

SUSTAINABILITY REPORTING – A REVIEW OF TRENDS AND SITUATION IN CR

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Abstract

The success of business depends primarily on the economic performance of the enterprise, but it is also affected by environmental performance of the enterprise and its approach to social problems. Enterprises in today's globalized and turbulent environment are influenced by various trends, the success of the enterprise is impacted by various stakeholders. Under these conditions, many enterprises on a voluntary basis (beyond the applicable laws) seek to integrate environmental and social aspects into their business strategies and translate corporate social responsibility principles into business processes and routine activities. This approach also includes dialogue with major stakeholders, goals are set to be consistent with meeting their needs, and stakeholders are transparently informed of meeting the objectives set. The paper deals with external sustainability-related reporting. First, there are characterised basic approaches and trends in sustainability-related reporting that are based on retrieval of information from professional sources. The paper also presents basic results of research in the field of sustainability-related reporting, which was conducted in 2005 in the Czech Republic in enterprises using environmental management systems (EMS).

Key words: corporate sustainability, sustainability reporting, environmental reporting

JEL Code: M14, Q01

Introduction

Dyllick and Hockerts (2002) define corporate sustainability as meeting the needs of both direct and indirect stakeholders, without compromising its ability to meet the needs of stakeholders in the future. It is clear that the success of the enterprise is influenced by various stakeholders (owners, employees, business partners, creditors, the surrounding community, general public, etc.), whose economic, environmental and social interests are different - see, for example, Buchholz and Rosenthal (2005). To reach sustainability, the enterprise must maintain its economic, environmental and social capital base (Dyllick, Hockerts, 2002). The aim is to reach such a development of the enterprise to ensure a balance between the three

basic pillars: economic, environmental and social. According to Elkington (1998) this means to integrate economic, environmental and social aspects into corporate management. Lozano and Huising (2011) present even a more holistic approach to corporate sustainability. They add the fourth, time-dimension (short-term, medium-term and long-term perspective).

Corporate sustainability management (CSM) is also very closely linked to communication (internal and external reporting) on corporate sustainability (Hyršlová et al., 2014). The paper deals with external sustainability-related reporting. First, there are characterized basic approaches and trends in sustainability-related reporting that are based on retrieval of information from professional sources. Mainly special articles and results of expert studies published in international scientific journals and also special monographs are used. The paper also presents basic results of research in the field of sustainability-related reporting, which was conducted in 2005 in the Czech Republic in enterprises using environmental management systems (EMS). The aim of the paper is to confront the approaches of selected enterprises in the Czech Republic with trends in sustainability-related reporting in the global context.

1 Theoretical background

The aim of sustainability reporting is to increase transparency, enhance brand and reputation, emphasize compliance with legal requirements, enable benchmarking against competitors, signal competitiveness, motivate employees (as a significant stakeholder) and support corporate information and control processes - see, for example, Herzig and Schaltegger (2006). According to some authors - see, for example, Lozano and Huisingh (2011) - sustainability reporting is an important factor that contributes to corporate sustainability.

Since the 1970s, external sustainability-related reporting has undergone some major changes; concept and focus of reporting in the following stages of development are shown in Tab. 1.

Over the last 15 years, sustainability reporting was implemented differently by enterprises. Kolk (2010) states that while in 1999 there was no report that could be classified as sustainability report (enterprises published separate environmental and social reports), gradually these reports have become the dominant form of sustainability reporting (although they usually take into account only the two pillars of sustainable development). In the context of sustainability reporting there continue to be used annual reports, which include also the environmental and social aspects of corporate activities and products (Hahn, Kühnen, 2013).

Also websites are very often used for the disclosure of sustainability-related information (Holder-Webb et al., 2009).

Tab. 1: Trends and focus of external sustainability-related reporting

1970s	Selected social aspects and impacts are included in the annual reports of some enterprises in Western countries.
1980s	Enterprises have a strong focus on environmental issues (emissions, waste and waste management); environmental aspects and impacts displace social aspects and impacts. Some enterprises publish separate environmental reports.
1990s	Especially in the late 1990s there are strong efforts to put emphasis on both the environmental and social aspects and impacts; environmental and social aspects and impacts are disclosed in separate reports, they are excluded from annual (financial) reports. Enterprises publish separate environmental or social reports, or reports that take into account the two pillars of sustainable development (environmental and social). There are created voluntary standards (such as Global Reporting Initiative – GRI) providing guidance for businesses how to proceed in reporting and what indicators to disclose. There are significant differences between enterprises in different industries, reports vary in content and quality - see, for example, Fortanier et al. (2011).
2000 - present	Efforts to publish integrated reports taking into account all the three dimensions of corporate sustainability (financial, environmental and social pillar are in balance). Sustainability (integrated) reporting is very closely linked with sustainability accounting, which is paid great attention to. Disclosure of information is voluntary, enterprises act according to their own rules or are inspired by recommendations of various organizations - see, for example, Chen and Bouvain (2009). However, there continue to be published separate reports taking into account only one dimension of corporate sustainability (such as environmental reports). At the same time there can be found reports that are referred to by businesses as „sustainability reports“; these reports, however, do not contain financial information (financial information continues to be published separately in annual reports).

Source: Adapted from Fifka (2012), Kolk (2010) and Hahn and Kühnen (2013)

Corporate performance with respect to corporate sustainability must be measured; this implies a close link between sustainability reporting and sustainability accounting. Sustainability accounting must provide primarily high quality data to support internal decision-making processes towards corporate sustainability. On the basis of reliable accounting data then sustainability reporting can provide a true and fair view of sustainability performance of the enterprise to internal and external users, with the use of adequate means of communication - see, for example, Schaltegger et al. (2006). Some authors - see, for example, Lamberton (2005) - however, put emphasis on indirect link between sustainability accounting and external sustainability reporting (the primary goal of accounting is to support internal decision-making processes); sustainability accounting, in their opinion, is only a basis of

external sustainability reporting. Some authors also draw attention to efforts to separate within sustainability reporting the individual pillars (i.e. separately assess the financial, environmental and social performance), which overlooks their inter-linkages (Lozano, Huisingh, 2011; Lozano, 2013).

Hahn and Kühnen (2013) point out that approach to sustainability reporting, its extent and quality are very significantly influenced mainly by the size of the enterprise. Large enterprises cause larger impacts, they are more under the control and pressure of stakeholders - see, for example, Gallo and Jones Christensen (2011) in Hahn and Kühnen (2013) - and are therefore forced to implement sustainability reporting in accordance with the needs of major stakeholders. One of the determinants positively affecting the decision to report and the extent of reporting (but not its quality) identified by the authors is the media exposure of the enterprise - confirmed, for example, by Cormier and Magnan (2004) and Haddock and Fraser (2008) in Hahn and Kühnen (2013). According to the authors, another determinant positively affecting the extent and quality of sustainability reporting is sector-affiliation.

2 Materials and methods

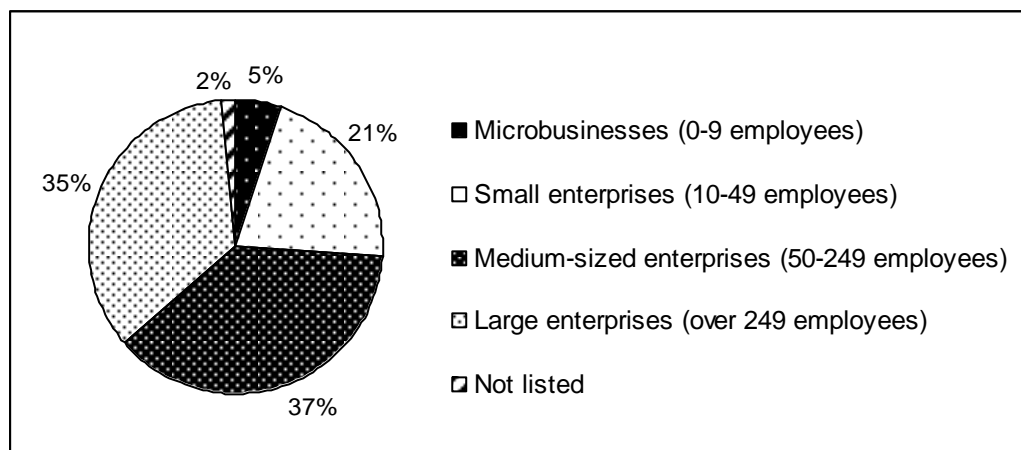
The paper is supported by analysis of secondary and primary data sources. To find significant outcomes, deduction, induction, and synthesis were applied. The aim of the paper is to confront the approaches of selected enterprises in the Czech Republic with trends in sustainability-related reporting in the global context.

The data has been collected in primary quantitative survey by means of questionnaire investigation; the data were collected in organizations in the Czech Republic. Organizations were selected for the research if they had already implemented EMS according to ISO 14001 and listed in database of organisations with implemented EMS managed by Czech Environmental Managerial Centre (Czech Environmental Managerial Centre is voluntary association supporting positive attitudes of industry and business towards environment). The data for the research was gathered from 222 organizations (N=1265). Answers of respondents were categorised according to identification questions that formed the first part of the questionnaire (i.e. size of an organization, business sector, and turnover). In the survey, the measurement was based primarily on closed questions with one or several possible answer(s) that had been selected based on the study of literature, documents and other related surveys. The survey should primarily identify perception of the sustainable development concept in the surveyed organizations and recognize importance of EMS for promoting the concept of CSM

into the organizational praxis. The research also included the issues of sustainability-related communication with external stakeholders.

A total of 1265 organizations were contacted. The overall questionnaire return was 17.5%, i. e. 222 organizations took part. 91% of respondents had EMS certificate according to ISO 14001, 6% were certified by ISO 14001 as well as registered in programme EMAS, 3% of respondents had the system implemented and were certified during the time when the research was done. The sample consisted mainly of medium-sized and large organizations (see Fig. 1). Mostly the respondent organizations were from manufacturing (52% of organizations) or construction industry (25% of organizations). The questionnaire was completed by managers on the middle and top management level. The statistical tools used for the data analysis was chosen based on the type of the question (descriptive statistic, graphs, contingency tables, absolute and relative frequency). To evaluate the data, the MS Excel 2007 was used.

Fig. 1: Examined sample (according to enterprise size); n=222



Source: Own research

3 Results and discussion

3.1 Significance of different stakeholders and their information needs

13% of respondents were not interested at all in the views and needs of stakeholders in the field of information on corporate sustainability. 87% of respondents were interested in the views of stakeholders and assessed them (although they themselves may have not actively searched them). These respondents considered the most important stakeholder their business partners (83% of respondents). Next in order of significance were the views and needs of government administration (76% of respondents) and the public (60% of respondents).

Some enterprises themselves actively identified stakeholders' interests in the field of information on corporate sustainability. In total 39% of respondents organized meetings with citizens or community leaders or carried out public inquiries. Monitoring of information needs of stakeholders was carried out primarily by large enterprises (52% of respondents in this size category).

The research results have confirmed that with the growing size of the enterprise there increases the percentage of respondents who monitor the information needs of stakeholders. The same trend was also evident in the method of monitoring. With the growing size of the enterprise there increased the percentage of respondents who investigated the views of stakeholders on a regular basis (i.e. repeatedly).

The stakeholders were, in the opinion of the respondents, especially interested in information on emissions and waste (this was confirmed by 81% of respondents) and data on implemented or prepared measures relating to environmental protection (60% of respondents). 45% of respondents confirmed also the interest of external stakeholders in data on material and energy inputs and the level of environmental management in the organization. The interest of stakeholders in information on measures implemented or prepared by the enterprise in connection with the management of its environmental aspects was confirmed mainly by representatives of large enterprises (72% of respondents in this size category) and manufacturing industry enterprises (66% of representatives of this industry).

3.2 Disclosure of information

47% of respondents did not disclose sustainability-related information through reports, 53% of enterprises published regularly a report in which this information was contained. These reports were used by enterprises of all size categories. The highest percentage was accounted for by medium-sized and large enterprises (82% of the total number of enterprises that published information through periodic reports). With the growing size of the enterprise there increased the percentage of respondents who published periodic reports (65% of large enterprises compared to 34% of small organizations).

In terms of report form, enterprises used various types of reports (some enterprises published multiple types of reports that contained sustainability-related information):

- 39% of respondents periodically published environmental reports; these reports were published primarily by medium-sized and large enterprises in manufacturing industry.

- 15% of respondents published two sustainability dimensions reports on the environmental protection and occupational health and safety; again, these were mainly represented by large enterprises in manufacturing industry.
- 3% of respondents published sustainability reports.
- 50% of respondents incorporated sustainability-related information into other reports published by the enterprise. This method of disclosing information was used by enterprises of all size categories. Most often, such information was included in the annual report as a separate chapter (44% of respondents) and the results of EMS review by the management of the organization were published (22% of respondents). Some enterprises published the results of environmental audits, or only their environmental policy and environmental objectives for the relevant year.

74% of enterprises publishing sustainability-related information through periodic reports proceeded in preparing this report according to their own syllabus. 25% of respondents used various recommendations or otherwise standardized procedures (especially EMAS-based environmental statement, CEFIC Directive for the chemical industry). The reports presented mainly information on environmental aspects and impacts, such as data on emissions, wastewater, waste, materials and energy consumption. Only 39% of respondents stated to have disclosed in reports also financial information (such as data on environmental charges). The results show that the reports were focused on priority issues of environmental performance and it was not interconnected with the economic (financial) performance of the enterprise. Reports were primarily published in printed form (83% of respondents); 36% of respondents disclosed information also through the websites.

Only 63% of enterprises informed external stakeholders about the successful implementation and certification/registration of EMS. Enterprises used mainly their websites (82% of respondents) and they also directly addressed external stakeholders (especially business partners) – 66% of respondents. 37% of respondents reported the implementation of EMS in the press; this method of presentation was chosen mainly by medium-sized and large enterprises.

Conclusions

The research focused on investigating the situation in the field of external sustainability-related reporting in selected Czech enterprises with the aim of its confrontation with the world approaches and trends in this area. The research was conducted in enterprises that had EMS

implemented; i.e. organizations that are expected to show very active and responsible approach to the environmental protection and that are aware of the impact of environmental behaviour on the success of business.

Enterprises were aware of the fact that in the context of external communication there should be satisfied the information needs of major stakeholders. The most important stakeholder considered by the enterprises were their business partners. An important role is also played by government administration and the public. Especially these stakeholders should be provided with relevant information.

The research results show that more than half of respondents of the inquired group did not investigate stakeholders' needs in the field of sustainability-related information. The situation was better in large enterprises that sought to monitor the information needs (some enterprises on a regular basis). According to the respondents, stakeholders considered relevant not only data on environmental impacts, but in many cases also information on environmental protection-related measures that are implemented or prepared for implementation by the organization. Information on the level of environmental management in the organization was considered relevant as well.

Only half of the enterprises published information through regular reports. The most frequently used means of communication were, in particular, periodically published environmental reports. Many enterprises that wanted to disclose information on their environmental performance and their environmental policy, incorporated this information in the annual reports, where such information often formed a separate chapter. Sustainability reports were very infrequently used method of publishing sustainability-related information.

Small enterprises communicated information either through publishing environmental reports, or they published their environmental policy and environmental objectives for the coming year. In preparing reports they used their own procedures. Environmental information was periodically published by more than half of *medium-sized enterprises* involved in research (55%). Medium-sized enterprises again most frequently used environmental reports, or incorporated environmental information in the annual reports. In some cases, also the results of EMS review by the management of the organization were published. The structure of the report was usually based on their own syllabus. *Large enterprises* were aware of the importance of sustainability-related information to external stakeholders; 65% of large enterprises involved in research regularly informed of their environmental behaviour. 42% of them published environmental reports. Many large enterprises (22%) linked environmental information with information on occupational health and safety and published two

sustainability dimensions reports, having disclosed relevant information on environmental and social performance. Large enterprises also incorporated environmental information in their annual reports. Large enterprises as well prepared reports usually based on their own syllabus.

The research results have confirmed that the implementation of sustainability-related reporting in the surveyed enterprises in the Czech Republic is in line with developments in the global context. Enterprises used mainly separate reports, taking into account only one dimension of corporate sustainability. Information on environmental and social aspects and impacts was incorporated by some enterprises in financial reports, where, however, such information was not interconnected with the economic (financial) performance of the organization. Research has also shown that there is a relationship between the size of the enterprise and its approach to the disclosure of sustainability-related information to external stakeholders.

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