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Mind the gap: company disclosure discrepancies not sustainable

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Civilians rescue an injured worker after the eight-storey Rana Plaza garment factory collapsed in Dhaka, Bangladesh, on April 24. AAP

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The recent decision by two Australian retailers to sign an accord protecting suppliers in Bangladesh has highlighted discrepancies in company disclosure of sustainability issues and the need for clearer reporting guidance.

Kmart and Target became the first Australian companies to sign the Global Union Federations' building and safety accord, following the collapse of the Rana Plaza garment factory in Bangladesh. According to Oxfam Australia, Big W and Cotton On are also making moves to sign the accord; however, a lack of information on which companies have suppliers in Bangladesh means a potential lack of other Australian signatories.

Recent research by Catalyst Australia, a collaborative policy network, shows that this lack of supply-chain information is not an isolated incident and that significant gaps exist in sustainability reporting by Australian companies.

Sustainability reporting

Many ASX-listed companies are increasingly reporting on sustainability alongside financial matters. In a 2012 report, the Australian Council for Superannuation Investors (ACSI) found that 83% of companies listed on the ASX 200 to some extent reported on sustainability matters.

Sustainability, a term often interchangeably used with corporate social responsibility, represents a commitment to operate in an economically, socially and environmentally sustainable manner. The

Global Reporting Initiative (GRI) provides the most well-known reporting frameworks. However, previous research has shown that significant gaps exist between claimed levels of GRI reporting and the information found in company reports.

Catalyst Australia developed a CSR dashboard to gauge the quality of sustainability reporting by Australian companies. It analysed 32 companies across six topics - gender equality, environmental impact, labour standards, supply chains, community engagement and community investment - and found great variation in how they reported on their social and environmental activities.

Some of these differences can be attributed to the tendency of companies to concentrate on those areas that affect their performance, while meeting stakeholder demands for transparency and disclosure. At the same time, discretionary reporting can lead to highlighting achievements that reflect well on companies while overlooking other important areas.

Clear expectations

However, Catalyst also found that clearly defined reporting expectations lifted reporting and performance. Gender equality, carbon emissions, energy efficiency, and worker health and safety were well-covered topics, compared to other areas. The majority of companies addressed these topics in their public reports, even when disclosures revealed negative performance outcomes.

Workers layout cable as part of the NBN roll-out, which has caused controversy with recent revelations of asbestos mismanagement. AAP

It is significant that these areas have strong external reporting guidance. For example, disclosures around gender diversity have recently benefited from the increased guidance of a new reporting regime, established through Australian Securities Exchange (ASX) Corporate Governance Principles. Doubtless, the CSR diversity reporting results reflect the clear guidance provided by the ASX Principles, along with a more activist approach by the federal government in spearheading the new Workplace Gender Equality Agency.

External policy underpinning environment topics also helps steer public disclosures. In addition to a growing number of companies voluntarily reporting to the Carbon Disclosure Project, corporations registered under the commonwealth government's National Greenhouse and Energy Reporting Act 2007 are required to report carbon emissions and energy consumption. This has focused attention on reporting in these areas, particularly when compared with other environmental indicators such as waste production and water consumption.

Worker health and safety disclosures are stimulated by the impact of legislation and by bodies such as Safe Work Australia, which encourages companies to collect and analyse detailed data, report targets and compare performance against industry peers and benchmarks. Union focus on workplace safety is also critical, as seen in the recent crisis surrounding asbestos in the National Broadband Network roll-out.

Overlooked areas

But Catalyst found that supply chains and labour standards were the most under-reported topics, with the majority of companies providing no or very limited information about their policy, management and approach. This lack of focus confirms other research findings about Australian firms' comparatively poor standard of reporting about human rights issues.

The absence of clear reporting guidance in these areas is notable. Unlike their global peers, few Australian companies reference the International Labour Organisation (ILO) Core Conventions. This suggests a need to better contextualise the intent and purpose of the ILO Conventions by developing proxies that can be applied in the Australian context.

Improving standards

Disclosure inconsistencies can be avoided by introducing clear, persuasive minimum reporting standards, which should be mandated in areas where there are significant gaps in social and environmental reporting.

There is evidence that companies will embrace common standards for sustainability reporting when mandatory guidelines exist, or when expectations concerning disclosure are well defined and understood. In short: clear guidance contributes to greater transparency around social and environmental matters, and it encourages improved monitoring and performance.

Regulatory agencies, investors and industry bodies should consider minimum content guidelines for sustainability reporting. The ASX can play a pivotal role by spearheading improvements in disclosures that are particularly weak, through select amendments to the ASX Corporate Governance Principles.

Trade unions, civil society organisations and others with an interest in the human rights performance of companies have a vital role to play in creating decent and secure work standards by developing Australian proxies that reflect global sustainability principles.

NBN Sustainability ASX International Labour Organization Greenhouse gases Asbestos Corporate Social Responsibility Unions Carbon emissions Health and safety Target Gender diversity Gender equality Corporate disclosure Supply chain Rana Plaza Bangladesh building collapse