Female directors boost green reporting performance

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(PhysOrg.com) -- Companies with women on their boards of directors have a better record of corporate transparency in the area of environmental disclosure, according to a study by researchers in the Flinders University Business School (Australia).

The study comparing corporate governance with levels of environmental reporting was undertaken by the Business School's Interim Dean, Professor Carol Tilt [right], and postgraduate Mrs Kathy Kathyayini [left]. The analysis of the annual reports of Australia's top 100 Australian Stock Exchange-listed companies showed that environmental reporting is on the rise.

When analysing and comparing the composition of the company boards, the researchers found that the presence of women on boards produced a positive effect on levels of environmental reporting.

"Earlier studies have identified a number of attributes of female directors, including active involvement, better preparation and independence, that enable them to make a significant contribution to complex discussions and decisions such as environmental disclosure," Professor Tilt said.

"Consequently, you might anticipate better reporting performance among companies with higher numbers of female directors, and our findings show that boards that include both independent and female directors are likely to have a positive influence on firms' environmental activities and reporting," she said.

In terms of board size, Mrs Kathyayini found that some earlier studies suggested larger boards could be less effective.

"While some studies argue that larger boards are more effective as they can bring wider experience and knowledge and offer better advice, other studies have said large boards can also suffer from a lack of communication, slow decision-making, and a lack of unanimity that ultimately reduces board effectiveness and efficiency," Mrs Kathyayini said.

The Flinders study, however, found that as board sized increased, so did the level of environmental reporting.

And while there has been speculation that the presence of institutional investors would mitigate against disclosure, the study found that companies with high levels of institutional investors are actually better at environmental reporting. Professor Tilt said a broader study of more varied companies is required to confirm the link.

"We hope to consider this issue next year as part of Kathy's PhD thesis," Professor Tilt said.
"Kathy also plans to interview Board members to try to understand how these sorts of decisions are made," she said.

Professor Tilt said the study has implications for regulators such as the Australian Stock Exchange which wants to increase corporate responsiveness and accountability to shareholders and investors. There are lessons too, she said, for directors, company strategists and the companies themselves.

"Companies which include a commitment to the environment in their mission and strategies should consider the impact of board structure and composition, as both of these are shown to have a significant effect on the amount of environmental information disclosed," Professor Tilt said.

Provided by Flinders University