

Reporting for sustainable development in Poland – the analysis of the actual state of affairs and the proposed directions of changes

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Abstract. The aim of the article is the quantitative and qualitative analysis of non-financial reporting in Poland, with particular consideration given to different aspects of generating useful information for sustainable development. The following considerations concentrate on the analysis of the actual state of affairs and the proposed directions of changes in this scope and, to make the analysis, the following research hypothesis was formulated: legislative changes concerning the obligation to disclose non-financial information by some public trust entities will contribute to the development of reporting non-financial information in Poland. Both the quantitative and qualitative analysis of reporting for sustainable development in Poland confirmed the low level of development. Before the introduction of amendments in Polish legislation, i.e. until the end of 2017, a total number of the voluntarily published non-financial reports amounted to around 300-400, which is by far insufficient. It is estimated that, as a result of the introduced legislative changes, in 2018 the number of prepared reports will increase of about 300, which will have a considerable influence on the development of the Polish reporting system. In the study, the authors applied the following research methods: literature studies, the analysis of legal regulations and secondary sources as well as the method of inductive reasoning and synthesis.

1 Introduction

Sustainable development is an ongoing, long-term and, at the same time, constantly evolving process directed at satisfying current needs, taking into account the limitation of resources. In line with the *triple bottom line* concept, it integrates the initial financial perspective with the social and environmental (ecological) perspective. The end of 2016 became the fundamental time caesura and, since then, non-financial reporting (for sustainable development) is applicable in Polish legal system. Despite this, the preliminary diagnosis of the status of reporting for sustainable development in Poland, being the main reason for writing the article, confirms the low level of its development. It seems that companies are still looking for the answer to the following questions:

1. What is non-financial reporting and am I obliged to prepare it?

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2. What is non-financial information and is it worth collecting it, even if it is not obligatory?
3. Where should we look for its sources and how to maximize its usefulness?
4. How to reduce weaknesses and threats concentrating at the same time on the opportunities and strengths of generating useful non-financial information?

With regard to the above, the main objective of the article is the quantitative and qualitative analysis of non-financial reporting in Poland, with particular consideration given to different aspects of generating useful information for sustainable development. The following considerations concentrate both on the analysis of the actual state of affairs and on the proposed directions of changes in this scope and, to make the analysis, the following research hypothesis was formulated: legislative changes concerning the obligation to disclose non-financial information by some public trust entities will contribute to the development of reporting non-financial information in Poland. For the purpose of achieving the objective and verification of the hypothesis in the article, the authors applied the following research methods: literature studies, the analysis of legal regulations and secondary sources as well as the method of inductive reasoning and synthesis.

2 The aspects of generating non-financial information for sustainable development

In economic practice, one may notice some simplification, i.e. that financial reporting is frequently identified with information of a monetary character, whereas non-financial reporting – with non-cash information. The starting point for further considerations is to define the term: information – viewed in various ways, depending on the area of knowledge, where it is applicable. For the purposes of the article, the authors adopted the general definition, which provides that information is a category established on the appropriately gathered, analysed and processed data, on the basis of which the recipient takes measures aiming at the realization of a specific goal. Irrespective of the financial or non-financial character, useful information should be of high quality, which is influenced by the following characteristics (the authors intentionally omitted the principle of true and fair view) [1]:

- relevance – the relationship between the information content and the action realized by the recipient,
- completeness – the degree to which the information is sufficient to realize the action,
- accuracy – the degree to which the information presents a given object,
- precision – the degree to which the information reflects details,
- validity – compliance of the information with the current, actual state of the object,
- source – the entity generating the information,
- comprehensibility – for the recipient, it is dependent on the medium and the manner of presentation,
- accessibility – the possibility to obtain the information and to use it,
- security – the level of information protection against damage or obtaining by an unauthorized entity.

Both in theory and in practice it is extremely difficult to make a clear distinction between financial information and non-financial information. M. Sobczyk makes an attempt to systematise current approaches in this scope [2]. According to the authors, interpretations of the indicated terms should be made not by the source or form of presentation (quantitative, mainly monetary vs. qualitative, difficult to measure), but taking into account information needs of recipients. In accordance with this approach:

- financial information satisfies information needs concerning financial and property standing as well as business results of the entity,
- non-financial information[†] satisfies information needs concerning the actions of the entity associated with the society, employees, natural environment, respect for human rights and combating corruption.

Such a standpoint is confirmed by the legally approved scope of notes to the financial statement[‡] which, in explanatory notes, should present information concerning employees (not only of the financial character, but e.g. about other, non-financial conditions of their employment). At the same time, the report on the company's activities, integrated report or other report taking into account non-financial aspects shows e.g. costs (expressed in monetary terms) incurred for reducing negative effects of the entity on the environment. Therefore, it can be assumed that both financial statement and other forms of reporting (integrated report, CSR report, social report) provide useful information both of a financial and a non-financial character. It can take any form – monetary or non-monetary.

Taking into consideration the reasons for generating useful information for sustainable development, it should be emphasized that the fundamental one is to satisfy information needs of its recipients. It is followed by the information asymmetry, which is understood as a state, in which specific information is characterized by a relatively different degree of usefulness for different recipients from the entity's environment. In the context of sustainable development, it is particularly important to realize the external information function for external environment, among others, for the society, stakeholders, clients, organizations as well as institutions, partners, etc. This approach is consistent with the idea of financial reporting (above all with reporting in the form of a financial statement). At the same time, one should not underestimate the endogenous information needs of recipients from the internal environment, e.g. of employees or managers. To conclude, one common reason is to meet information needs of the recipients from the entity's environment as well as to minimize the phenomenon of information asymmetry by generating useful information of a non-financial character.

Another reason results from the introduced in the Accounting Act [7] obligation to report non-financial information by the public trust units. However, the indicated reason is of a constructive character and, therefore, it blurs the level of managerial awareness in the scope of facultative non-financial reporting. Hopefully, it will not be considered an imposed necessary evil, which involves resources – results in additional costs, and does not bring the desired effects for the entity. Reducing aversion to the new requirements should be realized by regarding them as tools for shaping the image, building competitive advantage or legitimizing the conducted business activity in the eyes of stakeholders.

In addition, the remaining reasons for generating useful non-financial information can be the following:

- having the strategy based on the concept of sustainable development,
- the need to have a comprehensive report on the company's activities,
- requirements of the environment – above all placed by stakeholders,
- the need to raise capital.

Table 1 shows the SWOT analysis, which synthetically presents the key aspects of generating useful non-financial information for sustainable development.

[†] More about non-financial information in: [3], [4], [5].

[‡] More about the relationship between the accounting system and the concept of sustainable development in: [6].

Table 1. The SWOT analysis of generating useful non-financial information.

Strengths	Weaknesses
<ul style="list-style-type: none"> • building managerial awareness of non-financial activity/ more effective management in this area, • the possibility to monitor progress, • education of internal environment, • improvement of processes and systems, • progress in the implementation of mission and strategy, • reduction of <i>compliance</i> costs, • greater transparency/ lower investment risk/ potential higher valuation of the entity, • creating long-term partnership with employees, • reducing fraud and other undesirable phenomena. 	<ul style="list-style-type: none"> • cost-intensive and time-consuming application and use, • disregard for the implementation need, • the lack of appropriate resources, • the lack of delegated powers and responsibility, • inadequate motivation system, • the lack of support and trainings, • personal objectives/ obsessions and excuses/ aspiration level/ aversion to reporting, • using the solution only to realize particular objectives of the entity, e.g. free PR.
Opportunities	Threats
<ul style="list-style-type: none"> • building reputation and trust, • greater clearness and transparency of the conducted business, • education of external environment, • building competitive advantage (achieving the position of a leader), • share in the indices of the Stock Exchange Issuers/ greater interest of investors/ potential for an increase in the share price, • easier access to capital (debt and equity). 	<ul style="list-style-type: none"> • dynamically changing rules of law, • the lack of appropriate system support, • disclosure of sensitive information to the wide group of recipients, • low labour supply of the properly qualified staff.

Source: authors' own elaboration based on [8].

In conclusion, the identified strengths and opportunities clearly dominate over weaknesses and threats resulting from the generation of useful non-financial information. Hopefully, the discussed phenomenon will not be regarded by entities as an additional obligation, but a multidimensional tool of strategic and operational management in the key function areas of the entity. The ambivalent nature is reflected in the fact that, in the current legal system, the discussed obligation concerns only public trust entities which, at the same time, have the possibility to choose from the rules well established on the available national and international solutions.

3 The GRI standards as an international reporting standard for the sustainable development

Both in Poland and in the world there is a range of different legal frameworks, being the basis of the non-financial reporting. Among these, there are e.g. GRI standards (Global Reporting Initiative), Integrated Reporting (IR), the UN Global Compact, the OECD guidelines for multinational enterprises, the ISO 26000 standard (the International Organization for Standardization) or the Non-financial Information Standards (NIS). The Polish legislator allows to 'apply any standards, including one's own standards, national, Union or international standards, norms or guidelines' [7] and, therefore, the choice in this scope constitutes an individual decision of the reporting entity. Nevertheless, the most popular standards for sustainable development reporting are GRI standards and they will be the subject of further considerations.

The Global Reporting Initiative (GRI) is an international non-governmental organization, which was established in the 1990s. Initially, its main objective was to create the mechanism of environmental liability which, in time, evolved into the complete concept of sustainable development, which embraces today not only environmental issues but also social, labour and economic ones. Since the establishment of the GRI, four versions of the guidelines have been developed (GRI G1 in 2000, GRI G2 in 2002, GRI G3 in 2006 updated in 2011 as G3.1 and GRI G4 in 2013) as well as GRI Standards published in 2016. The history of the regulations developed by the GRI together with a short description of the most essential changes is presented in Table 2.

Table 2. The development of the global frameworks for non-financial reporting published by the GRI.

Year of publication	Name of the regulation	Description
2000	GRI Guidelines	The first version of guidelines embracing environmental, economic and social indicators constituting global frameworks for comprehensive reporting concerning sustainable development. The initial version of guidelines was first published in March 1999. Then, in the years 1999-2000, the pilot phase was launched, in which 21 enterprises were tested.
2002	GRI G2 Guidelines	GRI found that developing the generally accepted reporting frameworks is a long-term process, which means that the guidelines from 2002 mark the beginning of the cycle of changes. Depending on the degree of advancement, they could be applied: informally in a simplified way, gradually (incrementally) in each period or in a full version with a high level of compliance. on account of the fact that the developed guidelines were too general, first pilot versions of sectoral supplements were presented.
2006	GRI G3 Guidelines	They consisted of two parts: Reporting guidelines and principles and Standard information divided into the socio, economic and environmental dimensions. In addition, sectoral supplements were published, which provided additional guidelines and interpretations helpful in reporting for a particular sector. Entities preparing reports could choose the application level of GRI guidelines. There were three application levels of guidelines available: A, B, C, where A stands for the highest (full) level of guidelines application and C – the lowest level.
2011	GRI G3.1 Guidelines	The most changes were introduced in the area of social indicators, in particular concerning employment and decent work, human rights as well as local communities. Smaller changes concerned standard disclosures and, specifically, company's profile, the scope and range of the report, supervision and stakeholders' involvement.
2013	GRI G4 Guidelines	They rely on other regulations in the area of sustainable development, among others on OECD Guidelines, the UN Global Compact and the UN Guiding Principles on Business and Human Rights. Greater emphasis was put on materiality of the issues to be provided by organizations and two levels of reporting were introduced: general and specific, resigning at the same time from the previous application levels (A, B and C).
2016	GRI Standards	The changes consisted mainly in the improvement of the structure and form of the content included in G4 Guidelines, which were supposed to facilitate the up-dating of the presented content. The new regulations consist of 3 universal Standards: Foundation (GRI 101), General Disclosures (GRI 102), Management Approach (GRI

Year of publication	Name of the regulation	Description
		103) and 33 topic-specific Standards organized into Economic (GRI 200), Environmental (GRI 300) and Social (GRI 400) series.

Source: authors' own elaboration based on [9].

Regulations published by the GRI are the subject of multiple research studies and undergo constant improvement and, therefore, they constitute a source of the most up-to-date practices in the scope of reporting for sustainable development. They are developed as part of multilateral consultations between different groups of stakeholders, involving both the representatives of scientific communities and specialists from business practice from all over the world. That is why, GRI Standards are considered the most common, harmonized, normalized, understandable and objective model for non-financial reporting [10, 11].

As on 01.07.2018, non-financial reports were prepared by over 12.5 thousand entities in the world which published a total of 48.2 thousand reports [12]. As many as 30.2 thousand from them (62%) are the reports prepared in compliance with the GRI Standards, which reflects their domination. A quantitative summary of non-financial reports published in the years 1999-2017 is presented in Fig. 1.

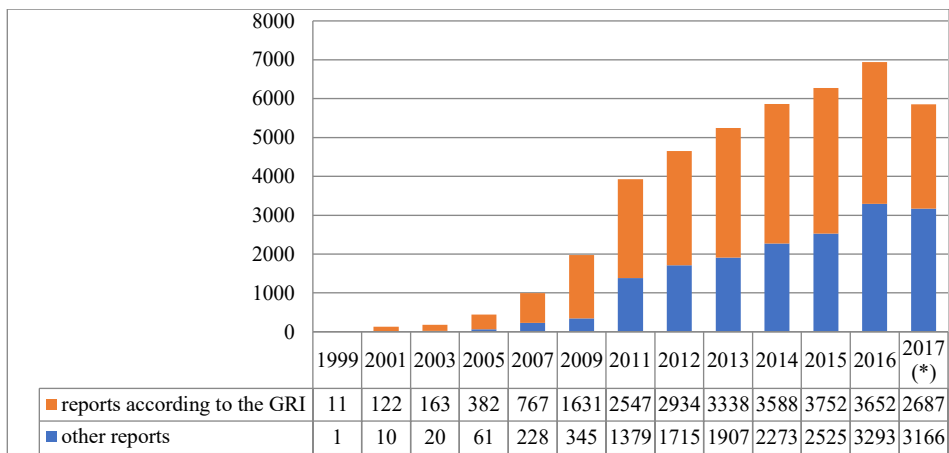


Fig. 1. The number of non-financial reports published in the world in the years 1999-2017 (*)

Source: authors' own elaboration based on [12].

(*) It should be stressed that the number of reports published in 2017 is not the final one as in many countries an accounting period has not ended.

The data presented in figure 1 shows that more and more entities (enterprises, budgetary units, non-governmental organizations) recognize the necessity for acting in line with the principles of sustainable development and reporting in this scope. It seems that only the presentation of financial, non-financial, quantifiable and descriptive information can meet the increasing stakeholders' expectations.

4 Non-financial reporting in Poland – the assessment of the actual state of affairs and the proposed directions of changes

When considering the issue of reporting for sustainable development in Poland, it should be emphasized at the beginning that it is at the initial stage of development. Although there are numerous valuable publications in this scope in the literature [3, 13, 14], in economic practice until the end of 2016, the obligation to disclose non-financial information (apart from several

disclosures in the report on activities) in Polish legislation did not practically exist. It was not until December 2016, as a result of the transposition of the EU directive on disclosure of non-financial information and diversity information [15] into the Polish law, that the Accounting Act was amended and the obligation to disclose non-financial information for the so called public trust entities was introduced.

Public trust entities constitute a wide group of entities embracing, among others, issuers of the securities admitted to trading on a regulated market as well as financial institutions, such as banks, investment funds and open pension funds. Those which, in the financial year for which the entity prepares a financial statement and in the year preceding this year, exceed the following numbers [7]:

1. 500 people – in the case of the annual average employment expressed in full time equivalents, and
2. 85 000 000 PLN – in the case of the total assets in the balance sheet at the end of the financial year, or 170 000 000 PLN – in the case of the net revenue from sales of goods and products for the financial year are obliged to prepare a declaration / report on non-financial information.

Reporting the extended non-financial information should include at least [7]:

- a brief description of the entity's business model,
- key non-financial performance indicators related to the entity's activities,
- a description of the policies applied by an entity in relation to social and labour issues as well as to natural environment, human rights respect, combating corruption and a description of the results achieved following the application of those practices,
- a description of due diligence procedures,
- a description of the material risks that could have an adverse effect on the entity's activities, including a description of managing these risks.

Both the quantitative and qualitative analysis of reporting for sustainable development in Poland shows its true colours. Before the introduction of amendments in Polish legislation, i.e. until the end of 2017, a total number of the voluntarily published non-financial reports amounted to around 300-400. This result is by far insufficient and it justifies legislative changes in this scope. In 2018, the number of reports shall increase of about 300, which results from the obligation to prepare non-financial reports for public trust entities (half of them are listed companies and the remaining ones belong to the financial sector).

Fig. 2. shows the number of non-financial reports registered in Poland until 2017 divided into the reports published in the international register kept by the GRI and those listed in the Polish Register of Reports kept by the CSRinfo. It is estimated that over 75% of them were prepared in accordance with the GRI regulations. It is worth adding that among them there are also integrated reports that are a combination of financial statements and non-financial information. Examples of such capital groups include the Orlen Group, Lotos Group, PGE Group, Azoty Group and KGHM Polska Miedź

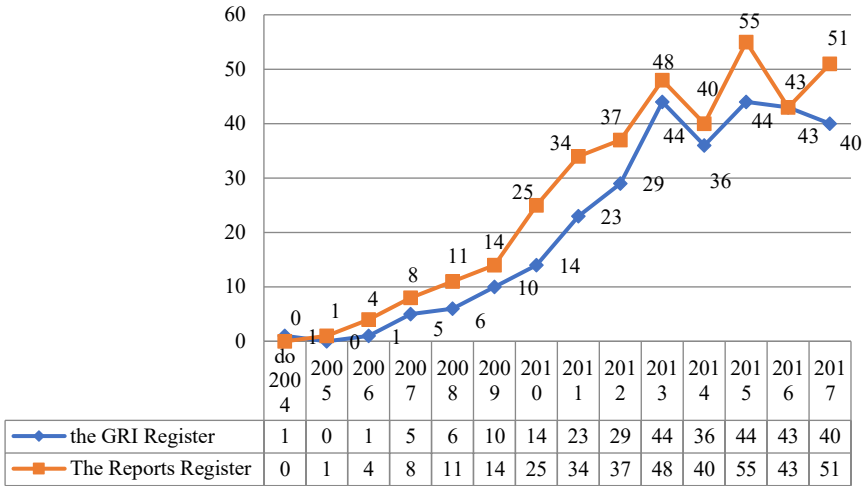


Fig. 2. The number of non-financial reports registered in Poland until 30 June 2018
 Source: authors’ own elaboration based on [12, 16].

The qualitative analysis of the level of non-financial reporting in Poland entitled ‘Non-financial reporting: requirements of the Accounting Act and market practice. The results of the Stock Exchange Issuers Analysis in Poland 2017’ was made on the basis of the report of the Stock Exchange Issuers. The study embraced 140 companies listed on the Warsaw Stock Exchange and the results, divided into five disclosure areas, i.e. environment, employment rights, ethics, combating corruption, social issues and human rights, are shown in figure 3.

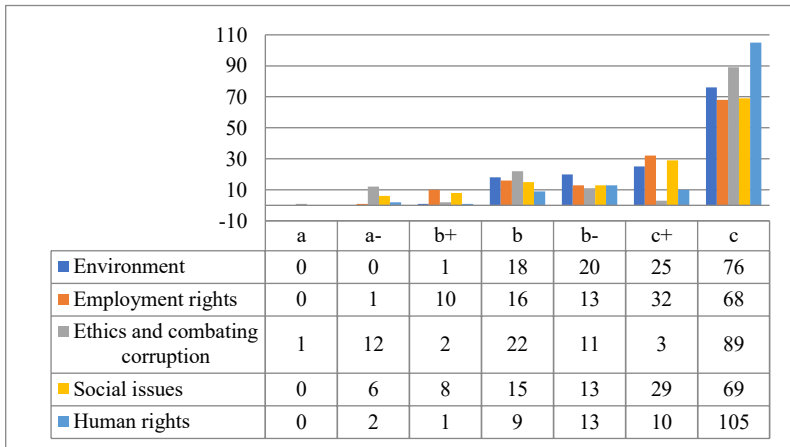


Fig. 3. The qualitative assessment of non-financial information published by the selected listed companies in Poland in 2017.

where: (a) stands for a high level of disclosures confirmed by the third party verification, (a-) stands for a relatively high level of disclosures with the progress evaluation, (b+) stands for a relatively high level of disclosures without the progress evaluation, (b) stands for an average level of disclosures with the management system, (b-) stands for an average level of disclosures without the management system, (c+) stands for a relatively low level of disclosures, (c) stands for a low level of disclosures or the lack of disclosures.

Source: authors’ own evaluation based on [17].

The data depicted in figure 3 clearly indicate that most of the entities subject to the study in each designated area obtained a (c) grade, which means that they disclose only negligible information or do not disclose it at all. Companies are the most willing to share the information about environment. As many as 100 out of 140 companies under study (71.4%) provide information in this area. However, the most difficult situation concerns the area related to human rights respect – only every fourth company makes any disclosures in this scope.

The fact that there is a very small percentage of entities publishing non-financial information at the (a), (a–) and (b+) level and a small percentage of entities with the (b) and (b+) grade leads to the following conclusions. First of all, the scope of disclosures for the idea of sustainable development in Poland is still insufficient. It is shown both by the quantitative and qualitative analysis of the actual state of affairs. Companies, which want to increase their value in the eyes of their stakeholders, cannot concentrate solely on the presentation of financial information. Secondly, the amendment to the Accounting Act related to the obligatory reporting of non-financial information for public trust entities is a step towards the right direction. It seems that, in time, this obligation should be extended to include other groups of entities. Thirdly, it is a common practice to publish non-financial information of low credibility. In this context, it seems necessary to lobby, and then to take and intensify efforts aimed at their external verification.

5 Conclusion

Sustainable development is and will be increasingly perceived as a basic goal to be achieved both by enterprises and their stakeholders. Reliable presentation of non-financial information requires the implementation of an appropriate system for gathering, processing and presentation of the data. This, in turn, results in the increased significance of the processes of generating useful non-financial information and leads to the development of reporting for sustainable development.

In Poland, the level of non-financial information disclosures, both in qualitative and quantitative terms, remains low. However, it should be emphasized that the recently introduced legislative changes, obliging large public trust entities to report non-financial information, are an important step in the attempt to change the current state of affairs. However, the conducted analysis proves that there is a need for further changes in this scope. The legislator should ensure appropriate legal measures, which will effectively increase the number of published reports [18].

In conclusion, the increase in the importance of the idea of sustainable development is so strong that it makes it a strategically important element of communication with the environment. In this context, reporting economic, environmental and social aspects of the business unit functioning is slowly becoming a contemporary necessity.

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