

# TRENDS IN CORPORATE SOCIAL RESPONSIBILITY (CSR) REPORTING

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## Abstract

The possibility of quantifying and standardisation of qualitative data to achieve comparability of results and standardisation of reporting principles are key characteristics of reporting non-financial factors. They are supported with reporting standards of non-financial data, which are not obligatory, however, and the Directive 2014/95/EU, to come into effect in 2017.

This paper examines applicable rules of CSR reporting and evaluates realisation of the reporting process and its changes across global regions and organisations of various sizes reporting on the basis of GRI - *Global Reporting Initiative* in 2005-2014. In particular, degree of standardisation of CSR reports is assessed. Organisations drafting CSR reports and submitting them to GRI, as well as major global enterprise members of N100 and G250, have been surveyed.

## Keywords

Corporate social responsibility, reporting, management

## JEL Classification

M14 Corporate Culture, Diversity, Social Responsibility

M41 Accounting

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## Introduction

Development of the CSR concept has increased requirements for non-financial reporting including environment, social and ethical reports. Financial reports were initially supplemented with non-financial information on corporate governance and environmental information. Enterprises implementing CSR ideas proceeded to publish non-financial reports based on varied standards or guidelines prevailing internationally or in particular markets.

Maintenance of two reporting systems, i.e. financial and CSR, cannot be called effective, therefore, the idea of integrated reporting emerged, with principles published by IIRC - International Integrated Reporting Council (2013).

CSR reporting constitutes a major information element of sustainable development solutions and, as such, it should be standardised to assure comparability and transparency of information, in itself an essential element of CSR ideas.

This paper aims to survey development of the concept of CSR reporting, to assess changes of quantities and structures of the reports in relation to organisation size and place of their operation and to appraise the degree to which the reports are standardised.

The following hypotheses are advanced:

- CSR reporting is a universal business practice. This has been verified by assessing quantities of reports submitted to GRI in 2005-2014 and by evaluating trends with regard to global regions and size of organisations drafting the reports. Extent of the reporting among N100 and G250 enterprises has been examined as well.
- Organisations compiling CSR reports apply standards, although the latter are not compulsory, which points to a need for standardised guidelines of CSR reporting. This has been verified by evaluating the degree of reporting according to GRI guidelines as the most common standard.

### **Development of the concept of CSR reporting**

Reporting on corporate social responsibility is a process of informing about an enterprise's strategy, its social policies and performance on corporate social responsibility, a way of communication between an enterprise and stakeholders. M. Morsing and M. Schulz (2006) distinguish three models of communication with stakeholders in the area of corporate social responsibility:

- Strategy of informing stakeholders – one-way, from an organisation to its stakeholders,
- Strategy of responding to stakeholders – asymmetric, two-way communication. Information imbalances may arise, though – stakeholders receive the information they want to receive,
- Strategy of stakeholder involvement – a systematic and proactive dialogue with stakeholders which results in enterprise changes if needed.

A communication strategy depends on methods of CSR reporting, which may come as:

- Disclosures of CSR information as part of annual financial reports,
- Separate publications like a social report, sustainability report, environmental report, CSR report,
- Integrated reports – integrated reporting helps to demonstrate an enterprise has a strategy of sustainable development based on real commitment to social responsibility and takes into consideration needs of all stakeholders (Eccless and Krzus, 2010). The form of an integrated report is important – this single report is intended to link enterprise strategy, supervision and financial results with environmental and social aspects to help external stakeholders understand operations of an enterprise and collect data for a complete view of threats and opportunities to its activities. According to IIRC (2013), integrated reporting is a process resulting in cyclical communications of an enterprise via an integrated report which illustrates value creation over time. The integrated report is a way and tool of communication which shows how strategy, corporate governance and results of an organisation in the context of its environment provide for value creation in the short, medium and long terms. An organisation ought to show its value creation in respect of both contributions to its actions, their results and effects.

CSR reports are compiled not only in varied relations to financial reports, jointly or separately, but also based on a variety of guidelines, which interferes with comparisons and transparency of social reports (Engen and DiPiazza, 2005). Selected types of guidelines for CSR reporting are summarised in Table no. 1.

Table no. 1. Selected guidelines for CSR reporting

<b>Name of standard/ guidelines</b>	<b>Subjective scope</b>	<b>Objective scope</b>
Global Reporting Initiative (GRI) Sustainability Reporting Guidelines (2006, 2013)	All public and private organizations	Organizational governance, human rights, labour practices, the environment, fair operating practices, consumer issues, community involvement and development
Account Ability: The AA1000 Series of Standards (2008, 2012)	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
Carbon Disclosure Project (CDP) tool and framework (2000)	Firms from all types industries report to CDP	The environment
International Integrated Reporting Council (IIRC) International Framework (2013)	All types of organizations	Organizational governance, human rights, labour practices, the environment, fair operating practices, consumer issues, community involvement and development
International Organization for Standardization ISO 26000 (2010)	All types of organizations	Organizational governance, human rights, labour practices, the environment, fair operating practices, consumer issues, community involvement and development
OECD: Risk Awareness Tool for Multinational Enterprises in Weak Governance Zones (2003)	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
United Nations Global Compact Ten Principles (1999)	Any company, business association, labour or civil society, government organization, NGO or academic institution	Labour practices, the environment, consumer issues, community involvement and development

Source: the author's own compilation

GRI guidelines, developed by CERES (*Coalition for Environmentally Responsible Economies*) for sustainable development reporting, and by UNEP (*United Nations Environmental Programme*) for environment protection, are the most popular systems of CSR reporting (Marková et al.,2014). GRI also works with auditors, accountants,

enterprises, public organisations and institutions to provide for continuous improvement of the guidelines, which are thus becoming a reliable instrument of information policy management adapted to the changeable reality, universally applied and allowing for diverse comparisons.

Directive 2014/95/EU is an important regulation aimed at improving transparency, significance, cohesion and comparability of non-financial data disclosed. In line with Article 4 of the Directive 2014/95/EU, member states should introduce legislative, executive and administrative measures necessary for its enforcement by 6 December 2016 and the Directive must be applied from the financial year beginning on 1 January 2017 or during the calendar year of 2017.

Regulations of the Directive 2014/95/EU (Article 1) apply to large entities of public interest, with the average annual headcount of more than 500 workers. Their reports should comprise a statement of non-financial information to an extent required to understand evolution of results and position of an entity as well as its activities including environmental, social and labour issues, respect for human rights and anti-corruption measures, including:

- A brief description of business model,
- A description of the entity's policies regarding environmental, social and labour issues, respect for human rights and anti-corruption measures,
- Effects of these policies,
- Major risks associated with environmental, social and labour issues, respect for human rights and anti-corruption measures, as well as methods of managing these risks by the entity,
- Key non-financial indicators connected to given activities.

When supplying this information, entities can rely on national or international standards/guidelines including Global Compact, ISO 26000, OECD, GRI. The essence of CSR is best mirrored in the social responsibility standard ISO 26000, published in November 2010 by the International Standardization Organization, ISO (Ślusarczyk and Wolak, 2014).

It should be noted that a number of European states had introduced regulations of non-financial reporting even before Directive 2014/95/EU was passed. These include:

- France – obligatory inclusion of information about environment and social results in reporting by quoted companies and their affiliates employing more than 500 workers beginning with reports concerning 2012.
- Sweden – since 2008, state enterprises have been bound to draft and submit CSR reports in accordance with GRI guidelines,
- Spain – since 2012, enterprises with more than 1 000 employees have been obliged to compile a report of non-financial data and notify the CSR Council thereof,
- Denmark – since 2009, 1 100 biggest Danish enterprises have been bound to include information about social responsibility policies and their impact on company operations in their annual reports.
- The UK – since 2013, quoted companies have had to publish data of their greenhouse gas emissions in their annual reports.

The foregoing discussion implies standardisation of qualitative data, including non-financial data presented in CSR reports, is a major object of not only international but also local regulations. This must be supported since absence of such regulations obstructs evaluation of CSR activities and vitiates their comparability.

By Wensen, Wijnand, Klein and Knopf (2011) needs of users are met business reports when reporting is centrally regulated, stakeholders are involved and CSR reporting is integrated with the financial statements.

### CSR reporting - results

Quantity and structure of reports in relation to size and location of organisations have been examined to evaluate development of the CSR reporting system. Organisations drafting CSR reports in 2005 – 2014 and submitting them to GRI were surveyed.

Quantity of the organisations has been analysed to assess development and structure of the reporting system in respect of global regions (Table no. 2) and organisation size (Table no. 3) in order to determine trends. CSR reports compiled in line with GRI guidelines have been addressed separately to appraise the extent to which the standardisation has been implemented.

Practices of CSR reporting by the largest enterprises (N100 and G250) (Table no. 4) and implementation of GRI standard by this grouping (Table no. 5) have also been analysed.

Table no. 2. Structure of reports submitted to GRI across regions in 2005-2014 (%)

<b>Specification</b>	<b>05</b>	<b>06</b>	<b>07</b>	<b>08</b>	<b>09</b>	<b>10</b>	<b>11</b>	<b>12</b>	<b>13</b>	<b>14</b>
Europe – reporting as per GRI standard	54.0	50.2	49.1	42.7	42.9	40.6	32.4	31	29.1	28.9
Europe – No GRI reports	1.2	1.0	1.2	1.1	1.8	2.3	4.3	6.3	6.2	8.5
Asia– reporting as per GRI standard	12.7	13.8	15.0	19.2	20.5	20.4	18.8	19.2	21.6	21.5
Asia - No GRI reports	0.4	0.5	0.9	1.3	1.1	1.5	2.8	3.8	3.0	3.3
Africa - reporting as per GRI standard	6.0	4.5	3.2	4.1	3.4	3.1	4.5	4.7	3.8	3.7
Africa – No GRI reports	-	-	-	0.1	0.1	0.2	6.5	4.3	4.1	3.7
Latin America& the Caribbean -reporting as per GRI standard	5.5	9.5	10.3	12.1	12.4	13.7	11.0	11.0	12.9	11.9
Latin America&the Caribbean – No GRI reports	0.7	0.4	0.3	0.2	0.2	0.3	1.0	0.9	0.7	1.1
Northern America - reporting as per GRI standard	12.8	11.9	12.3	12.6	11.1	11.8	10.8	10.1	9.8	9.4
Northern America – No GRI reports	0.7	1.1	1.0	0.8	0.8	0.7	3.2	4.6	4.5	4.1
Oceania - reporting as per GRI standard	6.0	7.1	6.4	5.4	5.4	4.9	3.8	2.9	2.7	2.5
Oceania – No GRI reports	-	-	0.3	0.2	0.3	0.5	0.9	1.2	1.6	1.4
Total - reporting as per GRI standard	97.0	97.0	96.3	96.3	95.7	94.5	81.3	78.9	79.9	77.9
Total – No GRI reports	3.0	3.0	3.7	3.7	4.3	5.5	18.7	21.1	20.1	22.1

Source: The author's own research on the basis of: GRI, Sustainability Disclosure Database.

Table no. 3. Structure of reports submitted to GRI in 2005-2014 by size of organisation (%)

Specification	05	06	07	08	09	10	11	12	13	14
SME – reporting as per GRI standard	6,8	8,4	8,8	9,3	10,7	11,0	9,0	9,0	8,4	8,0
SME – No GRI reports	0,2	0,2	0,2	0,2	0,3	0,4	1,9	2,3	2,2	2,8
Large – reporting as per GRI standard	69,1	70,5	68,3	67,5	65,7	64,6	54,1	51,6	52,9	50,9
Large – No GRI reports	1,3	1,6	2,3	2,4	2,8	4,9	12,5	13,3	12,5	13,1
MNE – reporting as per GRI standard	21,1	18,1	19,2	19,5	19,3	18,9	18,2	18,3	18,6	19,0
MNE – No GRI reports	1,5	1,2	1,2	1,1	1,2	1,1	4,3	5,5	5,4	6,2
All organization – reporting as per GRI standard	97,0	97,0	96,3	96,3	95,7	94,5	81,3	78,9	79,9	77,9
All organization – No GRI reports	3,0	3,0	3,7	3,7	4,3	5,5	18,7	21,1	20,1	22,1

Source: The author's own research on the basis of: GRI, Sustainability Disclosure Database.

Table no. 4. Practice of CSR reporting by N100 and G250 enterprises in 1993-2013 (%)

Specification	1993	1996	1999	2002	2005	2008	2011	2013
N100	12	18	12	28	41	53	64	71
G250	0	0	35	45	64	83	95	93

Source: The author's own compilation on the basis of: KPMG (2008), KPMG (2011), KPMG (2013).

Table no. 5. Degree of GRI standard implementation by N100 and G250 enterprises in 2008-2013 (%)

Specification	2008	2011	2013
N100	69	69	78
G250	77	80	82

Source: The author's own compilation on the basis of KPMG (2013).

## Conclusions

Businesses increasingly often compile CSR reports, although methods and scopes of disclosure vary since standards of such reporting are not obligatory, which affects its quality and reliability. CSR reporting in line with GRI standards, a response to demand for information disclosures concerning socially responsible actions, care for humans and the environment, is a solution assuring comparability of such information.

This research demonstrates:

- Quantity of CSR reports rises, which suggests they are a major tool of enterprise management. CSR reporting helps to collect and analyse data to create long-term value, particularly for investors. This is especially true for businesses in N100 and G250 groupings, where the reports were drafted by 71% and 93% entities examined, respectively, in 2013 (12% and 0% in 1993, respectively).
- CSR reports are chiefly compiled by large enterprises and MNEs – 64% and 25.2% of all reports submitted to GRI in 2014, respectively. A growth trend can be observed among reporting SMEs – 8% of all CSR reports to GRI in 2014 (in 1999 – 0.3%, 2003 – 2.3% and in 2005 – 6.8%).
- CSR reports are mainly drafted by enterprises operating in Europe – 37.4% of all reporting to GRI in 2014. The reporting tends to be on the increase among businesses in Asia, Africa and Oceania – 24.8%, 7.4% and 3.9% of all reporting to GRI in 2014, respectively.
- Nearly all enterprises preparing CSR reports follow GRI guidelines – 77.9% of all reporting to GRI in 2014. This also applies to N100 and G250 enterprises – 78% and 82% of all reporting to GRI in 2013, respectively. This shows that standardisation, though not compulsory, is seen as an essential element of the process, part of the very idea of CSR, by reporting entities.

The research confirms the hypotheses:

- first, that CSR reporting is a universal business practice – indicates that a growing number of reports submitted to the GRI and the practice in enterprises N100 and G250 – almost all prepare reports CSR.
- second, that the organizations which prepare CSR reports use standards, even though they do not have such an obligation, which means that there is a need to standardize guidelines for CSR reporting – This confirms the results of research on of both all entities who will report to GRI, as well as companies in the group N100 and G250.

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