

## SOCIAL REPORTING AS A TOOL FOR ACHIEVING THE SUSTAINABLE DEVELOPMENT GOALS

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### ABSTRACT

The concept of sustainable development is not only the subject of theoretical consideration but also an important field of actions taken by international institutions. The adoption of the Sustainable Development Goals (SDGs) is one of the results of these activities. A special role in this area is attributed to companies which are expected to incorporate the sustainable development principles into long-term business strategy. Social reporting is a tool for support this process. It provides an information on activities and results in social and environmental fields. The aim of the article is to identify trends associated with the publishing information related to Sustainable Development Goals. The realization of the article's purpose was based on descriptive method consists of analysis of the subject-related literature concerning social reporting and sustainable development. In addition, the method of desk research was applied. Results of the research lead to the conclusion that implementation of challenges related to Agenda 2030 had an impact on increase the number of companies published social reports which contain information concerning sustainable development. However, in order to further develop this type of reporting, it is essential to improve the involvement of governments and other regulatory institutions in the areas of educational activities as well as take the promotional initiatives such as encouraging the use of the GRI Reporting Framework which allows to increase the transparency and ensure comparability and credibility of social reports. The article constitutes a contribution to research on the practice of social reporting.

**Keywords:** sustainable development, social reporting, GRI

**JEL codes:** M14, Q01, Q56

### INTRODUCTION

The challenges of the contemporary world connected with climate changes, depletion of natural resources, ongoing environmental degradation as well as growing expectations of different stakeholders has become a reason for change in approach regarding the economic process. In the face of this changes, the concept of sustainable development has been born. It is based on the assumption that

main goal of this process should not be maximizing the benefits, but also create and maintain socio-economic durability.

A special role in this area is attributed to companies and, above all, their activity based on transparency. It is determined by the fact that stakeholders are interested not only in undertaken or declared actions for the implementation of the Sustainable Development Goals but also in results of these activities (Kaputa, 2013; GRI, 2017).

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Social reporting is a tool, which support this process. It provides information relating to company's activities and their performance in the field of sustainable development. It leads not only to reducing information asymmetry in the market. From the company's point of view, it also offers opportunities for evaluation of these activities and manage them appropriately.

The aim of the article is to identify trends associated with the publishing information related to Sustainable Development Goals.

## **THEORETICAL BACKGROUND**

Strategy in modern companies should be based on incorporation of the concept of sustainable development (Grabara, Bajdor and Mihaescu, 2015; Lorenc and Sorokina, 2015). This is confirmed by initiatives taken by various international institutions. Undoubtedly, one of them is the Agenda 2030, adopted by the Members of the United Nations in 2015. It includes 17 Sustainable Development Goals (SDGs) subdivided into 169 targets (United Nations, 2015). In addition to priorities such as health, education and food safety, the Sustainable Development Goals include a wider range of economic, social and environmental issues, seeking to transform economies that will create a basis for long-term sustainable growth favouring job creation (Global Compact Poland, 2016).

In this perspective, initiatives undertaken by companies for sustainable development cannot be treated exclusively as the secondary area of their activity. They should be an important element of business strategy implementation, constituting coordinated and logical sequence of actions contributing to the long term implementation the common vision for development (Jastrzębska, 2016).

In accordance with the assumptions of Agenda 2030, the monitoring based on quality, accessible, and reliable information should be an inherent element of achieving sustainable development goals (United Nations, 2015). Sustainability reporting is one of the tools, which supports companies in this process. In general, two types of reporting related to sustainable development can be identified. The first one is based on the indicative measurements (Atkinson, 2000; Ve-

leva et al., 2001), while the other only on description and narrative (Agger, 2010). Some companies publish this type of information within their mandatory annual reports (Dagiliene, 2010). The other companies prepare optional social reports.

Social reports are undoubtedly more informative. Social reporting consists on measuring, disclosing and taking responsibility towards internal and external stakeholders for results and efficiency in terms of presentation of an organization's contributions towards the sustainable development (GRI, 2016). It contributes to increase transparency as well as reduce information asymmetry in the market by improve information policy towards stakeholders. Additionally, social reporting forces companies, having significant social and environmental impact to take a look at their activities and manage them appropriately, which in effect means a step towards sustainable development (Adams and Frost, 2008; Du, Bhattacharya and Sen, 2010). Therefore, the need of disclosure information relating to sustainable development becomes a global standard (Berglof and Pajuste, 2005; Cho and Pucik, 2005; Ciegis and Grunda, 2006; Gao, 2011; Laidroo and Ööbik, 2013).

## **MATERIALS AND METHODS**

The aim of the article is to identify trends associated with the publishing information related to Sustainable Development Goals. Considering the complexity of issues taken in the article, attention has been focused on social reports as well as the role of GRI Standards in this process.

The realization of the article's purpose was based on descriptive method consists of analysis of the subject-related literature concerning social reporting and sustainable development. In addition, the method of desk research was applied. The reports submitted to databases connected with the practice of reporting information concerning sustainable development were analysed. The article is also based on selected studies showing social reporting practices in the world. The selection of this studies had been dictated by fact they provide a detailed look at both global trends in publishing social reports and at disclosing information related to Sustainable Development Goals adopted in

2015. Also because they are focused on practices of the largest companies, whose activities very often becomes a model conduct for other economic actors.

The proposed methodology allowed to of the realization article's purpose and formulation of recommendations concerning the social reporting in the field of Sustainable Development Goals.

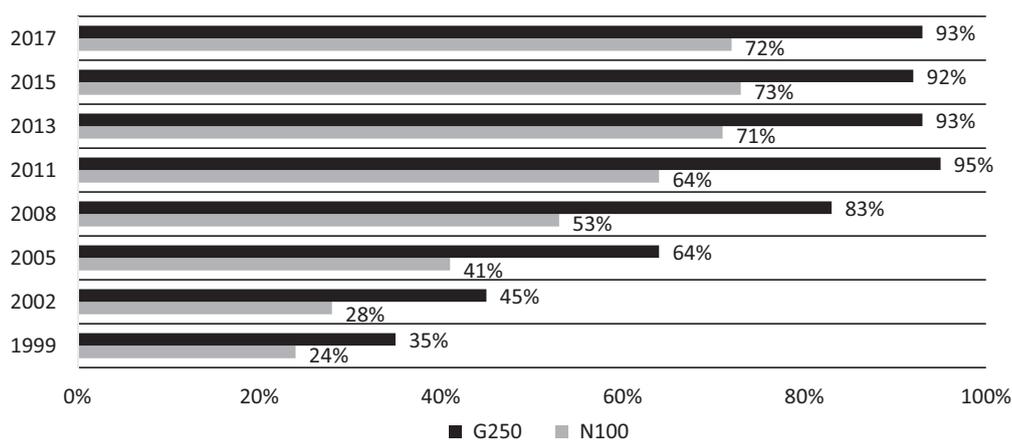
## RESULTS AND DISCUSSION

Social reporting plays an increasingly important role in the business activity. This is reflected in research included in the report 'The road ahead. The KPMG Survey of Corporate Social Responsibility Reporting 2017', which related to practice of social reporting in selected countries in the world<sup>3</sup>. The results show that 72% of 4,900 analysed companies (N100) disclosed information concerning sustainable development in 2017. The situation of 250 largest, according to income, companies in the world ranked by Fortune Global 500 is even more preferably. The results indicate that 93% of them prepare sustainability reports. This reflects the significant changes that have occurred in this area in recent years (Fig. 1). The number of reports submitted to GRI Sustainability Disclosure Database launched in 1999 also confirms the increasing interest in reports concerning the concept of sustainable development. More than 47,000

reports were registered since its inception (as of May 2018). It should be emphasized that over the years there have been a gradual increasing number of submitted reports. In 2007, less than 1,000 reports were published. However, since 2013 annual number of registration exceeds 5,000 (GRI, 2018). The analysis of reporting rates by geographical segments allow to indicate countries which are the leaders in this field. Among the global business leaders, companies from Germany (83%), France (63%) and Great Britain (60%) are the most active in disclosing data relating to Sustainable Development Goals (KPMG, 2018). When analysing this aspect by sectors it turns out that the most active are companies from sectors such as utilities, automotive, retail as well as technology, media, and telecommunications (Fig. 2).

The companies preparing their social reports differ significantly in the scope of disclosing data concerning sustainable development. They indicate their priority goals such as: climate action, decent work and economic growth, good health and well-being, responsible consumption and production, gender equality and quality education. By contrast, companies are paying the least attention to the following SDGs: life on land, zero hunger and life below water (Fig. 3).

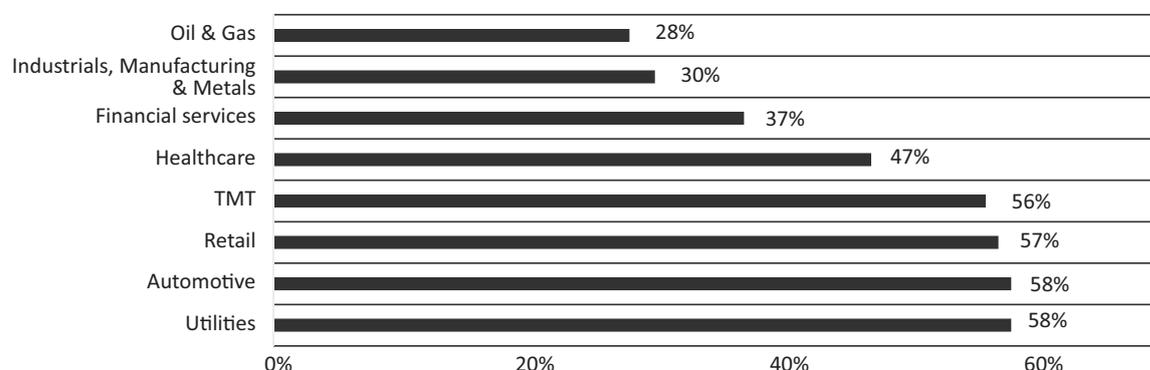
When analyses sustainability reporting by Polish companies, it can be noted that their practice deviates



**Figure 1.** Global trends in social reporting

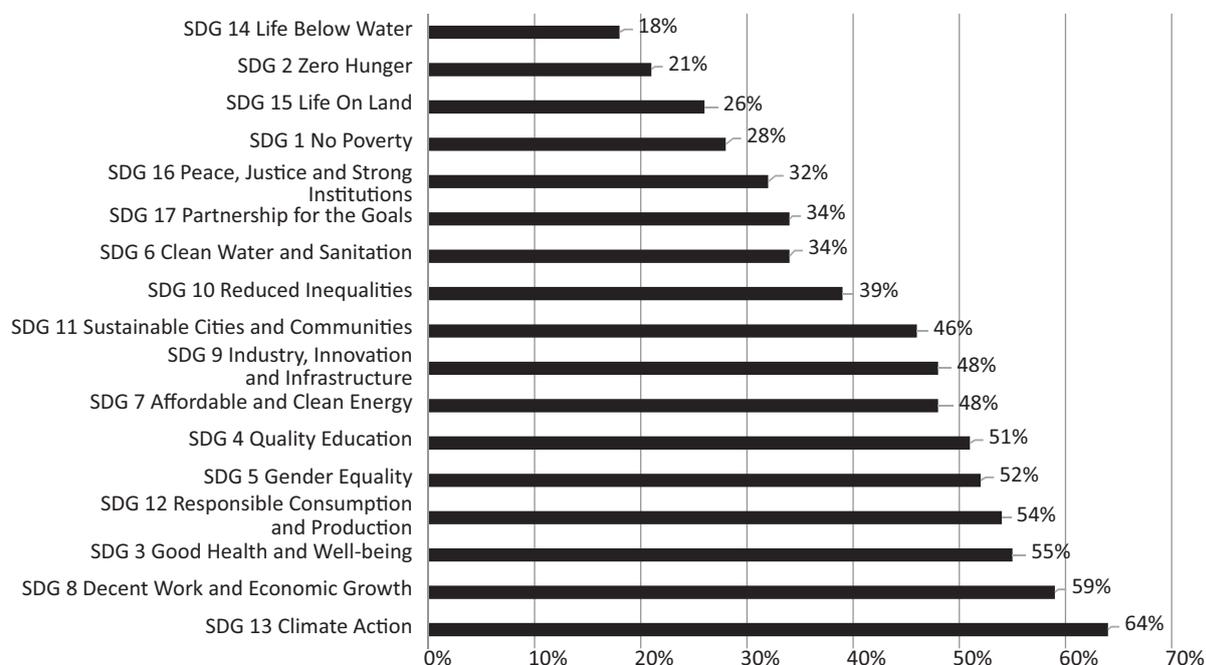
Source: author's own work based on KPMG (2015, 2017).

<sup>3</sup> KPMG has published results of research since 1993. Currently 49 countries are in its scope.



**Figure 2.** Reporting on SDGs across sectors by the world's largest companies

Source: author's own work based on KPMG (2018).



**Figure 3.** Level of prioritizing the Sustainable Development Goals by the world's largest companies

Source: author's own work based on KPMG (2018).

from the world's best practices. The data contained within the KPMG's survey shows that only 59% of the largest Polish companies had prepared a reports containing this type of information in 2017. However, it should be emphasized that this result increased by five percentage points between 2015 and 2017, and by three percentage points between 2013 and 2017 (KPMG, 2013, 2015, 2017).

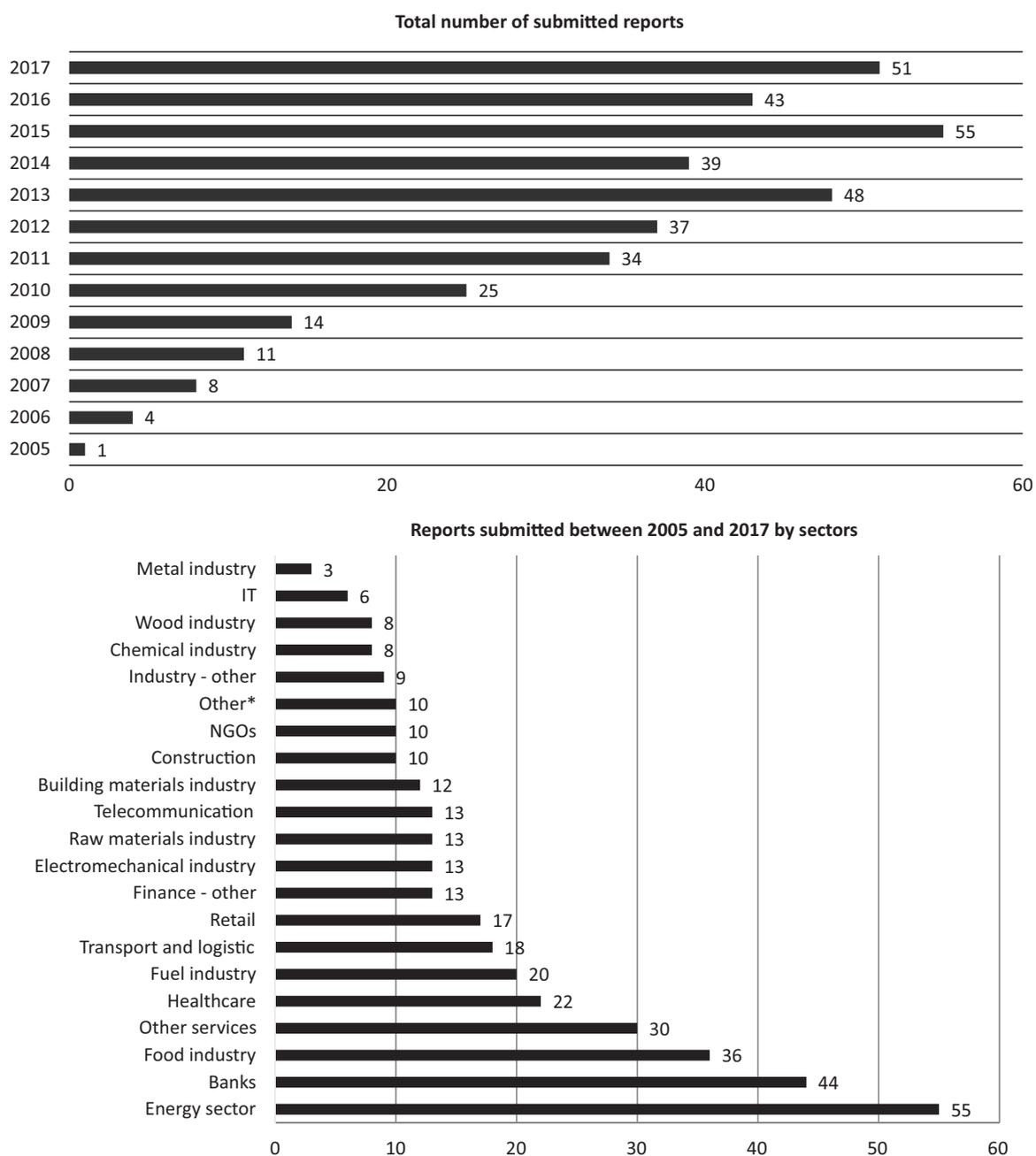
The growing interest in publishing reports concerning sustainable development also confirms the

number of report submitted to GRI Sustainability Disclosure Database. Until now, 298 reports were registered by Polish companies, of which 209 were prepared between 2013 and 2018 (GRI, 2018).

The same trends can be observed on the basis of number of submitted reports to a registry maintained by CSRinfo, an educational and consulting company in the field of corporate social responsibility and sustainable development, which is an official partner of the Global Reporting Initiative organization in Po-

land. CSRinfo database is a key source of information relating to social reports publishing on Polish market. It also allows to observe general trends related there-

to as well as to identify the leading sectors in the area of social reporting in Poland. These includes: Energy sector, Banks and Food industry (Fig. 4).



\* Media (2), Cities (2), Waste and recycling (1), Automotive (1), Plastic industry (1), Universities (1), Water utilities (1), Gambling industry (1).

**Figure 4.** Number of social reports registered in the CSRinfo between 2005 and 2017

Source: author's own work based on CSRinfo.

Despite the fact that companies are increasingly referring to the Sustainable Development Goals in their social reports, it is still not a standard procedure, even among the largest companies in the world. This may result from the problems with identify, measurement and disclosure of key aspects relating thereto. The regulations preparing by Global Reporting Initiative (GRI) may become a tool which support this process. GRI is an independent international organization, founded in 1997, whose mission 'is to make sustainability reporting standard practice by providing guidance and support to organizations (GRI, 2011)'. Tools preparing by GRI are a kind of guide, which helps reporting companies to understand not only the requirements and principles contained therein but also the whole process of social reporting (Anam, 2013).

Global Reporting Initiative focuses not only on preparing the most common guidelines concerning the area of sustainable development. It also takes active steps to support companies in achieving sustainable development goals and reporting them. The development, in cooperation with UN Global Compact and World Business Council for Sustainable Development, of a set of applicable indicators defining the business contribution to implementation of the Sustainable Development Goals is one the results of these activities. The newest GRI Standards may play an important role in this process. They shall place particular emphasis on reporting on issues that are relevant from the point of view of company's activity and its key stakeholders. The GRI Standards, in their assumption are to be more understandable, better structured and easier to use than the GRI G4 guidelines, which are still in force today<sup>4</sup> (Sikacz, 2017). As a result, this should increase the reliability and usefulness of information and improve the way of communication. This is particularly important from the point of view of those companies, for which implementation of sustainable development goals and reporting of information related thereto is a new field of activity.

## CONCLUSIONS

The implementation of the concept of sustainable development by companies requires a new and innovative approach to making choices and ways of thinking based not only on economic, but also on social and environmental issues. That implies the transparency, which should be basis for building relationships with stakeholders and other market interaction.

Social reporting based on GRI's framework for sustainability reporting is a helpful tool in this respect. The aim of the GRI regulations is to create a generally accepted framework for reporting on an economic, environmental, and social aspects of organization's functioning. The preparation on social reports helps companies set goals, measure their performance and management of changes, striving to sustainable development.

The analysis included in the article, which related to disclosure of information concerning activities undertaken in the field of sustainable development leads to the following statements and recommendations:

- despite the unequal pace of development of the concept of social reporting in individual countries, the implementation of challenges related to Agenda 2030 had an impact on increase the number of companies published their social reports;
- in addition to general information concerning economic, social and environmental aspects of company's activity, social reporting also creates an opportunity to access to information on actions undertaken for the implementation of the Sustainable Development Goals;
- to increase the number of reporting companies, it is important to improve the involvement of governments and other regulatory institutions in the areas such as development of educational activities resulting in increased knowledge and public awareness as well as take the promotional initiatives (for example encouraging the use of the *GRI* Standards);

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<sup>4</sup> GRI Standards will definitively replace the G4 Guidelines on July of 2018.

- use of the GRI's framework in social reporting increases its transparency and ensures comparability and credibility of publishing information.

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