

# Industry specific social and environmental reporting: The Australian Food and Beverage Industry

James Guthrie<sup>a,\*</sup>, Suresh Cuganesan<sup>b</sup>, Leanne Ward<sup>c</sup>

<sup>a</sup> *Discipline of Accounting, Economics and Business Building (H69), The University of Sydney, NSW 2006, Australia*

<sup>b</sup> *Macquarie Graduate School of Management, Australia*

<sup>c</sup> *St George Bank, Australia*

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## Abstract

Regulators and other industry associations have recognised the importance of considering the industry setting when determining social and environmental (SE) policy and reporting requirements. However, social and environmental impacts vary greatly from industry to industry.

The generalised nature of many SE disclosure instruments is a limitation on the accuracy of the results of empirical studies which only focus on annual report disclosure and size. This paper attempts to address this limitation by developing an industry-specific reporting framework to examine SE performance, based on an empirical analysis of the issues that apply within the chosen industry. Also, it assesses corporate SE reporting against intra-industry issues, as well as more universal reporting requirements, the latter derived from widely accepted and utilised reporting frameworks in the literature.

This paper finds that the sample companies reported more on industry-specific issues than general SE issues. This finding also highlights the need for researchers examining SE disclosures to consider incorporating industry-specific items into their disclosure instruments. The study also finds that the companies tended to utilise corporate websites for their SE reporting more so than annual reports, indicating the need for researchers to consider alternative media.

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## 1. Introduction

Recently, organizations have given greater consideration to sustainable development (Gray, Bebbington, & Walters, 1993). This has led to criticism of the traditional financial reporting (TFR) framework (Guthrie & Boedker, 2006) and its ability to provide a complete account of a firm's activities and the discharge of its accountabilities (Elkington, 1997). In an attempt to address some of these limitations, various alternative reporting frameworks have been developed within the social and environmental (SE) literature that seek to integrate a firm's social and environmental achievements as well as its financial results into a single unified extended performance account (see, for example, Yongvanich & Guthrie, 2006). Further, there is no consensus on what sustainability reporting means, nor a common shared framework to adopt. Instead there are a plethora of alternatives, which are generalised rather than industry specific, such as the

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\* Corresponding author. Fax: +61 2 9351 6638.

E-mail address: [j.guthrie@econ.usyd.edu.au](mailto:j.guthrie@econ.usyd.edu.au) (J. Guthrie).

*Triple Bottom Line, Intellectual Capital, Global Reporting Initiative, Balanced Scorecard*, etc. (Farneti & Guthrie, 2007).

In recent times, regulators and other industry associations have recognised the importance of considering the industry setting when determining SE policy and reporting requirements. As reported by the Global Reporting Initiative (GRI, 2002, p. 10) in their 2002 *Sustainability Guidelines*, “. . . the GRI recognises the limits of a one-size-fits-all approach and the importance of capturing the unique set of issues faced by different industry sectors”. Similarly, the Department of Environment and Heritage (DEH, 1999) has also recognised the need for further and more specific reporting frameworks to be developed at the industry level. They recognise that a major problem with most reporting frameworks to date is that they have been broad and generic with the objective of being relevant to organizations across all types of industries. However, the levels of social and environmental impacts can vary greatly from industry to industry. A range of differences also exists across industries in relation to corporate requirements, the needs of stakeholders and mandatory reporting requirements (DEH, 1999). The recent GRI *G3 Framework* “is applicable to organizations of any size, constituency or location” as the basis of their sustainability reporting (GRI, 2007). However, they do recognise the limitations of this and are now embarking on sector supplements, responding to the limitations of a one size fits all approach. The GRI (2007) states that although the core guidelines are universally applicable, some sectors have unique, detailed needs and thus require additional specialized guidance (for instance, Public Sector; Logistics and Transport; Apparel and Footwear; and Energy Utilities). Thus, assessing the social and environmental performance of organizations becomes limited without some alignment to the concerns and issues prevalent in the specific industry context.

Despite the industry contextualisation imperative, few academic studies to date have attempted to address the reporting of social and environmental accountabilities at the industry level (Guthrie, Petty, & Ricceri, 2007). According to Guthrie, Petty, Yongvanich, and Ricceri (2004), the generalised nature of most disclosure instruments is a limitation on the accuracy of the results of empirical studies, and introducing greater situational specificity into the coding process represents an avenue for improvement. This paper attempts to address this limitation by adopting an *intra-industry perspective* in: (a) developing an industry-specific reporting framework to examine social and environmental performance based on an empirical analysis of the issues that apply within the chosen industry; and (b) assessing corporate reporting against these intra-industry issues as well as more universal reporting requirements, the latter derived from widely accepted and utilised reporting frameworks in the literature.

The chosen industry is the Australian Food and Beverage Industry (AFBI). The AFBI is chosen because it is highly significant to Australia’s economy and environment, and is under increasing pressure to manage a number of contemporary SE issues such as obesity, food safety, alcohol abuse and packaging management issues. These issues are of increasing concern in Australia, with potentially serious consequences for AFBI companies (AFGC, 2004). Despite the importance of these issues, however, no prior studies have specifically assessed the SE reporting of companies within the AFBI. To address this gap, this paper applies an industry-specific SE accountability framework to companies within the AFBI to assess the extent and type of reporting by companies in that industry.

The paper is structured as follows: Section 2 briefly reviews key prior relevant empirical SE studies, and is followed by a description of the research methods used in this study in Section 3. This includes a description of the process used to develop the industry-specific disclosure instrument and the content analysis methods used to conduct the empirical analysis. Section 4 presents the results and implications of the findings.

## 2. Literature review

There have been a number of previous empirical studies that have assessed the quantity and/or quality of voluntary SE by companies both within Australia and overseas. Several of these have been critical of the reporting practices adopted. Gallhofer and Haslam’s (1997, p. 158) review of extant studies of voluntary SE practice leave them “less than reassured”, particularly in terms of other researchers’ findings on the quality and reliability of such reporting. Some of the criticisms relate to the annual report disclosures being largely qualitative in nature (Deegan & Gordon, 1996) and not being measurable, credible or comparable (Deegan & Gordon, 1996; Elkington, 1999; Gray, 2006; UNEP, 1996), and for being biased and self-laudatory in nature, with minimal disclosure of negative information (Deegan & Gordon, 1993; Deegan & Rankin, 1996).

Prior studies have tended to focus on examining the extent and type of disclosures across and between industries. However, there have been no previous studies that have specifically examined the disclosure practices of companies

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