

## **AFAANZ 2020 Research Fund- Mid-career researcher Grant Progress Report**

### **(1) Name, Position, Contact Details for each applicant**

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### **(2) Project Title**

ESG reporting: Are companies' greenwashing or walking the talk?

### **(3) Updated Project Summary (500 words) including any variations between the project undertaken and the original application**

#### **Objective of the study**

The need for credibility of Environmental Social and Governance (ESG) information has stimulated the development of ESG disclosure regulations around the world. Recommendation 7.4 of the ASX corporate governance principles requires the companies listed in the Australian Securities Exchange (ASX) to disclose whether it has any material exposure to economic, environmental and social sustainability risks and, how they manage or intend to manage those risks. To gain corporate legitimacy within society, companies "camouflage" their corporate practices by using talk strategies with one party, while action strategies with others to influence stakeholders' assessment of CSR practices using the ESG reporting initiative.

The objective of this study was to investigate the existing ESG reporting practices of listed companies in Australia. Research questions addressed in the study were:

1. What were the existing ESG risk reporting practices (Sustainability Reporting, CSR Reporting, Integrated Reporting etc)?
2. What is the most common type of framework used by those companies who disclosed ESG information to external parties?
3. Is there a gap between the existing practice and the expected practice which could lead to "corporate greenwashing"?

#### **Variations between the project undertaken and the original application**

The original objective of this study was to investigate the ASX top 100 companies response to the current COVID 19 crisis and the Victorian Bushfire crisis in 2019 to better understand the greenwashing phenomenon and the relationship between ESG

reporting as the CSR commitment and greenwashing. The current study however only employed the qualitative data of 30 companies to analyse the greenwashing or walking the talk due to limited availability of resources and planning to use the ESG data that can be obtained from the DataStream to analyse ESG risk disclosure/ reporting.

### **Methodology**

This study utilised a qualitative approach. The sample for the study was selected from mining, utilities, and energy sectors companies listed in the ASX, as they were identified to be the most relevant in analysing environmental issues due to the nature of activities and their impact on environment. As the first step of the process, data for this study were collected from sustainability reports, integrated reports, environmental reports published during last two years. The analyses were conducted using Nvivo. Software.

### **Findings of the study**

Companies reported their sustainability information on their websites using different measures (including GRI guidelines, Climate Change reporting Framework, IIRC and Corporate Sustainability Index), and the methodologies for measurement are inconsistent. The results of this project revealed that inconsistency of reporting creates the opportunity for potentially misleading disclosures and claims are known as 'greenwashing', a term which encompasses a wide range of actions which exaggerate and misrepresent 'green' credentials

### **Conclusion**

Study shows that companies disclosed their environmental and social information through standalone sustainability reporting, integrated reporting or through their websites. The rise in integrated reporting and sustainability reporting is not as a practice of reporting risk but as a way of reporting performance to external users as a legitimacy tool, which support the claim that, a global framework is needed to prevent the fragmentation, provide greater comparability, and reduce the complexity of ESG risk disclosure, which is increasingly considered to be a fundamental part of effective and sustainable business performance.

### **(4) Funds Granted**

**\$ 5000**

**(5) Detailed Report on Expenditure of Funds against Budget Items, with variations explained.**

**a. Proposed Budget and Budget Justification**

Research Assistant- Academic level A 3 days a week for 10 weeks will be employed to work on the project first week for literature review and then mainly for data collection and data analysis.

Research Assistant- Academic level A for 10% of workload mainly (1 days a week will be employed) to work on the project for literature review, data collection and data analysis.

ACAD 1 \$ 73869: 73869X .1 =	7386.90
30% on cost	2216.07
Miscellaneous Expenses	300.00
Total	9902.97

**b. Detailed Report on Actual Expenditure**

	Proposed Budget	AFAANZ funding received	Actual expenses	Actual	Variance
ACAD Level A wages	7386.90		RA (HEW6 wages for 78 Hrs*57.14	<b>\$4,456.92</b>	
30% on cost	2216.07			<b>1337.07</b>	
Other expenses	300.00				
Total	9218.49	<b>5000.00</b>		<b>5793.99</b>	<b>793.99</b>

As recommended by AFAANZ instead of Academic level A Research assistant was employed only for 78 hours as a professional staff just to collect data needed for the study. The number of companies to collect data from was reduced to 30 from 100 companies. The variance between the AFAANZ grant and the actual expenses (\$793.99) was covered by the researcher's own university research funding account.

Researcher has completed the literature survey and the qualitative data analysis and submitted a paper to Australasian Accounting, Business & Finance Journal.

Researcher has also completed a data analysis to some extent using mixed method and planning to submit another research paper to **Accounting and Finance Journal**

**(6) Outcomes, for example, working papers, presentations and publications  
(give full details, including abstracts)**

**Paper presented**

ESG Risk Disclosure and the Risk of Green Washing Environmental Social and Governance for Sustainability Conference: *an International Conference Victoria University Business School and Institute of Sustainable Industries and Liveable Cities*, Victoria University Melbourne 29 October 2021

<https://www.vu.edu.au/about-vu/news-events/events/environmental-social-governance-for-sustainability-conference-2021>

**ABSTRACT**

ESG RISK DISCLOSURE AND THE RISK OF GREEN WASHING

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Author acknowledges the funding support from the AFAANZ for this project

There have been growing calls from capital market participants, regulators and other stakeholders around the globe for transparent measurement and disclosure of information about financially material environmental, social and governance (ESG) Risks. Diverse approaches to and objectives of sustainability standards and frameworks pose the threat of increasing greenwashing. Aim of this project is to discuss the roadmap of ESG risk reporting, green washing and how to avoid the risk of greenwashing using a documentary analysis.

ESG is a Strategic Imperative for business leaders and how can leaders balance the business goals and activities of commercial enterprises with ESG principles is the main focus of the reporting landscape. Traditional financial reporting is regulated, mandatory, and required to meet the qualitative characteristics; relevance, reliability, comparability, materiality and understand ability. However, ESG reporting is problematic due to reporting quality which does not meet the above criteria. Apart from the above it is not regulated in most part of the world.

Even though there are number of reporting frameworks (GRI, Climate Change reporting Framework, IIRC, SAM Sustainability Index, Corporate Sustainability Index), the methodologies for measurement are inconsistent. The results of this project revealed that inconsistency of reporting creates the opportunity for potentially misleading disclosures and claims are known as 'greenwashing', a term which encompasses a wide range of actions which exaggerate and misrepresent 'green' credentials. It may be marketing action designed to create a favourable impression about a company or its products

A global framework is needed to prevent the fragmentation, provide greater comparability, and reduce the complexity of ESG disclosure, which is increasingly considered to be a fundamental part of effective and sustainable business performance

Key terms: ESG Risk, ESG reporting, ESG disclosure, Green washing, Report quality.

The feedback received from this conference helped researcher's focus and insight in developing the methodology and conducting the research as a pilot study of a much larger future project.

## **(7) Future Intentions for this Project (give full details)**

### **a. Conference submissions**

Planning to submit a conference paper to "Accounting for an Ever-Changing World", IASB, FASB and The Accounting Review joint 2022 conference scheduled for 2-4 November 2022 in New York City

### **b. Journal submissions**

1. Australasian Accounting, Business & Finance Journal (submitted and waiting for the outcome)
2. *Accounting and Finance Journal (planning to submit)*

### **c. Grant applications**

Researcher is planning to apply for a CPA grant focusing on 'Green washing and assurance of sustainability reporting'.

### **d. Projects**

## **(8) Summary of Outcomes and Benefits**

Researcher has already presented a conference paper, submitted a paper to **Australasian Accounting, Business & Finance Journal** and working on another paper to be submitted to **Accounting and Finance Journal**. This funding helped researcher to utilize a research assistants to collect qualitative data and obtain the relevant quantitative data from the DataStream which will help to intergrade this project with a much larger project in the future.