATION	AUS	AR SR	✓ (A+)	PWC KPMG
WOODSIDE PETROLEUM LTD.	AUS	AR SR	✓ (B+)	Ernst & Young Ernst & Young
WOOLWORTHS LTD	AUS	AR SR		Deloitte Net Balance
WORLEYPARSONS LIMITED	AUS	AR		Ernst & Young
ANGLO AMERICAN PLC	GBR	AR SR	✓ (A+)	Deloitte PWC
ANTOFAGASTA PLC	GBR	AR		Deloitte
ASSOCIATED BRITISH FOODS PLC	GBR	AR SR		KPMG KPMG
ASTRAZENECA PLC	GBR	AR		KPMG

Company	Country	Report	GRI (Application Level)	Auditor Assurance Provider
AVIVA PLC	GBR	AR SR		Ernst & Young Ernst & Young
BAE SYSTEMS PLC	GBR	AR		KPMG
BARCLAYS PLC	GBR	AR SR	✔ (B+)	PWC Ernst & Young
BG GROUP PLC	GBR	AR SR	✔ (A+)	PWC Two Tomorrows Ltd
BP P.L.C.	GBR	AR SR	✔ (A+)	Ernst & Young Ernst & Young
BRITISH AMERICAN TOBACCO P.L.C.	GBR	AR SR	✔	PWC Ernst & Young
BRITISH SKY BROADCASTING GROUP PLC	GBR	AR		Deloitte
BT GROUP PLC	GBR	AR SR	✔ (A+)	PWC Lloyd's Register Quality Assurance Ltd
CARNIVAL PLC	GBR	AR		PWC
CENTRICA PLC	GBR	AR SR		PWC Deloitte
DIAGEO PLC	GBR	AR SR	✔ (B+)	KPMG KPMG
EURASIAN NATURAL RESOURCES CORPORATION PLC	GBR	AR SR		PWC PWC
FRESNILLO PLC	GBR	AR		Ernst & Young
GLAXOSMITHKLINE PLC	GBR	AR SR	✔	PWC SGS UK
HSBC HOLDINGS PLC	GBR	AR SR	✔	KPMG PWC
IMPERIAL TOBACCO GROUP PLC	GBR	AR	✔ (B)	PWC
LLOYDS BANKING GROUP PLC	GBR	AR SR		PWC Deloitte
NATIONAL GRID PLC	GBR	AR		PWC
PEARSON PLC	GBR	AR		KPMG
PRUDENTIAL PUBLIC LIMITED COMPANY	GBR	AR		KPMG
RECKITT BENCKISER GROUP PLC	GBR	AR SR	✔ (A+)	PWC PWC
RIO TINTO PLC	GBR	AR SR	✔ (A+)	PWC PWC
ROLLS-ROYCE HOLDINGS PLC	GBR	AR		KPMG
ROYAL DUTCH SHELL PLC	GBR	AR SR	✔ (A+)	PWC Lloyd's Register Quality Assurance Ltd
SABMILLER PLC	GBR	AR SR	✔ (B+)	PWC Corporate Citizenship

Company	Country	Report	GRI (Application Level)	Auditor Assurance Provider
SSE PLC	GBR	AR		KPMG
STANDARD CHARTERED PLC	GBR	AR SR		KPMG n/a
TESCO PLC	GBR	AR SR	✔ (B)	KPMG Environmental Resources Management Ltd
THE ROYAL BANK OF SCOTLAND GROUP PUBLIC LIMITED COMPANY	GBR	AR SR		Deloitte Deloitte
TULLOW OIL PLC	GBR	AR SR	✔ (B+)	Deloitte Deloitte
UNILEVER PLC	GBR	AR SR	✔ (B+)	PWC PWC
VODAFONE GROUP PUBLIC LIMITED COMPANY	GBR	AR SR	✔ (B+)	Deloitte Ernst & Young
WM MORRISON SUPERMARKETS P L C	GBR	AR SR		KPMG n/a
XSTRATA PLC	GBR	AR SR	✔ (A+)	Ernst & Young Ernst & Young
AIA GROUP LIMITED	HKG	AR		PWC
BEIJING ENTERPRISES HOLDINGS LIMITED	HKG	AR		Ernst & Young
BOC HONG KONG (HOLDINGS) LIMITED	HKG	AR SR		PWC n/a
CATHAY PACIFIC AIRWAYS LIMITED	HKG	AR SR	✔ (A+)	KPMG PWC
CHEUNG KONG (HOLDINGS) LIMITED	HKG	AR		Deloitte
CHINA MERCHANTS HOLDINGS (INTERNATIONAL) COMPANY LIMITED	HKG	AR		PWC
CHINA MOBILE LIMITED	HKG	AR SR	✔	KPMG n/a
CHINA OVERSEAS LAND & INVESTMENT LIMITED	HKG	AR		Deloitte
CHINA RESOURCES ENTERPRISE LIMITED	HKG	AR		Deloitte
CHINA UNICOM (HONG KONG) LIMITED	HKG	AR		PWC
CLP HOLDINGS LIMITED	HKG	AR SR	✔	PWC SustainAsia Ltd
CNOOC LIMITED	HKG	AR SR		Ernst & Young n/a
GALAXY ENTERTAINMENT GROUP LIMITED	HKG	AR		PWC
GUANGDONG INVESTMENT LIMITED	HKG	AR		Ernst & Young
HANG LUNG GROUP LIMITED	HKG	AR		KPMG
HANG LUNG PROPERTIES LIMITED	HKG	AR		KPMG
HENDERSON LAND DEVELOPMENT COMPANY LIMITED	HKG	AR		KPMG
HONG KONG EXCHANGES AND CLEARING LIMITED	HKG	AR SR	✔ (A+)	PWC Hong Kong Quality Assurance Agency

Company	Country	Report	GRI (Application Level)	Auditor Assurance Provider
HUTCHISON WHAMPOA LIMITED	HKG	AR		PWC
HYSAN DEVELOPMENT COMPANY LIMITED	HKG	AR		Deloitte n/a
LENOVO GROUP LIMITED	HKG	AR SR	✔ (C)	PWC n/a
MTR CORPORATION LIMITED	HKG	AR SR	✔ (A+)	KPMG PWC
NEW WORLD DEVELOPMENT COMPANY LIMITED	HKG	AR		PWC
POWER ASSETS HOLDINGS LIMITED	HKG	AR SR	✔ (A+)	KPMG Hong Kong Quality Assurance Agency
SINA CORPORATION	HKG	AR		
SINO LAND COMPANY LIMITED	HKG	AR SR	✔ (B)	Deloitte n/a
SINO-OCEAN LAND HOLDINGS LIMITED	HKG	AR SR		PWC n/a
SJM HOLDINGS LIMITED	HKG	AR		Deloitte
SUN ART RETAIL GROUP LIMITED	HKG	AR		Deloitte
SUN HUNG KAI PROPERTIES LIMITED	HKG	AR SR	✔	Deloitte The Business Environment Council
SWIRE PACIFIC LIMITED	HKG	AR	✔ (C+)	PWC
THE BANK OF EAST ASIA, LIMITED	HKG	AR		KPMG
THE HONG KONG AND CHINA GAS COMPANY LIMITED	HKG	AR SR		PWC n/a
THE LINK REAL ESTATE INVESTMENT TRUST	HKG	AR SR	✔ (B+)	PWC Bureau Venitas Hong Kong
THE WHARF (HOLDINGS) LIMITED	HKG	AR		KPMG
TSIM SHA TSUI PROPERTIES LIMITED	HKG	AR		Deloitte
WHEELOCK AND COMPANY LIMITED	HKG	AR		KPMG

The table above shows that not every company that produces a sustainability report necessarily follows the GRI Guidelines or acknowledges the G3.1 as the framework for preparing the report. Assurance of sustainability reports is varied – from no external assurance to using specialist services. There appears a dominance of the Big Four in the assurance of sustainability reports within this sample. Analysis presented later in this report shows reporting practice for all sample reports based on the G3.1 Guidelines to allow comparisons between the companies.

In the following section the empirical findings are presented. We first set out the descriptive statistics which is followed by the multiple regression analysis.

Country reporting comparison

The sample comprises 116 public companies drawn from the top 40 firms (based on market capitalisation) on the ASX, London FTSE and the Hong Kong Stock Exchange (SEHK). From the 116 sampled firms, 40 firms were listed on the ASX, while 38 firms were listed on the London FTSE and 38 firms were listed on the SEHK. Industry classification for each sampled firm was based on the Global Industry Coding Standard (GICS). Across the sample as a whole, the highest industry concentrations of sampled firms were found in the following sectors: financial sector (n=41), consumer staples sector (n=14), materials sector (n=13), industrials sector (n=13) and energy sector (n=10). The lowest industry concentrations were found in the utilities sector (n=8), consumer discretionary sector (n=6), telecommunications sector (n=5), healthcare sector (n=4) and the information technology sector (n=2). Table 2 displays the distribution of sampled firms across industry background and country.

The sampled companies show a good distribution across industries, but there are some noticeable concentrations within particular sectors at the country level. For instance, there is a strong a concentration of energy and materials companies in the Australian and UK sub-samples, but with very little representation of these sectors in the Hong Kong sub-sample. By contrast, there is a stronger concentration of financial and information technology firms in the Hong Kong sub-sample which might be expected given the economic demographics of this jurisdiction.

Table 2: Intra-Country Distribution of Sampled Firms Across Industries

Industry sector:	Australia	United Kingdom	Hong Kong
Consumer discretionary	1	4	2
Consumer staples	3	8	2
Energy	5	4	1
Financials	15	7	19
Healthcare	2	2	0
Industrials	5	2	6
Information technology	0	0	2
Materials	7	6	0
Telecommunications	1	2	2
Utilities	1	3	4
Total	**40**	**38**	**38**

Of the 40 Australian companies, 30 produced a separate sustainability report to their annual report. Of those, 20 were produced using the G3.1 Guidelines. Fifteen companies in Hong Kong produced a separate sustainability report, 13 of which were prepared according to the G3.1 Guidelines and of the 38 United Kingdom companies, 24 produced a separate sustainability report in 2012, 19 of them were GRI Application Level checked.

Reporting by section of GRI

Having presented an overview of the sample constitution and characteristics, we evaluate the sustainability reporting practices overall (see Table 3) and per country (Figure 1) and industry (Figure 2). Table 3 displays the means, medians, standard deviations, minimum and maximum values for the sustainability disclosure variables examined in this study, including total GRI score,[10] Total Disclosure Score – Annual Report (AR),[11] Total Disclosure Score – Sustainability Report (SR),[12] and the components making up the overall GRI score.[13]

As can be seen from Table 3, the median total GRI score across the sample was 44.5 (mean 48.04) from a theoretical maximum possible value of 123. The range of GRI scores is from 16 to 101. All companies in the sample (116 in total) disclosed sustainability information through the annual report (the median score is 33 across the sample) whereas a smaller number of firms (68 in total) produced a sustainability report (SR). On average, sustainability disclosures tended to be higher in the SR than the AR, with a median score of 39.

Table 3 also provides the individual breakdowns of GRI scores. The strongest contributors to the overall performance of the GRI score is Total Profile (median score of 8), Governance (median score of 7), and Total Environmental Indicators (median score of 5). The lowest scoring factors are Total Human Rights (median score of zero), Total Strategy (median score of 1), Total Product Responsibility (median score of 1), Total Society (median score of 2), and Total Economic Indicators (median score of 2).

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10 Measured as the total of G3.1 items per report (maximum of disclosures per report 123 – refer 'Analysis of report content' for discussion of the basis of this count).

11 This indicates the total number of disclosures on G3.1 items in the annual reports.

12 This indicates the total number of disclosures as per G3.1 in the sustainability reports.

13 Including Total Strategy, Total Profile, Total Report Profile, Total Report Boundaries, Total Governance, Total External Initiatives, Total Stakeholder Engagement, Total Economic Indicators, Total Environmental Indicators, Total Social Indicators, Total Human Rights, Total Society and Total Product Responsibility.

Table 3: Sustainability disclosure scores across – sample

	N		Mean	Median	Std. Deviation	Minimum	Maximum	Theoretical Maximum
	Valid	Missing						
Total GRI Score	116	0	48.04	44.50	18.885	16	101	123
Total Disclosure Score (AR)	116	0	34.22	33.00	9.752	16	63	
Total Disclosure Score (SR)	68	48	42.03	39.00	18.362	11	101	
Total Strategy	116	0	1.0948	1.0000	.82334	.00	2.00	2.00
Total Profile	116	0	7.7241	8.0000	1.36787	3.00	9.00	9.00
Total Report Profile	116	0	3.0690	3.0000	.52294	1.00	4.00	4.00
Total Report Boundaries	116	0	4.6207	5.0000	1.93213	.00	8.00	8.00
Total Governance	116	0	7.2759	7.0000	1.65548	3.00	10.00	10.00
Total External Initiatives	116	0	1.6983	2.0000	.97106	.00	4.00	4.00
Total Stakeholder Engagement	116	0	2.1466	2.5000	1.67464	.00	4.00	4.00
Total Economic Indicators	116	0	2.4914	2.0000	1.19779	.00	6.00	9.00
Total Environmental Indicators	116	0	7.1207	5.0000	6.25009	.00	29.00	30.00
Total Social Indicators	116	0	3.2155	3.0000	2.50150	.00	10.00	15.00
Total Human Rights	116	0	.9052	.0000	1.54345	.00	7.00	11.00
Total Society	116	0	2.0259	2.0000	1.89490	.00	7.00	10.00
Total Product Responsibility	116	0	1.5603	1.0000	1.93498	.00	9.00	9.00

The total GRI disclosure score was further disaggregated to determine any systematic disclosure patterns, particularly across countries and industry background. Figure 1 below displays a boxplot of the total GRI score across countries sampled in the study. The boxplot displays five statistics (minimum, first quartile, median, third quartile, and maximum). Figure 1 indicates that the UK has higher GRI disclosure scores overall (median 51), followed by Australia (median 45.5) and Hong Kong (median 39.5). The Australian sub-sample has more overall dispersion in the distribution of GRI scores, and includes the highest and lowest GRI scores in the sample. The Hong Kong sub-sample has the lowest median GRI score and the lowest sample dispersion overall.

Figure 2 displays a boxplot across industry sectors based on Global Industry Classification Standard. Figure 2 indicates that the highest median GRI scores are documented for the materials sector (median GRI score of 65), which are followed by (in order of magnitude): energy sector (median score of 58.5), healthcare sector (median score of 54), telecommunications (median score of 51) consumer staples (median score of 51), information technology (median score of 43) and financials (median score of 41.5). Figure 2 also indicates that the lowest median GRI scores can be found for the consumer discretionary (median score of 30.5) and industrial sectors (median score of 38).

Figure 1: Total GRI disclosure scores by country

Figure 2: Total GRI disclosure scores by sector
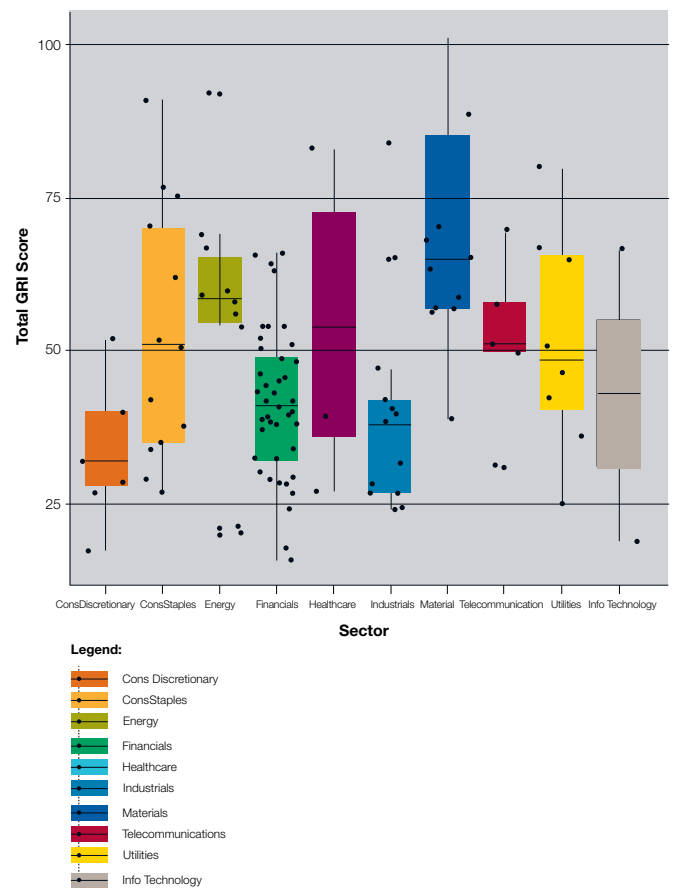
Concluding comments

Reporting differences between the three jurisdictions have been identified. The Hong Kong sample shows the lowest GRI scores with the lowest median of all three countries. The sustainability reporters with the greatest depth and extent of reporting (as per G3.1 Guidelines) for Hong Kong, however, shows the same sustainability disclosure levels as the high disclosure level performers of the United Kingdom sample. The Australian sample provided the largest reporting dispersion, indicating a very mixed uptake of sustainability reporting in Australia. The United Kingdom sample had a high, but condensed, dispersion and the overall highest median of the three countries. This indicates that United Kingdom companies produced more diverse sustainability information and spread this information across more indicators than in other jurisdictions.

Differences can also be linked to industry – with materials and energy producing more sustainability information than the other sectors. The Hong Kong sample did not contain any materials company, so this could explain the overall lower median to some extent.

Reporting scores and major factors influencing sustainability reporting in each country

Table 4 displays the means, medians, standard deviations and ranges for key financial performance and market variables of the sampled companies. As can be seen from Table 4, the median market capitalisation across the sample ranges from US$3.1B to US$255.1B, with the median market capitalization being US$31.41B. The median market capitalisations for the Australian and Hong Kong sub-samples were similar (US$21.85B vs US$23.68B respectively) with the median market capitalisation of the United Kingdom sub-sample was significantly higher at US$49.22B.

Financial performance

In terms of financial performance metrics, Table 4 indicates that the median leverage ratio (total debt to total equity) is 49.28 per cent. The mean value of the sample is significantly higher (103.85 per cent) owing to the effects of banks and other financial institutions being included in the sample. The UK sub-sample has the highest median leverage ratio of 70.29 per cent while the Hong Kong sub-sample evidences the lowest median leverage of 39.10 per cent (the median value was 54.11 per cent for the Australian sub-sample). The median total debt to total assets ratio across the sample is also quite conservative with a median of 21.15 per cent. The median rate of return on assets (ROA) is 6 per cent across the sample, with the highest ROA evidenced in the Hong Kong sub-sample of 7.02 per cent and the lowest ROA for the Australian sub-sample (median 5.15 per cent). The median pre-tax return on equity ROE across the sample is 16.47 per cent, with the highest ROE displayed in the UK sub-sample (median of 22.03 per cent) and the lowest pre-tax ROE found in the Hong Kong sample with a median of 14.03 per cent (the median value for the Australian sub-sample was 14.42 per cent). Median cash flow returns (operating cash flow divided by total assets) are also fairly robust at 7.53 per cent. The UK sub-sample evidenced the highest cash flow returns of 11.08 per cent with the Hong Kong sub-sample having the lowest median of 4.99 per cent (the median cash flow returns for the Australian sub-sample is 6.82 per cent). In conclusion, the financial performance of the sampled companies appears broadly consistent across what would be expected in a large company bias – conservative leverage, and solid but not spectacular levels of profitability and cash flow.

Table 4: Financial and Market Characteristics of Sampled Companies

	N		Mean	Median	Minimum	Maximum
	Valid	Missing				
Firm Size:						
Market capitalisation (US) million	116	0	31419.38	17875.12	3146.97	225112.56
Profitability:						
ROA	116	0	6.64	6.00	-19.93	32.86
Pre-tax ROE	116	0	22.58	16.47	-25.89	151.15
EBITDA Growth 1YR	116	0	24.63	7.03	-80.77	1543.45
Profit Margin:						
Gross Proft Margin	116	0	34.19	36.44	.00	86.93
Net Profit Margin	116	0	27.96	15.09	-62.57	444.59
Accumulated Profitability:						
Retained Earnings to Total Assets	108	8	26.80	18.78	-60.31	581.89
Cash Flow Performance:						
Cash Flow to Total Assets	116	0	9.16	7.53	-.73	47.10
Cash Flow Growth 3 YRS	116	0	10.42	5.53	-42.73	234.14
Capital Structure and Gearing:						
Total Debt to Assets	116	0	22.11	21.15	.00	56.99
Gearing	116	0	103.85	49.20	.00	816.79
Liquidity and Solvency:						
Quick ratio	95	21	1.15	.80	.10	17.68
Interest Cover	116	0	1902.44	7.57	.49	213240.55
Analyst Consensus Estimates:						
Number of Analysts	116	0	20.94	20	1.00	37.00
Recommendation Mean	116	0	2.53	2.51	1.00	3.45
Price Target Appreciation (%)	115	1	-6.97	3.77	-98.42	49.02
Consensus EPS Growth (1Yr)	116	0	7.14	6.00	-89.78	213.16
Consensus CPS Growth (1Yr)	104	12	231.73	4.31	-568.08	21715.38
Consensus SPS Growth (1Yr)	116	0	5.81	4.83	-52.52	59.98
Consensus ROE Forecast (1Yr)	116	0	15.87	12.27	-.17	90.25
Investment Returns and Volatility:						
Total Return (1 Year)	116	0	21.18	18.42	-52.73	109.43
Beta	112	4	.93	.91	.05	2.50
Dividend Returns:						
Dividend Yield	114	2	3.60	3.44	.00	9.52
Valuation Fundamentals:						
Price to Book	115	1	2.48	1.6911	.42	14.60
Price to Free Cash Flow	102	14	1783.15	30.83	.86	155718.40
Market Cap to Debt	112	4	18.05	2.75	.05	1430.44

Analyst and market variables

In terms of the price-to-book ratio, a fundamental measure of valuation and implied future ROE,[14] the
overall sample indicates a median price-to-book of 1.69 times. The UK sub-sample evidenced the highest median price-to-book 1.94, however this does not necessarily signal any potential over-valuation, particularly if higher price-to-book ratios are associated with higher expected ROE (i.e. investors are paying a premium on the expectation of higher future profitability). This appears to be reflected in the results in Table 4. While the median consensus forecast of ROE across the sample is 12.27 per cent, the median consensus ROE forecast for the UK sub-sample is 15 per cent, which is in line with the higher price-to-book ratio. The Hong Kong sub-sample has the lowest price-to-book ratio (median 1.33) but this is in line with the lower analyst expectation of future ROEs (median value is 7.31 per cent). The median price-to-book ratio for the Australian sub-sample is 1.77 and the median value of analyst projected ROE is 12.27 per cent. In terms of the price earnings ratio, the median PE value across the entire sample is 15.72 times, and there appears to be little difference across the national sub-samples (i.e. the highest PE ratio of 16.12 was found for the Hong Kong sub-sample) and the lowest median PE was 15.27 times for the UK sub-sample, whereas the median PE ratio for the Australian sub-sample was 15.33. In short, conventional price multiples do not suggest any evidence of under or over-pricing across the sampled firms.

As might be expected in a sample of larger companies, there would be a higher number of analysts following the companies (e.g. providing buy/hold/sell recommendations and financial estimates such as earnings per share (EPS) growth). In fact, the median number of analysts following each sampled firm is around 20, which is well above the all company average. The UK sub-sample indicated the highest analyst following (median of 28.5 analysts) while Australia evidenced the lowest analyst following (median 15 analysts). Consensus analyst forecasts of future earnings growth (EPS for the next fiscal period) is a fairly modest at a median value of 6 per cent, which seems to be reflected in the conservative PE ratios of sampled firms (lower PE ratios imply lower expectations of future EPS growth and vice versa).

Furthermore, analyst estimates of future earnings and cash flow growth appear to be broadly in line with the previous year's actual growth in EBITDA (median 7.03 per cent from

Table 4) and cash flow gowth over the previous three years of 5.53 per cent. Consensus estimates for future cash flow gowthis also quite modest across the sample, with a median of 4.31 per cent. The median total investor returns over the previous fiscal year was 18.42 per cent, reflecting the broad based recovery in global stock markets.

As might be expected of larger companies, the median beta, indicating a stock's volatility relative to the overall market, is .91. The Australian sub-sample has the lowest median beta of .76 while Hong Kong sub-sample evidenced the highest of 1.016, which might reflect the more subdued capital market conditions in Australia (the Australian sub-sample evidenced the lowest total returns over the previous period of 14.88 per cent, while Hong Kong had the highest total returns of 24.92 per cent).

Based on consensus target prices at the time the sample was generated, average forecast stock price growth for the sample was a relatively modest 3.77 per cent. Across nations, analysts forecasted that the Australian sub-sample would have the highest expected stock price growth (median price appreciated forecasted at 5.47 per cent) followed by Hong Kong (median forecast 3.09 per cent) while the UK sub-sample was expected to have very little stock price appreciation over the next fiscal period (median .18 per cent). This result appears to be reflected in analyst forecasts on EPS growth, with Hong Kong and Australia predicted to have the highest median EPS forecasts (7.51 per cent and 7.28 per cent respectively) with the UK was expected to have the lowest forecasted EPS growth (median 2.74 per cent).

Concluding comments

The sample comprises 116 public companies drawn from the top 40 firms (based on market capitalisation) on the ASX, London FTSE and the SEHK. While the British sample provides a diverse industry representation, the Australian and Hong Kong samples are biased towards the financial industry. This is due to the composition of the respective stock listings. Hong Kong does not have any materials in their top 40 companies, whereas this industry sector is represented in both the UK and Australia. Industry has been found to be influencing sustainability disclosure practice (Gao, Heravi, & Xiao, 2005 and as such the relationship will be investigated further in this report.

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14 Under conventional valuation models, higher price to book theoretical implies
   higher expected ROEs (Palepu and Healy, 2006).

Identification and analysis of cross-sectional differences – countries, industries, size levels and other factors

Cross sectional differences in GRI disclosure scores across countries, industries, size levels and other relevant factors are evaluated using one-way analysis of variance (ANOVA). One way ANOVA is used to determine whether there are any statistically significant differences between the means of two or more unrelated or independent groups.

Intra-country disclosures

Table 5 indicates that there are a number of statistically significant differences in GRI disclosure score across the sampled countries (suggesting that the mean GRI scores across each country are different). While the total GRI score is not statistically significant across the country sub-samples, indicating that there are no significant differences in overall sustainability reporting against the G3.1 Guidelines between the countries, the level of disclosure from the annual report is significant (F=3.57, p=.031). Several factors making up the overall GRI score are also significant across countries, including Total Strategy (F=2.39, p=.09), Total Profile (F=21.29, p=.000), Total Report Boundaries (F=14.58, p=.000), Total Governance (F=11.96, p=.000), Total External Initiatives (F=3.45, p=.035), Total Stakeholder Engagement (F=7.26, p=.001), Total Human Rights (F=2.73, p=.069) and Total Society (F=7.42, p=.001).

The omnibus F-statistic[15] shows whether there are significant differences in the mean disclosure scores in all countries, but does not isolate where individual mean differences are most prominent across countries. The UK sub-sample has statistically higher means than the Australia and Hong Kong sub-samples, indicating that UK companies' sustainability reporting is more aligned to G3.1, but the mean differences in disclosure scores are greatest between the UK and Hong Kong. This could support the thesis that British companies are more advanced in their sustainability reporting practices and application of G3.1 than companies from Hong Kong, and to a lesser extent Australia.

Table 5 also displays statistically significant differences between countries for individual disclosure categories (i.e. Strategy and Analysis – Total Strategy, Organisational Profile – Total Profile, Report Parameters – Total Boundaries, Governance – Total Governance, Commitments to external initiatives – Total External Initiatives, Stakeholder Engagement – Total Stakeholder Engagement, Total Economic, Total Environmental Indicators, Total Social Indicators and its sub-categories of Total Labor Practices and Decent Work, Total Human Rights, Total Society and Total Product Responsibility.

Disclosures for Total Strategy showed the strongest statistical differences between the UK and Hong Kong sub-samples, with the Hong Kong sub-sample having the lowest score for Total Strategy disclosure (mean difference = .39 p=.091).[16] With the Total Profile score, the Hong Kong sub-sample has statistically higher disclosure scores than Australia and the UK but the mean differences are greatest between Australia and Hong Kong (mean difference = 1.68, p=.000).

With respect to reporting boundaries, the Hong Kong sub-sample has statistically higher disclosures scores than the UK and Australia, with the greatest statistical differences evidenced between the UK and Hong Kong sub-samples (mean difference = 1.89, p=.000). With respect to Total Governance, Australia has the highest mean disclosure score, and the statistical significance is greatest relative to the Hong Kong sub-sample, which has the lowest mean score (mean difference = 1.67, p=.000). The UK sub-sample evidenced the highest disclosures on external initiatives, and Hong Kong the lowest score (mean difference = .52, p=.046). The UK sub-sample also evidenced the highest score on stakeholder engagement and Hong Kong the lowest (mean difference = 1.34, p=.001). With respect to environmental indicators, the Australian sub-sample has the highest disclosure score, and the Hong Kong sub-sample the lowest (mean difference = 3.16, p=.056). The UK evidenced the highest disclosure score on human rights, and the Hong Kong sub-sample the lowest (mean difference = .81, p=.055) however there are no statistically significant differences between Australia and Hong Kong on the human rights score. Likewise, with society disclosures, the UK has the highest score and Hong Kong the lowest (mean difference = 1.57, p=.001).

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15 The F-statistic indicates whether the variances between the means of two populations are significantly different. We call it an omnibus test because it is a generic test that shows whether there is an overall difference across the means.

16 The value .39 is calculated as 1.2632 minus .8684 from Table 5.

Industry differences

One-way ANOVA was also used to compare disclosures scores across industry groups. The omnibus F-statistic indicates that there are significant differences across industry groups displayed in Figure 2. The largest mean differences across industry groups is found for the total GRI score ($F=4.57$, p=.000), the total GRI disclosure by AR report ($F=2.41$, p=.016), total strategy ($F=2.54$, p=.011), total governance ($F=2.36$, p=.018), total stakeholder engagement ($F=2.05$, p=.041), total economic indicators ($F=3.48$, p=.001), total environmental indicators ($F=5.37$, p=.001), total human rights ($F=4.28$, p=.000) and total society ($F=5.78$, p=.000).

Firm size

The one-way ANOVA results suggest a strong size effect dominating GRI disclosures, a result that is somewhat surprising considering the sample is made up of predominantly larger firms. Previous research has identified significant size differences in GRI disclosures across small and large public companies. In this study, we find that size variations are detectable even within the largest public companies which to our knowledge has not been previously documented. This finding reinforces the importance of firm size as an important determinant in sustainability disclosures. For the purposes of the ANOVA analysis, the sample was ranked by quartiles based on market capitalisation. The largest firms in the sample were defined as having a market capitalisations greater than US$40B (n=29). The medium range was defined as firms having a market capitalization between US$8B and US$ 40B (n=60), while the small range was defined as firms with market capitalization of less than US$8B (n=27).

The one-way ANOVA results indicate significant differences in the total GRI score across size categories ($F=10.17$, p=.000), total disclosure scores in the annual report ($F=5.27$, p=.007), total strategy ($F=4.43$, p=.014), total external initiatives ($F=9.47$,p=.000), total stakeholder engagement ($F=12.92$, p=.000), total economic indicators ($F=4.32$, p=.016), total environmental indicators ($F=8.45$, p=.000), total human rights ($F=3.35$, p=.039) and total society ($F=4.31$, p=.016).

High growth/Low growth

High growth firms are often viewed as a proxy for the investment opportunity set. For the purposes of this study, firms were ranked into quartiles based on consensus expectations of future EPS growth. Higher growth is defined as the consensus EPS forecasts being greater than 10 per cent (n=41). Medium growth is defined as the consensus EPS forecasts being between 0 and 10 per cent (n=32); and low growth firms are based on firms with less than or equal to zero expected growth (n=43). The one-way ANOVA results were most significant across the total GRI score ($F=3.95$, p=.022), total disclosure by the annual report ($F=2.55$, p=.08), total strategy score ($F=2.93$, p=.057), total economic indicators score ($F=3.90$, p=.023), total environmental indicators score ($F=5.09$, p=.008) and total society score ($F=4.09$, p=.019).

Table 5: One-way ANOVA tests of GRI scores across countries

One-Way ANOVA		N	Mean	Std. Deviation	F value (p value)	Std. Error	Minimum	Maximum
Total GRI Score	Australia	40	49.78	22.630		3.578	16	101
	Hong Kong	38	43.29	15.835		2.569	19	84
	UK	38	50.97	16.811	1.87	2.727	17	89
	Total	116	48.04	18.885		1.753	16	101
Total Disclosure Score (AR)	Australia	40	31.13	9.482		1.499	16	53
	Hong Kong	38	34.89	8.366		1.357	19	62
	UK	38	36.79	10.642	**3.578	1.726	17	63
	Total	116	34.22	9.752		.905	16	63
Total Disclosure Score (SR)	Australia	27	45.19	21.237		4.087	13	101
	Hong Kong	15	43.93	15.696		4.053	12	76
	UK	26	37.65	16.241	1.226	3.185	11	73
	Total	68	42.03	18.362		2.227	11	101
Total Strategy	Australia	40	1.1500	.83359		.13180	.00	2.00
	Hong Kong	38	.8684	.77707		.12606	.00	2.00
	UK	38	1.2632	.82803	*2.376	.13432	.00	2.00
	Total	116	1.0948	.82334		.07645	.00	2.00
Total Profile	Australia	40	7.0250	1.77573		.28077	3.00	9.00
	Hong Kong	38	8.7105	.45961		.07456	8.00	9.00
	UK	38	7.4737	.82975	***21.299	.13460	6.00	9.00
	Total	116	7.7241	1.36787		.12700	3.00	9.00
Total Report Profile	Australia	40	3.1500	.57957		.09164	2.00	4.00
	Hong Kong	38	3.1053	.55941		.09075	1.00	4.00
	UK	38	2.9474	.39915	1.616	.06475	2.00	4.00
	Total	116	3.0690	.52294		.04855	1.00	4.00
Total Report Boundaries	Australia	40	4.0500	2.25263		.35617	.00	8.00
	Hong Kong	38	5.8684	1.01798		.16514	2.00	7.00
	UK	38	3.9737	1.68438	***14.587	.27324	1.00	7.00
	Total	116	4.6207	1.93213		.17939	.00	8.00
Total Governance	Australia	40	8.1250	1.43558		.22699	5.00	10.00
	Hong Kong	38	6.4474	1.15542		.18743	4.00	9.00
	UK	38	7.2105	1.87671	***11.967	.30444	3.00	10.00
	Total	116	7.2759	1.65548		.15371	3.00	10.00
Total External Initiatives	Australia	40	1.8250	.93060		.14714	.00	3.00
	Hong Kong	38	1.3684	1.02459		.16621	.00	3.00
	UK	38	1.8947	.89411	**3.452	.14504	.00	4.00
	Total	116	1.6983	.97106		.09016	.00	4.00
Total Stakeholder Engage	Australia	40	2.3500	1.47718		.23356	.00	4.00
	Hong Kong	38	1.3684	1.63444		.26514	.00	4.00
	UK	38	2.7105	1.65885	***7.266	.26910	.00	4.00
	Total	116	2.1466	1.67464		.15549	.00	4.00

One-Way ANOVA		N	Mean	Std. Deviation	F value (p value)	Std. Error	Minimum	Maximum
Total Economic Indicators	Australia	40	2.3250	1.55889		.24648	.00	6.00
	Hong Kong	38	2.5789	.72154		.11705	2.00	4.00
	UK	38	2.5789	1.15388	.585	.18718	1.00	5.00
	Total	116	2.4914	1.19779		.11121	.00	6.00
Total Environmental Indicators	Australia	40	8.3250	7.25855		1.14768	.00	29.00
	Hong Kong	38	5.1579	5.35510		.86871	.00	18.00
	UK	38	7.8158	5.58403	*2.948	.90585	.00	21.00
	Total	116	7.1207	6.25009		.58031	.00	29.00
Total Social Indicators	Australia	40	3.0250	2.77800		.43924	.00	9.00
	Hong Kong	38	3.3421	2.37414		.38514	.00	10.00
	UK	38	3.2895	2.36995	.179	.38446	.00	8.00
	Total	116	3.2155	2.50150		.23226	.00	10.00
Total Human Rights	Australia	40	.9000	1.83694		.29045	.00	7.00
	Hong Kong	38	.5000	1.03323		.16761	.00	3.00
	UK	38	1.3158	1.56145	*2.734	.25330	.00	6.00
	Total	116	.9052	1.54345		.14331	.00	7.00
Total Society	Australia	40	2.1250	2.05298		.32461	.00	7.00
	Hong Kong	38	1.1842	1.55712		.25260	.00	5.00
	UK	38	2.7632	1.73102	***7.426	.28081	.00	7.00
	Total	116	2.0259	1.89490		.17594	.00	7.00
Total Product Responsibility	Australia	40	2.0000	2.56205		.40510	.00	9.00
	Hong Kong	38	1.2105	1.31843		.21388	.00	6.00
	UK	38	1.4474	1.62243	1.740	.26319	.00	6.00
	Total	116	1.5603	1.93498		.17966	.00	9.00

*sig less than .1, **sig less than .05, ***sig less than .01.

Correlations between GRI Disclosures and Selected Financial Performance Indicators

Table 6 Panel A provides non-parametric correlations (Spearman rho rank-order coefficients) between GRI disclosures scores and selected financial performance indicators.[17] Table 6 Panels B-D show the same correlations at the country level. While many financial performance indicators were not found to be highly correlated with GRI scores, Table 6 Panel A indicates that profitability and cash flow return measures are strongly correlated. For instance, both ROE and analysts projection of future ROE are strongly correlated with overall GRI scores, including many categories making up the GRI score, such as the Total Strategy score, Total Governance, Total External Initiatives, Total Environmental Indicators, Total Social Indicators, and the Total Human Rights score. Most of these disclosure scores are also highly correlated with cash flow returns. However, at the country level (see Panels B-D) the correlations were strongest in the Australian and UK sub-samples. Notably, correlations between cash flow returns and the GRI score was highest in the UK subsample at 60.8 per cent, whereas correlations between forecast ROE and the GRI was highest in the Australian subsample at 29 per cent.

Table 6 Panel A results also indicate that market capitalisation is positively correlated with the overall GRI score and most of the individual factors making up the GRI score. The correlations between market capitalisation and GRI scores (including the individual factors making up the GRI score) are noticeably stronger in the Australian subsample (see Panel B of Table 6). Type of assurance provider is also highly correlated with GRI scores. For instance, if the assurer of the sustainability report is an accounting firm (versus a non-accounting firm provider), overall GRI scores tend to be higher, particularly for the total GRI score, and individual disclosures categories such as total strategy, external initiatives, stakeholder engagement, environmental indicators, human rights, total society and product responsibility. Furthermore, industry background has a strong correlation with GRI disclosure.

The correlations between type of assurer and GRI scores is noticeably higher and more consistent (in direction) in the Australian and Hong Kong sub-samples. Table 6 Panel A indicates that the industry dummy (coded 1 if a firm belongs to the energy or materials sector, and zero otherwise) is strongly correlated with overall GRI disclosure scores, and individual disclosure categories such as Total Strategy, Governance, Economic Indicators, Environmental Indicators, Social Indicators, Human Rights and Total Society. Overall, these correlations are noticeably stronger in the UK sub-sample relative to the Australian and Hong Kong sub-samples. Previous research has shown that industry membership influences sustainability disclosure behaviour, with more disclosure in environmentally sensitive industries (Brammer & Pavelin, 2006; Gao et al., 2005). The operations underlying the business activity will also drive reporting with certain sectors being required to report on certain areas (e.g. mining companies in Australia have to report to the national pollution index).

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17 Spearman rho is a measure of statistical dependence between two variables. Spearman rho makes no assumption about the underlying frequency distribution of the data (the only assumption is the data is at least ordinal).

Table 6: Panel A: Spearman rho correlations between GRI disclosures and selected financial performance indicators (Whole Sample)

	Market Cap	Gearing	ROE	Quick Ratio	ROE F1Y	ROA	EBITTA	CFO Assets	Assurance	Industry Dummy
Total GRI Score	.483**	-.005	.259**	-.069	.220*	.283**	.371**	.345**	.320**	.388**
Total Strategy	.257**	.057	.238*	-.008	.207*	.192*	.281**	.295**	.230*	.311**
Total Profile	.031	-.265**	.120	.062	-.103	.259**	-.226*	-.034	-.114	-.035
Total Report Profile	.068	-.062	.193*	-.015	.153	.262**	.062	.199*	-.109	.047
Total Report Boundaries	.128	-.123	.168	-.010	.049	.270**	.003	.079	.011	.036
Total Governance	.183*	.062	.188*	-.017	.280**	.123	.279**	.302**	.009	.288**
Total External Initiatives	.450**	.155	.210*	-.148	.268**	.115	.326**	.095	.349**	.160
Total Stakeholder Engagement	.440**	.163	.134	-.083	.150	.074	.306**	.226*	.356**	.178
Total Economic Indicators	.234*	-.063	.188*	-.144	.006	.186*	.176	.264**	.119	.233*
Total Environmental Indicators	.447**	-.009	.198*	-.049	.200*	.280**	.389**	.326**	.277**	.396**
Total Social Indicators	.165	-.124	.192*	.050	.110	.253**	.172	.218*	.145	.239**
Total Human Rights	.300**	-.114	.276**	-.111	.184*	.258**	.292**	.364**	.241**	.424**
Total Society	.378**	.015	.171	-.067	.164	.173	.368**	.386**	.268**	.375**
Total Product Responsibility	.307**	.142	.052	-.233*	.097	.013	.115	.075	.244**	-.089

Table 6: Panel B: Spearman rho correlations between GRI disclosures and selected financial performance indicators (Australia)

	Market Cap	Gearing	ROE	Quick Ratio	ROE F1Y	ROA	EBITTA	CFO Assets	Assurance	Industry Dummy
Total GRI Score	.558**	-.010	.297	-.454*	.290	.266	.230	.353*	.396*	.310
Total Strategy	.141	.055	.248	-.374	.233	.126	.059	.269	.225	.346*
Total Profile	.462**	-.045	.432**	-.411*	.300	.315*	.116	.291	.219	.099
Total Report Profile	.032	-.097	.136	.023	.122	.261	.041	.301	0.00	0.000
Total Report Boundaries	.509**	.037	.221	-.421*	.227	.168	.178	.158	.421**	.134
Total Governance	.238	.024	.146	-.127	.134	.107	-.036	.179	.026	0.000
Total External Initiatives	.706**	.181	.228	-.306	.329*	.087	.268	.015	.476**	.067
Total Stakeholder Engagement	.182	-.085	.047	-.280	.020	.079	-.027	.251	.317*	.058
Total Economic Indicators	.512**	.084	.310	-.477*	.275	.238	.252	.339*	.240	.218
Total Environmental Indicators	.526**	.075	.198	-.394*	.211	.206	.257	.284	.352*	.382*
Total Social Indicators	.303	-.138	.333*	-.333	.307	.322*	.273	.391*	.360*	.130

	Market Cap	Gearing	ROE	Quick Ratio	ROE F1Y	ROA	EBITTA	CFO Assets	Assurance	Industry Dummy
Total Human Rights	.219	-.220	.220	-.400*	.110	.182	.065	.251	.317*	.307
Total Society	.430**	-.140	.266	-.403*	.190	.236	.204	.403**	.241	.333*
Total Product Responsibility	.485**	.033	.078	-.417*	.076	.093	.104	.168	.282	.103

Table 6: Panel C: Spearman rho correlations between GRI disclosures and selected financial performance indicators (Hong Kong)

	Market Cap	Gearing	ROE	Quick Ratio	ROE F1Y	ROA	EBITTA	CFO Assets	Assurance	Industry Dummy
Total GRI Score	.386*	-.084	.051	.012	.133	.254	.280	.072	.35*	.158
Total Strategy	.229	.029	.162	.074	.166	.287	.372*	.163	.33*	.232
Total Profile	.204	-.013	.026	.073	-.108	.124	-.122	-.357*	.15	.105
Total Report Profile	.227	.114	.099	-.292	.069	.229	.199	.037	.18	-.051
Total Report Boundaries	.290	.274	.335*	.149	.175	.201	.394*	-.051	.32*	.008
Total Governance	.316	-.045	.080	-.212	.048	.146	.037	-.018	.24	.102
Total External Initiatives	.314	-.088	.044	-.048	.139	.200	.157	-.119	.35*	-.069
Total Stakeholder Engagement	.360*	-.034	.056	.289	.144	.205	.386*	.146	.36*	.163
Total Economic Indicators	.110	-.081	-.059	-.253	-.080	-.028	.212	.248	.29	-.143
Total Environmental Indicators	.415**	-.190	-.010	.077	.108	.350*	.184	.142	.30	.197
Total Social Indicators	-.007	.057	-.113	-.032	.012	.084	.138	-.154	.34*	-.008
Total Human Rights	.150	-.267	.204	.201	.065	.246	.207	.191	.19	.358*
Total Society	.358*	-.012	-.281	.022	-.053	.009	.116	.134	36*	.139
Total Product Responsibility	.225	-.036	.045	-.108	-.029	-.005	.191	.094	.35*	-.217

Table 6: Panel D: Spearman rho correlations between GRI disclosures and selected financial performance indicators (United Kingdom)

	Market Cap	Gearing	ROE	Quick Ratio	ROE F1Y	ROA	EBITTA	CFO Assets	Assurance	Industry Dummy
Total GRI Score	.432**	-.198	.337*	.406*	.082	.415**	.606**	.608**	.253	.606**
Total Strategy	.228	-.048	.187	.315	.080	.236	.252	.361*	.180	.219
Total Profile	-.310	-.260	.208	.394*	.046	.349*	.383*	.324*	-.017	.322*
Total Report Profile	.368*	-.119	.501**	.254	.454**	.446**	.166	.470**	-.204	.232
Total Report Boundaries	-.027	-.151	.272	.335	.264	.387*	.347	.513**	.066	.371*
Total Governance	.210	-.130	.336*	.389*	.332*	.356*	.278	.479**	-.225	.402*
Total External Initiatives	.301	.153	.206	.030	.127	.125	.330	.272	.296	.181
Total Stakeholder Engagement	.575**	.264	.031	-.027	-.019	-.049	.199	.103	.359*	.111
Total Economic Indicators	-.031	-.142	.171	.277	-.101	.220	.365*	.378*	.110	.477**
Total Environmental Indicators	.444**	-.207	.312	.339	.089	.389*	.650**	.531**	.215	.473**
Total Social Indicators	.160	-.181	.215	.601**	.044	.325*	.446*	.492**	.029	.575**
Total Human Rights	.210	-.206	.240	.259	.073	.330*	.291	.511**	.087	.610**
Total Society	-.060	-.252	.279	.580**	.058	.298	.507**	.542**	.155	.446**
Total Product Responsibility	.132	.347*	.059	-.046	.234	-.003	.229	.040	.322*	-.337*

Conclusions

The results of the analysis identify differences of reporting practices both between countries and also between the levels of disclosure for each of the GRI categories. Other apparent differences relate to: the GRI Guidelines as a reference point for sustainability reporting (the Hong Kong sample shows that companies either use the GRI Guidelines and declare their application level or do not refer to the Guidelines at all); the assurance of sustainability reports where the Australian sample shows lower levels of external assurance of their sustainability reports than the UK and Hong Kong. We observed lower disclosure levels in Hong Kong. There were, however, outliers to this finding; these were companies that are affected internationally by environmental and social constraints, such as Cathay Pacific who through their business will be affected by carbon legislation in Europe and Australia and as such increased the scores of the Hong Kong sample. The observation of larger, multi-national firms having higher levels of disclosure generally held true within all three samples.

Governance and environmental disclosures attracted the highest disclosures in all sample sets. The higher levels of environmental disclosures could be explained by a number of factors: the greater number of observations points, a long history of environmental/sustainability reporting practices by many companies (particularly in the resources sector), an increase in scrutiny and associated regulation/risk with respect to climate change and GHG emissions. The higher levels of governance disclosures may be explained by the observation that many of the disclosure categories overlapped with regulatory reporting requirements. This was highlighted by observation of the increased levels of governance reporting in the annual reporting for many companies. Similarities were also identified – Human Rights, Society and Product Responsibility attracted low disclosure scores across the sample set. This would suggest either companies are not yet faced with pressure to disclose on these issues or they are deemed not material for disclosing entities.

This study analysed reports against the GRI G3.1 Guidelines regardless of whether they were prepared against the Guidelines or not. Findings raise questions on the use of the Technical Protocol for *Applying the Reporting Content Principles* and understanding of the scope of the Application Level Check undertaken by the GRI. Some A+ reporters were found not to satisfy the reporting requirements of the disclosure items according to both the Technical Protocol and some Indicator Protocols, yet were able to self-declare at this level. Tighter definitions or clearer instructions on how to apply the definitions,

especially if an indicator contains a number of disclosure components (e.g. LA1) are needed.[18] This also highlights the issue of perception between the nature and purpose of the Application Levels and the expectation of full disclosure from the potential user. Confusion between volume of reporting and quality of reporting also seems apparent.

The analysis of reporting practice also showed different developments in presenting sustainability information. Within the sample of companies on the three stock exchanges, Australian companies were more likely to produce an 'integrated report'. Those were mainly produced in lieu of the sustainability report rather than replacing the annual report. No company of the Hong Kong sample produced an 'integrated report' in 2012. This suggests that, for those firms that have 'matured' sustainability reporting models, the shift towards 'integrated reporting' is already occurring.

In the UK, 95 per cent of sustainability reports were externally assured. 60 per cent of Australian and 47 per cent of Hong Kong companies sought external assurance for their sustainability reports. External assurance was sought in majority from Big Four providers, which establishes a change in previously perceived assurance patterns, especially in Australia. The choice of assurance provider was influential on the spread of disclosure with our analysis indicating that using an accounting firm's assurance services resulted in a higher GRI score. This confirms the importance of clear guidelines or standards for assurance of sustainability information and as such supports the involvement of the professional bodies and the GRI with the IIRC to develop a framework for integrated reporting.

Overall it has been identified within the sample analysed that all firms reported some level of sustainability information. However it is surprising that even within the top 40 listed organisations within the three jurisdictions there remains considerable diversity and firms with very low levels of sustainability reporting. This diversity of observations is surprising as size of firm remains a significant determinant of level of disclosure. The divergence between jurisdictions does suggest that local factors play a significant role in influencing levels of reporting – further highlighted by those multi-nationals not restricted by local expectations who are the leading reporters. Finally, it is also significant to note that those areas where there is increased regulatory direction on reporting that we observe consistent and considerable disclosure; once again highlighting that voluntary disclosure alone cannot guarantee complete and comparable reporting practices.

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18 All Indicator Protocols have been reviewed as part of the G4 development with the view, among other objectives, to eliminating ambiguities and uncertainty of exact reporting points.

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