NON-FINANCIAL REPORTING STANDARDS AND EVALUATION OF THEIR USE ILLUSTRATED WITH EXAMPLE OF POLISH LISTED COMPANIES

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Abstract The introduction of the obligation to publish non-financial data has been awaited by stakeholders for a long time. This obligation has been in effect since the beginning of 2017 for selected companies listed on the stock exchange, i.e. Public Interest Entities (PIEs). The paper attempts to assess the current state of non-financial reporting based on the standards used by PIEs in the first year of its validity. The authors attempted to assess the new reporting obligation and put forward the following main hypothesis: Polish listed companies, and in particular, public interest entities are not prepared to implement the provisions of the Accounting Act, which is the transposition of Directive 2014/95/EU. The research provided evidence that the highest percentage of companies reported on the basis of GRI standards and other combinations of GRI, GRI G4, SIN, and more than half of the companies proposed their own principles or did not specify them. The research showed the multidimensionality of actions taken by companies in the context of non-financial reporting.

Introduction

Since 2017, the obligation for listed companies to publish non-financial information in the form of reports or statements has been in effect. This obligation stems from the implementation into the Polish law of Directive 2014/95/EU, which requires certain large public interest entities (PIEs) and capital groups to disclose the extended scope of non-financial information. Changes in non-financial reporting are the result of evolutionary changes, thus responding to changing needs and expectations of stakeholders.

Literature review

The non-financial reporting means corporate social responsibility. Therefore, it is said that the development of the CSR issue and expansion of literature on the subject around the world took place between the 80s and 90s of the last century. The object of these studies is mainly to present the idea of corporate social responsibility and guidelines for reporting on it e.g. Ernst, Ernst (1976), M. Dierkes, L.E. Preston (1977), S.C. Burchell, C. Clubb, A.G. Hopwood (1985), K.E. Nees, A.M. Mirza (1991), R.H. Gray, J. Bebbington, D. Walters (1993), R.H. Gray, R. Kouhy, S. Lavers (1995), L. Moir (2001), W. Garriga, D. Mele (2004), A. Ms Williams, D.S. Siegel, P.M. Wright (2006), A. Okoye (2009), W. Visser (2010), H. Aguinis, A. Galvas (2012) and empirical research in the field of applied practices and factors influencing the scope and quality of information presented. Among the many authors and studies in this research, it is worth pointing out, among others, to: H.J. Hejase, F. Hashem, Ali Al. Dirani, Z. Haddad, K. Atwi (2017), B. Fernandez-Feijoo, S. Romero, S. Ruiz (2014), R. Hahn, M. Kuehnen (2013), J.E. Morhardt (2010), C.A. Adams (2002), C.A. Adams, W.Y. Hill, C.B. Roberts (1995, 1998), A. Belkaoui, R.G. Karpik (1989), L.E. Preston, F. Rey, M. Dierkes (1978). Studies from the literature of Polish authors, which are worth pointing out, are: M. Rozkwitalska (2006), A. Paliwoda-Matiolańska (2009), M. Marcinkowska (2010), W. Gasparski, A. Lewicka-Strzałecka, B. Rok, G. Szulczewski (2011), A. Herbuś, B. Ślusarczyk (2012), M. Stefańska (2013), B. Bek-Gaik, B. Rymkiewicz (2014), M. Macuda, Ł. Matuszak, E. Różańska (2015), R. Ignatowski, M. Wójcik-Jurkiewicz (2016), D. Jędrzejka (2016), M. Wójcik-Jurkiewicz (2017), E. Gheribi (2017), O. Nosova (2017), M. Wójcik-Jurkiewicz (2018), Ł. Matuszak, E. Różańska (2017), E. Śnieżek, J. Krasodomska, A. Szadziewska (2018).

Method

To verify the paper's hypothesis, annual reports, CSR reports, sustainable development reports, management reports, and other information published by enterprises on their websites were analysed. The study aims at assessing the state of non-financial reporting among Polish listed companies. For this purpose, the method of analysis and deduction was used in the paper. The critical analysis of references and sources was performed, including analyses of national and foreign scientific publications, the EU directive, the Accounting Act, non-legislative documents, and guidelines of auditors and organisations responsible for non-financial reporting initiatives.

Results

The awareness and significance of corporate social responsibility and the concept of sustainable development are constantly growing, and as a consequence, the awareness of the need to report information on the entity's activities in non-financial areas referred to as non-financial reporting. Relevant regulations and recommendations refer to these elements of reports, which are to provide context and supplement to the financial statements. Many regulations, recommendations, and good practices have been developed that support the reporting process in this area, illustrated by an example of the GRI Initiative (Global Reporting Initiative). A list of standards used for non-financial reporting: GRI Standards/GRI G4, Communication on Progress (COP), International Integrated Reporting

Framework, KPI for ESG, Carbon Disclosure Project (CDP), PN-ISO 26000:2012 on social responsibility, EMAS (Eco-Management and Audit Scheme) and Non-Financial Information Standard (SIN).

Table 1 presents a list of the non-financial reporting standards, which include standards, code's, guidelines, indicator's (according to their development date criterion) or recommendations concerning this area, specifically the main areas of such activities, most commonly used in business practice.

Table 1. Historical View of Non-Financial Reporting Guidelines

Year of development	Standard name	Category	Scope	Standard author
1976	OECD	Code	International	Organisation for Economic Co-operation and Development
1977	Tripartite declaration of the ILO	Code	International	Administrative Council of the ILO
1993/1995	EMAS	Environmental management standards	Regional – European	EU Parliament and Council
2000	UN Global Compact	Code	International	Initiative of Secretary General, Kofi Annan
	GRI	Reporting indicator	International	Global Reporting Initiative
2010	ISO 26000	Standard	International	International ISO Standardization Committee
2011	UN "Protect, Respect and Remedy"	Guidelines	International	UN Human Rights Council
2015	GRI Standards/GRI G4	Reporting indicator	International	Global Reporting Initiative
2017	SIN (Non-Financial Information Standard)	Environmental standard	Regional – European	Foundation of Reporting Standards

Source: own study based on: Paszkiewicz, Szadziewska (2011), Samelak (2013); Gasparski, Lewicka-Strzałecka, Rok, Szulczewski (2002), Szadziewska, Spigarska, Majerowska (2018), Mikulska, Michalczuk (2014) Ignatowski, Wójcik-Jurkiewicz (2016), Wójcik-Jurkiewicz (2017), Wójcik-Jurkiewicz (2018), SIN (2017), Matuszak, Różańka (2017).

As far as non-financial reporting is concerned, data presentation method is discretionary. However, to encourage businesses to apply unified non-financial reporting principles, the Global Reporting Initiative (GRI) has created publicly available guidelines (principles, indicators) that businesses can use to measure their economic, social, and environmental performance (Zapłata, Kaźmierczak, 2011, p. 174). Such a framework is intended to ensure comparability and transparency of data.

In accordance with the applicable legal regulations, reporting standards can be selected from among the above mentioned international and EU standards characterised by the different scope of information. According to par. 9 of the Directive, entities covered by these regulations may rely on national frameworks, EU frameworks, such as the Eco-Management and Audit Scheme (EMAS), or international frameworks, such as the UN Global Compact, UN Guiding Principles on Business and Human Rights implementing the UN "Protection, Respect and Remedy" Framework, OECD Guidelines for Multinational Enterprises, the ISO 26000 standard, the ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy, GRI (Global Reporting Initiative), or other recognised international frameworks. Table 2 presents the areas and principles of non-financial reporting according to the standards indicated in Table 1.

Table 2. Guidelines for Non-Financial Reporting in Accordance with the Applicable Rules

Standard Name	Reporting Areas	Reporting Principles
ISO 26000	Organisational governance Human resources management Good business conduct Consumer issues Human rights Natural environment Community involvement and development	– Presentation of an honest and complete picture of CSR. – Presentation according to the CSR key areas. – Presentation of information: understandable, accurate, objective, and complete
UNGC	Human rights Environmental protection Labour standards Anti-corruption	The clear structure of the report informing about costs and progress in the implementation of the ten principles
EMAS	Environmental management	Clear and complete structure of the report
OECD	Human rights Sustainable development Employment and employment relationships Environmental protection Anti-corruption Protection of consumers' interests	Transparency of information
GRI	In accordance with the principle of materiality, those which have a significant economic, environmental, and social impact and significantly influence the assessment of the enterprise by stakeholders or their decisions	The inclusion of stakeholders – they must be defined, and the manner of the fulfilment of their interests and expectations must be explained. – Sustainable development context – Materiality – Completeness
SIN	Management area – 15 indicators Environmental area – 30 indicators Social and employment area – 78 indicators, three introductory chapters, and five annexes	– Simple layout and structure – Support in determining the materiality of non-financial disclosures – Adaptation to the specific character of Polish listed companies

Source: own study based on Bartkowiak (2011), Lament (2017), Kędzior, Kędzior, Wójcik-Jurkiewicz (2017), Maćkowiak, Svobodová (2017). Wójcik-Jurkiewicz (2018).

Social responsibility is considered to be one of the greatest challenges of the 21st century and plays an increasingly important role in the functioning of many organisations. It is being discussed at length by researchers, both its theoretical (Friedman, 1970; Epstein, Roy, 2001) and empirical (Dahlsrud, 2008; Heslin, Ochoa, 2008) aspects. Corporate Social Responsibility may be understood as making and meeting economic, legal, ethical and discretionary commitments, imposed on a given organization by the parties engaged in its activity (Maignan, Ferrell, Hunt, 1999), or as considering the society's current expectations by the organization in its activity (Commission of the European Communities 2001).

Bearing in mind the non-financial reporting obligation introduced by the Accounting Act, the authors carried out preliminary research, evaluating 167 listed companies (PIEs). Figure 1 presents the results, which confirm the paper's research hypothesis.

STANDARDS	GRI Standards	GRI Standards: Core	GRI G4	GRI G4: Core	GRI G4 extended	GRI G4 Core + industry supplement	GRI Core	SIN	Company's Report	Own rules	undefined	Different solutions	All companies
	8	4	10	7	1	3	4	27	7	38	41	17	167

Figure 1. Readiness of Listed Companies for Non-Financial Reporting

Source: own research based on the Polish Public Interest Entities (PIE's) (as of 31 August 2018).

Figure 1 proves the author's thesis that listed companies were not ready for non-financial reporting. It should be noted that less than 38% of the surveyed companies used the existing standards and guidelines, of which 50% applied the newly developed SIN. The situation is satisfactory for the SIN standard, while other results still prove the lack of readiness of listed companies to report non-financial information, which may serve as a basis for further explorations and research.

In conclusion, the considerations presented in the paper show that the issue of non-financial reporting requires ordering. Research has shown the need for uniform solutions related to non-financial information reporting, with special consideration of the non-financial reporting concept, as it is increasingly recommended and recognised as s good practice in an enterprise (Śnieżek, Piłacik, 2016). On the other hand, the Legislator emphasises that it is not necessary to more precisely specify the shape and direction of development of non-financial reporting in Poland or other EU countries.

Results supply

Since there are no clear procedures related to the implementation of non-financial reporting standards, greater transparency of companies and the comparability of the information presented by them may not be possible.

Results demand

The survey required companies to be ready to prepare a non-financial report, which, obviously required more time and professionalism from the companies. The results expected by the paper's authors were to indicate 2, 3, or even a few solutions, to meet the requirement for transparency and comparability of non-financial data.

Limitations

A significant limitation of the survey was a small sample which resulted from the fact that some companies did not meet the obligation to draw up a non-financial report. Also, the companies decided to select too many standards as appropriate and single.

Conclusions

The analysis of references and the scope of authors' research and other research presented in the paper allowed to verify the research hypothesis, i.e. Polish listed companies, and in particular, public interest entities are not prepared to implement the provisions of the Accounting Act, which is the transposition of Directive 2014/95/EU. It should be noted that a non-financial report is related to the strategy of operation and the organisation management system while fulfilling the legislative obligations.

The authors are fully aware of the limitations of the research, for instance, because of its initial nature and the small sample of only 167 listed companies (PIEs) surveyed in the first year of the new regulations.

The presented facts allow us to conclude that both in qualitative and quantitative terms, non-financial reporting is at the development stage in Poland. The next big challenge for the authors will be to attempt to build an index determining the level of non-financial reporting in Poland.

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