Internet Reporting: Availability of Financial and Environmental Information for the Environmentally Responsible Investor

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Motivation

- Corporate websites
  - Increasing reliance on website as information source for investors (dot.com.com survey 2000)
  - Reliable source of environmental performance information for socially responsible investors?
- Firms in oil and gas industry often have environmental responsibilities
- Some promote themselves as being environmentally friendly (i.e. BP Amoco)
  - Can socially responsible investor discriminate based on web information
Research Questions

■ What type of environmental performance information is available on corporate websites for firms in the oil and gas industry?
■ Does information on the corporate website accurately reflect the company’s environmental performance?
■ Does size of firm impact quality of web-based information?
Background/Literature Review

- 73% of Forbes 500 firms did not disclose environmental issues anywhere in their 1991 annual report (Kreuze et al. 1996)

- 1992 survey by then PW found that 62% of companies with environmental liabilities did not disclose in annual report (Surma and Vondra 1992)
87% of 290 firms across seven industries maintained a web site (Ashbaugh et al. 1999)

- Seventy percent of the firms with web sites provide internet financial reporting (IFR), including:
  - Comprehensive set of financial statements
  - Link to their annual report housed on a third party site
  - Link to the U.S. Securities and Exchange Commission’s (SEC) EDGAR system.

- Conclude there is considerable variation in the quality of information and usefulness of firms’ IFR practices
Background/Literature Review

- Analysis of web presence of top global oil and gas companies suggests that most companies provide financial, product, service, and community service information (EY 1999)
  - Lack detail of what is disclosed
Study

- Evaluate web disclosures of financial and environmental performance for oil and gas firms
- Began with 27 oil and gas firms with CEP or IRRC ranking, final sample consisted of 18 firms
- Accessed all sites in October, 2000
Study

- Evaluate web disclosures using categories described by Louwer et al. (1998)

- High-quality web site meets the needs of users in two ways:
  - Quality of information
    - Breadth
    - Depth
    - Frequency
    - Timeliness
  - Usability and Accessibility of information
Study

- Compare environmental performance to CEP (1997) and IRRC (1996) ranking
  - CEP ranks Oil and Gas companies on a 3-factor environmental performance rubric
    - Environmental impact (60 percent)
    - Environmental management systems and policy (30 percent)
    - Environmental reporting and communications (10 percent)
  - IRRC ranks Oil and Gas firms using Compliance Index
    - Normalizes the total cost of penalties for all environmental statutes in a single year
## Sample Firms Characteristics

<table>
<thead>
<tr>
<th>Characteristic</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales (000)</td>
<td>$2,870</td>
<td></td>
<td>$38,790</td>
</tr>
<tr>
<td>Assets (000)</td>
<td>$1,688</td>
<td>$223,000</td>
<td>$29,188</td>
</tr>
<tr>
<td>Market Capitalization (000)</td>
<td>$2,281</td>
<td>$144,521</td>
<td>$50,162</td>
</tr>
<tr>
<td>Return on Equity</td>
<td>7.00%</td>
<td>$544,570</td>
<td>20.27%</td>
</tr>
<tr>
<td>Return on Assets</td>
<td>3.00%</td>
<td>47.03%</td>
<td>6.97%</td>
</tr>
<tr>
<td>Beta</td>
<td>.36</td>
<td>11.09%</td>
<td>.74</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1.07</td>
<td></td>
</tr>
</tbody>
</table>
Contact Information

Kerr-McGee Corporation
Investor Relations
P.O. Box 20861
Oklahoma City, OK 73123
(888) 796-2538
(405) 270-3125

Stockholder and Investor Information

Securities analysts and investors with business-related questions should contact Kerr-McGee's Investor Relations Department.

For change of address, dividend checks, lost certificates and direct purchase and dividend reinvestment, shareholders should contact UMB Bank, the company's transfer agent.

- **Stock Price:** (Minimum 15 minutes delayed)
- **Exchange:** Kerr-McGee (KMG) common stock is listed on the New York Stock Exchange and also is traded on the Boston, Chicago, Pacific and Philadelphia stock exchanges.
- **Stock History Graph**
- **Dividends History**
- **Transfer Agent**
  UMB Bank
  P.O. Box 410064
  Kansas City, MO 64141-0064
  (877) 810-8620
### Summary of Financial Disclosures

<table>
<thead>
<tr>
<th>Quality Measure</th>
<th>Percent of Firms with Characteristic</th>
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</thead>
<tbody>
<tr>
<td><strong>Breadth</strong></td>
<td></td>
</tr>
<tr>
<td>Stock Price on Web site</td>
<td>72</td>
</tr>
<tr>
<td>Stock Chart on Web site</td>
<td>72</td>
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<tr>
<td>Current Annual Report</td>
<td>89</td>
</tr>
<tr>
<td>Access to 10K</td>
<td>78</td>
</tr>
<tr>
<td>Edgar Link</td>
<td>39</td>
</tr>
<tr>
<td><strong>Depth</strong></td>
<td></td>
</tr>
<tr>
<td>SEC filings</td>
<td>83</td>
</tr>
<tr>
<td>Ability to Download and Manipulate Information</td>
<td>17</td>
</tr>
</tbody>
</table>
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<thead>
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<tbody>
<tr>
<td><strong>Frequency</strong></td>
<td></td>
</tr>
<tr>
<td>Quarterly Financial Information</td>
<td>78</td>
</tr>
<tr>
<td>Link to Presentations</td>
<td>56</td>
</tr>
<tr>
<td>Link to Press Releases</td>
<td>89</td>
</tr>
<tr>
<td><strong>Timeliness</strong></td>
<td></td>
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<tr>
<td>Current Quarter Results</td>
<td>89</td>
</tr>
<tr>
<td><strong>Accessibility</strong></td>
<td></td>
</tr>
<tr>
<td>Link on Home Page with Constant Sidebar</td>
<td>72</td>
</tr>
<tr>
<td>Investor Relations Link</td>
<td>83</td>
</tr>
<tr>
<td>Searchable Site</td>
<td>61</td>
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## Summary of Environmental Disclosures

<table>
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<tr>
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<th>Percent of Firms with Characteristic</th>
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<tbody>
<tr>
<td><strong>Breadth</strong></td>
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<tr>
<td>Full Environmental, Health, and Safety Report</td>
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<tr>
<td><strong>Depth</strong></td>
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<tr>
<td>Detailed Release Information</td>
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<tr>
<td>Multi-year Comparisons</td>
<td>22</td>
</tr>
<tr>
<td><strong>Frequency</strong></td>
<td></td>
</tr>
<tr>
<td>More than One Year of Information</td>
<td>28</td>
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<td><strong>Accessibility</strong></td>
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<tr>
<td>Link on Homepage</td>
<td>33</td>
</tr>
<tr>
<td>Easily Viewable</td>
<td>50</td>
</tr>
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</table>
Study

- Firms in the lower half of the CEP ranking are less likely to include full EHS reports on their website
  - Two of the four firms with no environmental performance information are in the bottom half
  - Other two are not ranked by CEP
Study

- Results are mixed when we compare the IRRC compliance index to web disclosures
  - Firms are just as likely to include a full EHS report if their performance is in the lower 50th percentile as those in the upper 50th percentile
  - Enron, the firm with the best IRRC ranking, had very proactive environmental disclosures
  - Kerr McGee, the firm with the worst ranking, did not have any hard data on their Web site
Concluding Remarks

- Financial performance – much more comprehensive than three years ago, can use to evaluate performance
- Environmental performance – difficult to make comparisons, environmentally responsible investors must still rely on other sources such as the CEP or the IRRC database
Concluding Remarks

Suggestions to firms
- Downloadable Excel files
- Consistent menu template as user “drills down”
- Comparable coverage across companies

Future research
- Identify best practices
  - Amoco for Financial disclosures
  - Enron for Environmental disclosures
- Implement environmental disclosures based on guidelines (i.e. STEP)