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## Reporting standards in socially responsible enterprises

**Abstract**

Corporate Social Responsibility (CSR) reports are compiled in line with a variety of principles and guidelines, which obstructs comparability across enterprises, fails to assure transparency and prevents evaluation of CSR performance. It should also be noted that reporting is perceived as a major source of information used in decision-making processes. Standardisation of non-financial reporting is therefore an important scientific issue from the viewpoint of enterprise management.

This paper aims to analyse and verify applicable rules of CSR reporting by enterprises with regard to standards in place on the basis of the authors' research among a group of enterprises in Poland. The subject appears topical and requires solutions by indicating principles of CSR reporting that could become universal models of global applicability.

Both literature and empirical research have helped to verify the following hypotheses:

(H1) – CSR reports are important sources of information used in enterprise management. This is affirmed by queries into literature, where effect of non-financial disclosures on financial performance of enterprises is described, and the authors' own research shows that approximately 60% (59% in 2015 and 62% in 2014) of enterprises have implemented the idea of the CSR, thus perceiving a need to improve their situation by disclosing non-financial information.

(H2) – Enterprises take advantage of international standards in their CSR reporting. This is affirmed by the authors' research, which implies enterprises under examination compile their CSR reports based mainly on ISO standards, though primarily for the purposes of certification. Therefore, the absence of reporting duties causes non-financial disclosures to follow various standards and guidelines, which impedes comparability.

**Keywords:** Corporate Social Responsibility; Reporting; Management

**JEL Classification:** M14; M41

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**Стандарти звітності на соціально відповідальних підприємствах****Анотація**

На сьогоднішній день у світі не існує уніфікованого підходу до визначення соціальної відповідальності підприємств і складання звітів відносно її реалізації, хоча багато підприємств публікують такі звіти й враховують їх результати при стратегічному плануванні. Мета цієї статті – визначити й проаналізувати правила звітності щодо корпоративної соціальної відповідальності (CSR) на основі авторського дослідження групи підприємств у Польщі.

Власне дослідження авторів показує, що в 2014 р. 62% досліджених підприємств надали звітність відносно CSR, що свідчить про їхню готовність розкривати нефінансову інформацію для поліпшення свого іміджу й лояльності. Такі підприємства оформлювали звітність відносно корпоративної соціальної відповідальності головним чином за стандартами ISO передусім з метою сертифікації. Автори дійшли висновку, що відсутність єдиних підходів до розкриття нефінансової інформації і дотримання різних стандартів і принципів перешкоджає здійсненню науково-аналітичного дослідження та об'єктивного порівняння звітності в цій сфері.

**Ключові слова:** корпоративна соціальна відповідальність; звітність; менеджмент.

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**Стандарты отчетности на социально ответственных предприятиях****Аннотация**

На сегодняшний день в мире не существует унифицированного подхода к определению социальной ответственности предприятий и составлению отчетов относительно ее реализации, хотя многие предприятия публикуют такие отчеты и учитывают их результаты при стратегическом планировании. Цель этой статьи – определить и проанализировать применяемые правила отчетности по корпоративной социальной ответственности (CSR) на основе авторского исследования группы предприятий в Польше.

Собственное исследование авторов показывает, что в 2014 г. 62 % изученных предприятий предоставили отчетность относительно CSR, что свидетельствует о готовности раскрывать свою нефинансовую информацию для улучшения своего имиджа и лояльности. Такие предприятия оформляли отчетность относительно корпоративной социальной ответственности главным образом по стандартам ISO прежде всего с целью сертификации. Авторы пришли к выводу, что отсутствие единых подходов к раскрытию нефинансовой информации и следование различным стандартам и принципами препятствует осуществлению научно-аналитического исследования и объективного сравнения отчетности в данной сфере.

**Ключевые слова:** корпоративная социальная ответственность; отчетность; менеджмент.

**Introduction.** Reporting of non-financial information is a form of communication with stakeholders and also a major source of information to be employed in enterprise management. It is important, therefore, that CSR reports be prepared in accordance with uniform principles (standards), which would assure their transparency and comparability both across sectors and countries. The need to consider social and environmental aspects has intensified in enterprises globally (Golob, Bartlett, 2007) [1]. Practice of reporting demonstrates that unified rules of CSR reporting are not available globally, continentally or nationally. Insufficient clarity of non-financial information is chiefly due to a regulatory gap and market imperfections, as confirmed by the Commission's research (2012/2097/INI and 2012/2098/INI) [2; 3]. Directive 2014/95/EU [4] is a solution to these problems and is to be introduced by the member states until 6 December 2016 with reference to public interest entities, i.e. publicly quoted companies, insurance companies, banks and other businesses regarded as socially significant due to the nature of their operations and employing more than 500 staff on yearly average as at a balance closing date. These entities will be bound to include non-financial information required to understand their development, performance and standing in their reports.

The subject appears topical, therefore, and requires solutions by indicating some principles of CSR reporting which might become a universal and global model, since provisions of the Directive 2014/95/EU [4] will only apply to large enterprises.

**Purpose.** This paper aims to analyse and verify the prevailing rules of CSR reporting by enterprises with regard to the standards in place, based on the authors' own research into a group of Polish enterprises.

As a consequence, the following hypotheses were posited:

(H1) – CSR reports are an important source of information employed in enterprise management.

(H2) – Enterprises take advantage of international standards in their CSR reporting.

The article consists of two principal parts – the first, theoretical section reviews literature concerning effect of non-financial disclosures on different areas of enterprise activities and the need for standardisation. The second, empirical part presents results of the authors' research into a group of CSR reporting enterprises with reference to the standards applied.

Specialist literature on CSR reporting, applicable legislation, as well as the authors' research into a group of socially responsible enterprises have been relied upon.

**Brief Literature Review.** Reporting of CSR information is a symptom of communication with stakeholders; it helps to build appropriate relations with the environment and, above all, contributes to enhancing goodwill by improving image and reputation of an enterprise in the long term. Forms of

reporting and methods of guaranteeing the information disclosed, or types of standards in place, are of the essence, therefore. The literature emphasises the following benefits of CSR reporting:

- satisfaction of stakeholders' needs,
- improvement of enterprises' image and reputation,
- increase of brand value,
- improvement of profitability and minimization of risk.

CSR reporting and an impact of information disclosures on various areas of enterprise operations in particular have been addressed by:

- M. D. Patten (1990, 575-587) [5] – dependences between social responsibility disclosures and market responses;
- M. Freedman, A. J. Stagliano (1991, 78-92) [6] – comparison of investor responses and different levels of disclosures;
- M. E. Porter, M. R. Kramer (2006, 78-92) [7] – comparison of competitiveness metrics and socially responsible actions taken by an entity;
- J. D. Margolis, H. A. Elfenbein, J. P. Walsh (2007) [8] – effect of CSR reports on goodwill;
- M. Plumlee, D. Brown, R. M. Hayes, R. S. Marshall (2010) [9] – effect of CSR reports on cash flows;
- R. Chomvilailuk, K. Butcher (2010, 397-418) [10] – dependences between CSR and brand value;
- P. Roszkowska (2011) [11] – relations between information published and competitiveness of enterprises;
- C. Hoffmann, C. Fieseler (2012, 138-155) [12] – effect of non-financial information on enterprise valuation;
- E. Dimson, O. Karakas, X. Li (2012) [13] – effect of CSR reporting on boosting share value of large enterprises;
- M. Lang, K.V. Lins, M. Maffett (2012, 729-774) [14] – effect of CSR reporting on improvement of financial liquidity.

The need to standardise CSR reports, expected to assure comparability and transparency of information disclosures, is stressed by: A. Douglas, J. Doris, J. Brian (2004, 387-395) [15], O. Delbard (2008, 397-405) [16], V. Juscius, A. Sneideriene, R. Griauslyte (2014, 88-99) [17].

This literature shows that CSR reports are perceived as a major source of information used for the purposes of enterprise management, contributing to improved image and reputation as well as financial standing by improving cash flows or financial liquidity, among other ways. It is therefore important for CSR reporting to follow universal standards ensuring comparability of information disclosures.

**Methodology.** Enterprises operating in the Mazovian region were selected from the database at www.b2bbank.pl, a base of contact details of businesses operating in Poland.

To be representative, the survey was undertaken in a single region, Mazovian, which comprises the capital city of Poland as part of its structure. It is the largest region, with 11.4% of Poland's area and a population of approximately 5m. The

region is characterised by the maximum economic potential in Poland, measured with the value of Gross National Product, which reached about 160% of the national average GNP per capita in 2013.

The sample for purposes of the survey has been selected at random in accordance with the first and second principles of randomisation (each element of the general population was eligible for the sample and elements of the same category were taken into account). A simple random selection was applied. A sample is random if all probabilities of selection of sample elements are identical and constant in the entire process of sampling. A random sample enables to determine a representative sample of a population in probabilistic terms and in all possible respects. Simple random samples are considered the most appropriate to the objective of research.

Interviews with respondents were conducted by means of electronic mail surveys. The survey questionnaire (research tool) was distributed to 400 enterprises in June 2014 and 2015. Telephone calls were made to invite participation in the survey and monitor its progress in parallel. As a result, 106 correctly filled questionnaires had been returned by the end of October, producing a return of 26.5%, and 122 correctly filled surveys by the end of September 2015 (return of 30.5%)

Private enterprises, i.e. firms owned by private individuals, and domestic capital companies were queried. A division of the enterprises queries by size is shown in Table 1.

**Results.** Enterprises compiling CSR reports base on a variety of guidelines and standards. Reporting as per GRI (Global Reporting Initiative) is the most popular worldwide, as shown by an analysis of reports collected in the Sustainability

**Tab. 1: Division of the enterprises surveyed according to size**

Year	Total	micro		small		medium		large	
		number	%	number	%	number	%	number	%
2014	106	38	35.8	29	27.4	25	23.6	14	13.2
2015	122	45	36.9	36	29.5	31	25.4	10	8.2

Source: The authors' own research

Disclosure Database [18] and research by M. Lament (2015, 171-178) [19]. Selected principles of CSR reporting and their scope are summarised in Table 2.

Analysis of the authors' research related to a group of Polish enterprises from the Mazovian region demonstrates that 59.0% of them have applied CSR in 2015. These entities abided by principles of human rights, labour standards, natural environment protection, countered corruption, and voluntarily undertook socially beneficial measures.

In 2014, 37.7% of the enterprises surveyed admitted they did not employ principles of corporate social responsibility. Their operations adversely affect and cause irreversible changes in the environment. The results are shown in Table 3.

The details in Table 3 imply that micro-enterprises most frequently applied the concept of corporate social responsibility in the entire period surveyed (33.3% in 2014 and 37.5% in 2015). A detailed analysis of numbers of enterprises to have implemented CSR principles in the individual enterprise groupings, however, reveals that:

- 27, or 60% of micro-enterprises introduced CSR principles (2015), 2.1 percentage points more than the year before;
- fewer small and medium-sized enterprises employing principles of CSR: 8.6% and 6.7% fewer than in 2014, respectively;
- more enterprises (8.6%) employing above 250 staff have introduced CSR principles in 2015.

**Tab. 2: Selected guidelines for CSR reporting**

Name of standard/ guidelines	Subjective scope	Objective scope	Members/ regions represented
Global Reporting Initiative (GRI) Sustainability Reporting Guidelines (2006, 2013) [20; 21]	All public and private organizations	Organizational governance, human rights, labour practices, the environment, fair operating practices, consumer issues, community involvement and development	More than 4,000 organizations from across the globe
Account Ability: the AA1000 Series of Standards (2008, 2012) [22; 23]	Financial services, pharmaceuticals, energy and extractives, telecommunications, consumer goods, food& beverages	Organizational governance, human rights, labour practices, the environment, fair operating practices, consumer issues, community involvement and development	Members in North America, European Union, Latin America, Middle East, Southern Africa and other developing countries
Carbon Disclosure Project (CDP) tool and framework (2000) [24]	Firms from all types industries	The environment	Global membership includes investors and corporations
International Integrated Reporting Council (IIRC) International Framework (2013) [25]	All types of organizations	Organizational governance, human rights, labour practices, the environment, fair operating practices, consumer issues, community involvement and development	Global organization made up of regulators, companies, the accounting profession, investors, NGOs and those involved with standard setting
International Organization for Standardization ISO 26000 (2010) [26]	All types of organizations	Organizational governance, human rights, labour practices, the environment, fair operating practices, consumer issues, community involvement and development	Members from 163 countries
OECD: Risk Awareness Tool for Multinational Enterprises in Weak Governance Zones (2003) [27]	Multinational enterprises, professional associations, trade unions, civil society, organizations and international financial institutions	Organizational governance, human rights, labour practices, fair operating practices, community involvement and development	34 member countries including advanced and emerging countries, in North America, South America, Europe and the Asia-Pacific Region
Sustainability Accounting Standards Board (SASB) [28]	89 industries in ten sectors: health care, financials, technology and communications, non-renewable, transportation, services, resource transformations, consumption, renewable and alternative energy, infrastructure	Organizational governance, human rights, labour practices, the environment, fair operating practices, consumer issues, community involvement and development	Any public company in the US
United Nations Global Compact Ten Principles (1999) [29]	Any company, business association, labour or civil society, government organization, NGO or academic institution	Labour practices, the environment, consumer issues, community involvement and development	More than 10,000 corporate participants and other stakeholders in over 130 countries
WBCSD and World Resources Institute (WRI). The Greenhouse Gas (GHG) Protocol [30]	All types of organizations across industries	The environment	Tool is used globally by corporations, organizations and governments within both developed and developing

Source: The authors' own compilation



Tab. 3: Numbers and structure of enterprises applying principles of corporate social responsibility

Year	Total		micro		small		Medium		Large	
	Number	%	Number	%	Number	%	Number	%	Number	%
2014	66	100	22	33.3	17	25.8	17	25.8	10	15.1
2015	72	100	27	37.5	18	25.0	19	26.4	8	11.1

Source: The authors' own compilation

This analysis proves that there exists a dependence between the size of an enterprise and the extent to which it applies principles of corporate social responsibility.

The scope of standards applied to reporting of socially responsible actions is presented below (Figure).

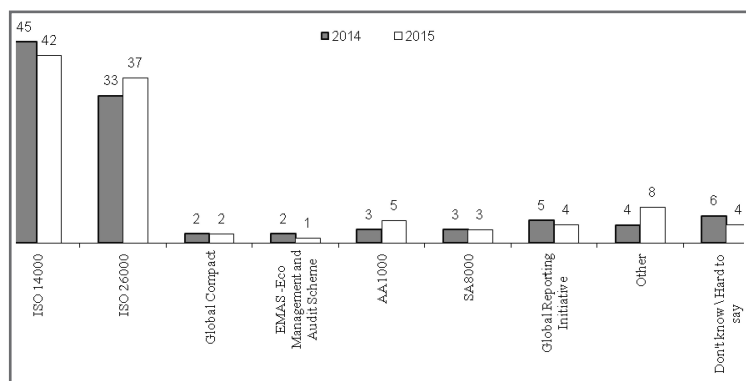


Fig. 1: CSR standards realised by enterprises examined (%)

Source: The authors' own compilation

The enterprises were best aware of and introduced the principles in line with ISO 14000 (45% in 2014 and 42% in 2015). In 2014, 33% of firms applied ISO 26000, with 4% more indications the following year. This suggests enterprises increasingly take into consideration social, environmental and economic challenges in their operations, tending towards sustainable development as a result.

**Conclusions.** Corporate social responsibility is a modern way of managing enterprises. It reflects actions for the benefit of society, care for the natural environment and relations with various groups of stakeholders.

The research undertaken shows that enterprises which have implemented CSR ideas commonly compile their reports in reliance on ISO 14000 (more than 40% of the enterprises queried). Application of state-of-the-art principles of environment management according to this standard is not only an expression of ecological awareness of entrepreneurs but also an instrument of competition. Establishment and application of environment systems distinctly improves business image and facilitates creation of market standing.

The international ISO 26000 standard has been implemented by 37% (2015) of the enterprises queried. This means the enterprises have taken into account actions for society and the environment by way of transparent and ethical conduct which contributes to sustainable development, considers stakeholder expectations and follows the law. It should be noted that ISO 26000, contrary to other ISO family standards, is not designed for the purposes of certifying businesses applying specific procedures, but constitutes a set of guidelines reflecting best global CSR practices. The remaining guides and international CSR standards were barely familiar to or implemented by enterprises.

Both the literature review and the empirical survey have helped to verify the hypotheses posited:

(H1) - CSR reports are an important source of information employed in enterprise management. This is corroborated by the literature review, where the effect of non-financial disclosures on financial results of enterprises is indicated, and by the authors' own research, showing that approximately 60% of the enterprises (59% in 2015 and 62% in 2014) have implemented the idea of CSR, thus comprehending the need to improve their position by disclosing non-financial information.

(H2) - Enterprises take advantage of international standards in their CSR reporting. This is affirmed by the authors' research, which implies the enterprises surveyed mainly base their CSR reports on ISO, chiefly for the purposes of certification. Thus, given the absence of a reporting duty, non-financial disclosures follow diverse standards and guidelines, which hinders their comparability.

Continuing research should verify reasons for enterprises to choose their norms and standards and determine sector trends. This would help to develop typical sector standards and thus contribute to improving transparency and comparability of the reporting.

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