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Structure of Corporate Responsibility Reporting in Polish Organisations

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Abstract

Purpose: Corporate social responsibility (CSR) has a long history, dating back to the 1950s and undergoing since then many changes. Although environmental responsibility is one of its fundamental paradigms, there are also other dimensions, which constitute CSR: the social dimension, focusing on people and the economic dimension. Studies suggest that organisations tend to a selective disclosure of non-financial information. This may lead to disparities in the nature of non-financial information disclosed. Therefore, the main aim of this paper is to determine the structure of CSR information disclosed by Polish organisations.

Design/methodology/approach: The analysis has been conducted on organisations listed on the Warsaw Stock Exchange. For this purpose sustainability reports made available by the organisations have been analysed using the Global Reporting Initiative Guidelines. The data has been analysed using descriptive statistics.

Findings: The analysis shows, that organisations disclose non-financial information most specific in the category General Standard Disclosure. Within the category Specific Standard Disclosure, organisations are most likely to disclose social information followed by environmental information and economic information. However, within social information the disclosure level is not even. Most specific information is being disclosed in regard to the Labour Practices and Decent Work categories, while only a few organisations disclose Human Rights information.

Research and practical limitations/implications: Due to the low number of organisations disclosing non-financial information in general, the results presented in this paper must be treated with caution, especially in

regard to the attempt to show the structure of CSR reporting in particular industries. The practical implications of the results include the presentation of existing disparities within CSR reporting and thus point towards reporting areas, which need to be approached with more attention.

Originality/value: Previous research relating to the disclosure of non-financial information focused mainly on selected industries. This paper evaluates CSR reporting in regard to all organisations listed on the Warsaw Stock Exchange. Furthermore, previous research analysed mostly the disclosure level in selected categories, without showing the relation between the disclosure levels in all categories.

Paper type: Research paper.

Keywords: corporate social responsibility, sustainability reporting, triple bottom line, CSR disclosure, GRI.

1. Introduction

The past years have seen an increasing pressure on organisations by numerous stakeholders to disclose non-financial information regarding their activity. Poland has experienced a raise in corporate responsibility reporting from 54% in 2015 to 59% in 2017, being still under the global average (KPMG, 2017). Accurate and transparent corporate responsibility reporting is being perceived as e.g. commitment towards stakeholders (Hawrysz and Maj, 2017), a way of supporting organisational trust (Józefowicz and Jedynak, 2016) and a way of achieving competitive advantage without using advanced technology (Bębenek, 2017). There is also a growing interest of research on the topic of sustainability reporting, focusing e.g. on determinants of sustainability reporting (Ali, Frynas, and Mahmood, 2017; Dyduch and Krasodomaska, 2017) or the quality of sustainability reporting (Matuszak and Różańska, 2017). However, as suggested by Adams and Frost (2008), it is doubtful whether corporate responsibility reports present a complete and accurate impact of organisations on the environment and society. Thus, the more important seems the quantitative information disclosed by organisations and included in sustainability reports, as this way they provide concrete data on the organisations sustainability performance and activity (Daub, 2007).

Due to the fact that Polish organisations are not eager to disclose non-financial information (Hawrysz, 2016) it is important to analyse, whether the disclosed information is balanced and represents all the corporate responsibility areas. Therefore, the purpose of this paper is

to establish to which extent Polish organisations report on corporate sustainability and which sustainability indicators they report on most willingly. The paper has been organised in the following way. In section 2 a brief overview of the literature on corporate responsibility reporting with the focus on reporting particular sustainability indicators is presented. Next, in section 3, the research design and methodology are presented, followed by the research results in section 4. The paper finishes with the discussion and conclusion section.

2. Selective disclosure of CSR information

Despite the fact that CSR dates back to the 1950s it is a dynamic concept, which has since then undergone many changes (Moura-Leite and Padgett, 2011) and there is still no unanimous consent about its nature and definition (Orlitzky, Siegel and Waldman, 2011). One of most widely accepted approaches defines CSR in term of the triple bottom line pointing towards the economic, social and environmental dimension (Norman and MacDonald, 2004). This approach has been adopted for instance by the Global Reporting Initiative (GRI), which developed one of the most popular but also credible sustainability reporting guidelines (Randari and Rostamy, 2015). Although the triple bottom line model was introduced 30 years ago, studies show that it can still be applied in practice as well as in research (Księżak and Fischbach, 2018). Furthermore, a comprehensive implementation of CSR in accordance with the triple bottom line and areas suggested by the reporting guidelines may lead to the adoption of CSR as an area of positive organisational potential (Karaszewski and Lis, 2015). Studies suggest that organisations tend to a selective disclosure of non-financial information (Kozłowski, Searcy and Bardecki, 2015). Most studies analysing determinants of CSR reporting have focused on internal and external determinates of the reporting process in full (Ali et al., 2017). Among several determinants of sustainability reporting also the culture of social responsibility in a particular country may be of importance (De Beelde and Tuybens, 2015; Kolk and Perego, 2010). This makes an analysis in an East European, e.g. Polish context important, as most of the analyses of corporate responsibility reporting have been carried out in West Europe, the United States and Australia. Apart from the studies, analysing the disclosure level in full, some attention has been also paid to the

structure of reported indicators. Roca and Searcy (2012) found that the analysed organisations use a great variety of disclosed indicators and also the disclosure of non-financial information in accordance with GRI guidelines varies. Tarquinio, Raucci and Benedetti (2018) came to the conclusion that in the analysed countries, i.e. Spain, Italy and Greece, social indicators are the ones organisations are most willing to disclose, followed by economic indicators in Spain and Italy and environmental ones in Greece. Human Resources indicators were disclosed less commonly. Also Gallego (2006) noticed a lack of balance in sustainability reporting with a focus on certain social and environmental indicators.

3. Research design and methodology

For the purpose of this paper Polish organisations listed on the Warsaw Stock Exchange were chosen. The population of the study, 430 Polish organisations was determined on the 16 March 2018. The analysis was made based on the information provided by the companies within their non-financial reports. The goal of the analysis was the attempt to assess the disclosure level of non-financial information according to the guidelines of the Global Reporting Initiative GRI (G4) (Global Reporting Initiative, 2013). Choosing the GRI guideline for the analysis has been dictated by the fact, that it has already been used in previous research for the analysis of the quality of sustainability reporting (Ching, Gerab and Toste, 2013; Hąbek, 2014; Hąbek, 2017). The choice of GRI was also dictated by previous research, which showed, that Polish companies using external standards or guidelines for reporting most often use GRI guidelines. Furthermore, if they use GRI they also use the most up-to-date guideline i.e. the G4 guideline (Maj, 2018). The GRI Sustainability Reporting Guidelines G4 cover general standard disclosures and three categories of specific standard disclosures: environmental, economic and social. Additionally, the social category is divided into four sub-categories: labour practise and decent work, human rights, society and product responsibility. Every category and subcategory is divided into aspects and then into particular indicators. The General Standard Disclosure includes 58 indicators, the environmental category includes 34 indicators, the economic category includes 9 indicators and the social category includes 16 indicators for labour practise and decent work, 12 indicators for human rights, 11 indicators for society and 9

indicators for product responsibility. Furthermore, GRI offers the possibility to report in accordance with the Core option, which includes all the essential elements of CSR reporting and the Comprehensive option, including additional information. The General Standard Disclosure reported in accordance to the Core includes following indicators: G4–1, G4–3 – G4–34, G4–56, and the Comprehensive option includes all 58 indicators.

The web pages of all 430 companies listed on the Warsaw Stock Exchange have been analysed for non-financial, sustainability or integrated reports, however only 34 organisations disclosed such reports. Those reports were mostly for 2016. For one organisation the report for 2015 has been analysed, as for 2016 a simplified report, i.e. not including GRI indicators, has been developed. 6 organisations have already disclosed reports for 2017 and in case of 4 of them, it was the first time to publicize non-financial reports. Also 3 organisations have disclosed simplified reports, which due to the lack of indicators have not been included into the sample and 2 organisations, which also have been excluded, have on their websites old reports, for 2014 and 2013.

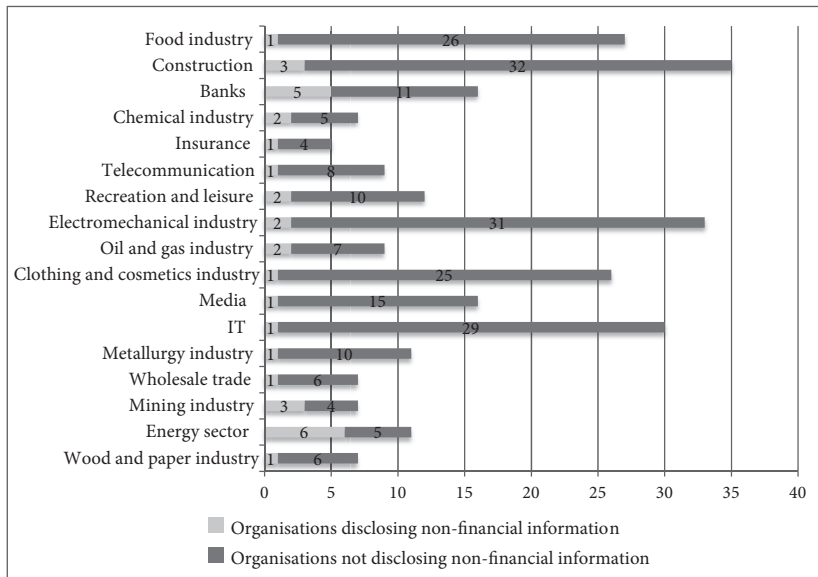


Figure 1. The number of organisations disclosing non-financial information due to the sector

Source: Own research.

The organisations indexed on the Warsaw Stock Exchange represent a wide range of industries, however for more than the half of those industries not even one company discloses non-financial information. This includes also high-represented sectors like development services or the investment sector. The structure of the sample due to the represented industry is presented on Figure 1. Figure 1 shows also the number of organisations from particular sectors, which are listed on the Warsaw Stock Exchange but do not disclose non-financial information.

4. Research results

The first general finding of the conducted study is that most organisations do not disclose any CSR information at all. Considering the entities, which have general CSR reports or older reports, which were not included in the actual analysis, only 39 organisations disclose non-financial information. Figure 2 presents the average disclosure level in all categories from the GRI G4 reporting guideline.

According to the obtained information, organisations disclose general information most willingly, followed by social information, environmental information and economic information. Within the

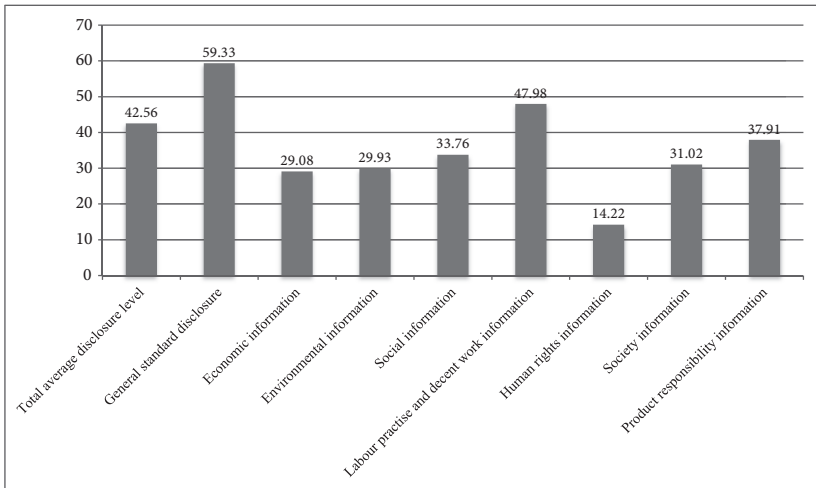
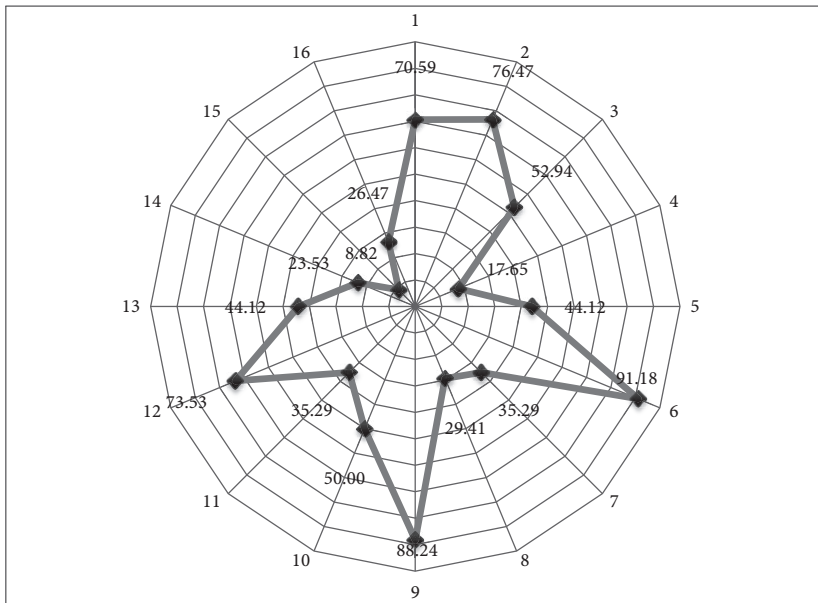


Figure 2. The average level of disclosure in GRI G4 categories [%]

Source: Own research.

social category the disclosure level is uneven. Organisations are most willing to share labour practices and decent work information, then product responsibility information followed by society information. The average disclosure level of human rights information is not even 15%.

Focusing on the disclosure level of general information following conclusions can be drawn. First of all, most of the analysed organisations report non-financial information in accordance with the core option. Most of the indicators are being reported by all of the organisations. The average disclosure level of the core indicators is 94.63%. The core indicator with the lowest disclosure level (79.41%) is G4–21 concerning external material aspect boundaries. Secondly, only individual organisations disclose general information in accordance with the comprehensive option. There is however one exception, the indicator G4–2 concerning the description of key impacts, risks and opportunities, which is being disclosed by 70.59% of organisations.



* The numbers on the graph represent the adequate GRI indicator

Figure 3. The percentage of organisations disclosing labour practise and decent work data

Source: Own research

The remaining indicators of the comprehensive option are however being shared on average by 6.65% of the organisations. However two indicators i.e. G4-57 and G4-58 concerning ethics and integrity are also being reported by a higher group of organisations, respectively 12 and 11 organisations.

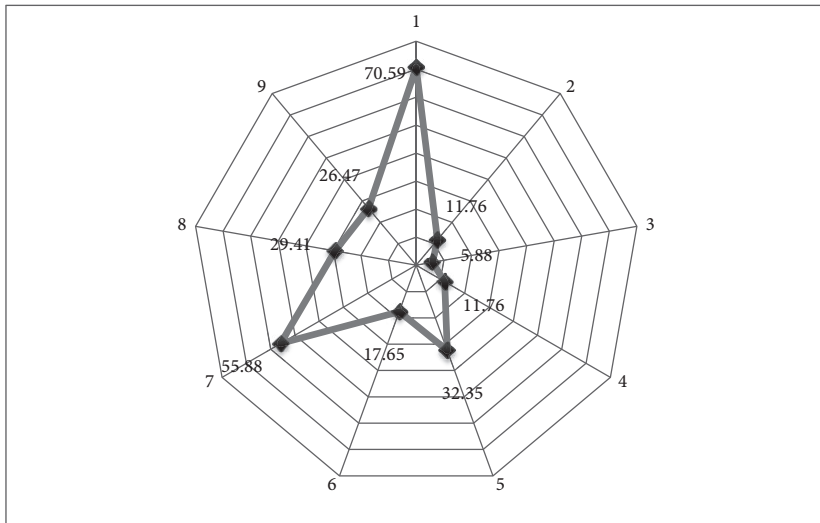
As already indicated, there is a noticeable disparity between the particular sub-categories of the social dimension. Figure 3 presents the percentage of organisations disclosing information in particular labour practise and decent work indicators. The average disclosure level in this subcategory is 47.98%. There are however indicators, which organisations share more willingly, namely G4-LA6 (injury rate, types of injury, absentee rate, occupational diseases rate), G4-LA9 (average hours of training by gender, employee category), G4-LA2 (benefits) and G4-LA1 (employee hires and turnover). The indicator with the lowest disclosure rate is G4-LA15 (number of suppliers screened for labour practices).

The second social sub-category disclosed most willingly is product responsibility. The average reporting level is 37.91%. The disclosure in this category is rather balanced, with the exception of G4-PR6 (selling products, which are banned in certain markets or subject to public debate), which is reported only by two organisations. With 64.71% the most often shared indicator is G4-PR5 (customer satisfaction survey). Within the society sub-category the most often reported indicator is G4-SO5 (number and nature of confirmed incidents of corruption) with 61.76%, followed by G4-SO4 (anti-corruption communication to employees) with 50% and G4-SO8 (compliance) with 41.18%. Only individual organisations report on supplier assessment for impacts on society G4-SO9 (1 organisation), G4-S10 (2 organisations) and grievance mechanisms G4-S11 (3 organisations). The social sub-category with the lowest disclosure level is human rights, where only individual organisations report on the particular indicators. The only exception is the indicator G4-HR3, where 52.94% entities disclose information on non-discrimination.

In the next environmental category, there is a great variety as to the disclosure level of particular information. The coefficient of variation in this category is 80.63%, with the standard deviation of 8.2. The most willingly disclosed indicator is G4-EN3 (energy consumption) with 97.06%, followed by G4-EN23 (waste and its disposal methods) with 76.47% and three indicators disclosed by 67.65% of analysed

organisations i.e. G4-EN1 (materials use), G4-EN8 (water use) and G4-EN15 (gas emission). However, this category includes also indicators disclosed only by individual organisations, like G4-EN7 (reductions in the energy requirements), G4-EN17 (GHG gas emission) or G4-EN26 (water bodies and related habitats that are significantly affected by water discharge), which were disclosed only by one organisation or G4-EN4 (energy consumed outside of the organisation) which none of the organisations disclosed.

The disclosure level of the indicators from the economic category is presented on Figure 4.



* The numbers on the graph represent the adequate GRI indicator

Figure 4. The percentage of organisations disclosing economic information

Source: Own research

In this category, organisations most willingly disclose indicators G4-EC1 (direct economic value generated and distributed) and G4-EC7 (development of significant infrastructure investments and services supported). Only two organisations disclose information regarding the monetary value of financial assistance received by the organisation from governments (G4-EC3).

5. Discussion and conclusion

The first conclusion of the conducted analysis is that the vast majority of organisations listed on the Warsaw Stock Exchange do not disclose non-financial information. This as an important issue, as due to the adoption of the Directive 2014/95/EU those organisations are obliged to disclose such data starting with non-financial and diversity information for 2017. Based on the estimations of the Ministry of Finances, 483 Polish entities listed in the Act of 7 May 2009 (uniform text; Polish Journal of Laws; Dz. U. of 2015, item 1011) will be affected by the Directive. Therefore, the small number of organisations disclosing CSR information is alarming, especially considering the findings of Sierra-Garcia, Garcia-Benau and Bollar-Araya (2018), which show, that the disclosure of non-financial information decreased after the implementation of the Directive.

The conducted analysis shows an existing differentiation in regard to the disclosure in particular categories. As far as the reporting of the general information may be assessed as satisfactory, the disclosure in the other categories has a lot of potential for improvement. Moreover, as visible on the example of the environmental category, the differences in the detail of disclosed information within a particular category are rather high. This shows that organisations disclose the information rather selectively. There are indicators, which are included in reports by most of the companies but there are also indicators, which are omitted or included by only individual entities. This fact may be an indication for practitioners and decision-makers as it shows, which topics are being left out of the current reporting process and which need additional attention.

The importance of comprehensive and balanced corporate sustainability reporting results from the fact, that a mature management system needs to be based on reliable reporting, which in case of CSR is the foundation for systemic CSR, the so called CSR 2.0. (Visser, 2016). Furthermore, socio-demographic changes e.g. in the labour market (Kubiciel-Lodzinska, 2017), but also awareness changes of various stakeholders (Klimkiewicz and Oltra, 2017) will increase the pressure on organisations for a more transparent and comprehensive disclosure of non-financial information.

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