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Peer Review

Review of: "Greening the Bottom Line: Exploring the Impact of Sustainability Disclosure on Financial Performance"

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First Review

Article: **Greening the Bottom Line: Exploring the Impact of Sustainability Disclosure on Financial Performance**

Comments:

Overall: The paper constructs a 24-item GRI-based index to rate disclosure quality and relates it to firm-level financial indicators. It finds positive associations with leverage and profitability, and no associations with liquidity and size. The South African mining focus is relevant, and the disclosure index is clearly structured. However, the manuscript contains some issues that need to be addressed before it can be considered for publication.

Major concerns

1. Construct validity and transparency of the index. The cut-offs for "favourable" versus "unfavourable" quality are arbitrary; coder training, inter-coder reliability, and any validation checks are not reported. Given 2012–2021 spans GRI G3/G4/Standards, justify using the 2000–2010 sector supplement and discuss comparability over time.
2. Data treatment and replicability. Mean imputation for financial ratios and "90% winsorisation" are insufficiently specified and can bias estimates. Define the winsorisation rule precisely, avoid mean imputation for skewed ratios, and report sensitivity without imputation. Clarify why the descriptive "Size" statistics appear unlogged despite a log transform being stated.
3. Model specification and inference. Very high R^2 likely reflects firm fixed effects; report within-R^2 and include year fixed effects to absorb macro and commodity-cycle shocks. Use cluster-robust

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(firm-level) or Driscoll–Kraay errors, justify the AR(1) structure, and add standard panel diagnostics (serial correlation, cross-sectional dependence, multicollinearity).

4. Endogeneity and causal language. Profitability and disclosure quality are jointly determined. Address reverse causality and omitted variables (assurance, integrated reporting intensity, governance, commodity prices, listing board, firm age) via lags, firm–year shocks, or robustness designs. Temper causal phrasing unless identification is strengthened.
5. Inconsistent variable reporting. Table labels switch between PB/PF for profitability; the regression table includes an AR(1) “Lag” as if it were a regressor; liquidity and size behave inconsistently across descriptive, correlation, and FE models. Harmonise notation, define all variables once, and reconcile these discrepancies.
6. Theoretical scaffolding. Stakeholder, legitimacy, and impression-management theories are invoked, yet hypotheses are framed as generic “there is a relationship” statements. Specify directional hypotheses grounded in the chosen primary lens and motivate why leverage and profitability, in this setting, should co-move with disclosure quality.
7. Context and controls. JSE integrated reporting and South Africa’s mining cycles may confound results. Include time dummies, commodity-price proxies, assurance indicators, and integrated-reporting intensity to better isolate associations.
8. Add control variables for integrated reporting assurance, governance, and commodity conditions; consider lagged disclosure quality or a dynamic panel as a robustness check.
9. Tighten theory to a primary lens, derive directional hypotheses, and align interpretation with evidence.
10. Streamline prose and relocate long descriptive passages to an appendix; convert Figures 1–2 into compact panels and ensure axes, units, and scaling are fully explained.

Minor issues

1. Ensure consistent terminology (profitability variable code, AR term reporting).
2. Check reference accuracy, years, and journal titles; several citations are dated and non-South African for a SA-mining study, briefly justify external evidence or add local sources.
3. Clarify why the final balanced panel is 36×9=324 rather than 36×10, given a ten-year window.

Major revisions. The sectoral focus and index approach are promising, but improvements in construct transparency, panel identification, and reporting are needed before the findings can be considered reliable and useful for policy or practice.

Attachments: available at https://doi.org/10.32388/YW37P7

Declarations

Potential competing interests: No potential competing interests to declare.