

CORPORATE SOCIAL RESPONSIBILITY REPORTING AND GREEN SUPPLY CHAIN MANAGEMENT - CASE OF POLAND

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Abstract

The nature of Corporate Social Responsibility (CSR) and the expectations regarding disclosures in this area are changing rapidly. In addition, nowadays companies are increasingly encouraged to explore and report on details of impacts in the entire supply chain. The environmental dimension of CSR concerns the company's inputs and outputs as well as diverse environmental impacts related to the product and services. This article presents an analysis of CSR reporting in Poland in order to identify the current scope and specificity of disclosures of the Green Supply Chain Management (GSCM) practices. The results of empirical research have shown that CSR reports in Poland depict quite extensive activities and indicators related to implementation of cleaner technologies and environmentally friendly processes. There is much less information on requirements for suppliers and subcontractors to maintain relevant environmental standards, inclusion of environmental criteria in the supplier selection, consideration of environmental issues in the selection of transport modes and distribution channels or commitment to environmental protection in marketing activities. However, disclosures of actions that concern the life cycle assessment of products or incorporation of environmental criteria into the process of design and development of products and services are extremely rare. This means that a great number of CSR reporting companies in Poland have not paid sufficient attention to comprehensive disclosures of the GSCM practices so far. This also suggests that a considerable number of the GSCM issues are not perceived by them as significant impacts.

Keywords: Corporate social responsibility, sustainability reporting, green supply chain management

1. INTRODUCTION

In recent years Corporate Social Responsibility (CSR) reporting has attracted growing interest from academics, business representatives and policy-makers. However, most of the issues related to sustainability reporting have focused on the information and actions that are disclosed rather than on aspects that are not reported. In fact, companies individually choose what and how to communicate their progress in CSR. Sustainability reports focus on economic, environmental and social impacts caused by the company's everyday activities but there is no single and generally accepted standard according to which such reports should be prepared. The most common are the GRI (Global Reporting Initiative) Standards for Sustainability Reporting that enable organizations to understand, measure and assess sustainability performance and disclose relevant results in a similar way [1].

The Green Supply Chain Management (GSCM) has also gained increasing attention within academia and industry. It integrates environmental concerns into interorganizational practices of the supply chain management. Thus, companies are expected to design environmentally conscious practices that include not just their own operations, but also address impacts of business partners in the supply chain. Although the activities related to the GSCM have already become relatively widespread, the approaches to measuring and communicating the performance of such efforts remain less advanced. Despite the importance of the issue, CSR reports have failed to provide a complete description of the supply chain performance, including environmental aspects. This is why the latest version of the GRI G4 Guidelines has expanded the boundary of reporting and recommended more comprehensive consideration of impacts throughout the entire value chain.

Therefore, this article presents an analysis of CSR reporting in Poland in order to identify the current scope and specificity of disclosures of the GSCM practices. There is still scarce research done in this area and, in addition, it is the first such study ever performed in Poland till now. In particular, it expands and enriches the previous surveys focused on quality assessment of CSR reporting practices in Poland [2, 3].

2. THEORETICAL BACKGROUND

CSR reporting can be considered as synonymous with other non-financial reporting terms such as sustainability reporting or triple bottom line reporting. Nowadays, it is also becoming an inherent part of integrated reporting that combines the disclosure of financial and non-financial performance. The most widespread sustainability reporting guidance comprises the GRI Standards for Sustainability Reporting, the OECD Guidelines for Multinational Enterprises, the UN Global Compact (Communication on Progress) and the ISO 26000 (International Standard for Social Responsibility). The GRI Standards seem to be the most trusted and widely used all around the world with the latest version of the GRI G4 Guidelines. The new GRI G4 Guidelines issued in 2013 introduced, among others, expanded standard disclosures of the supply chain. Therefore, each organization is obliged to describe significant actual and potential negative environmental impacts in the supply chain and the actions taken to mitigate them [1]. This means that, according to the GRI G4, issues related to the GSCM practices should certainly be taken into account in CSR-related disclosures.

The essence of the GSCM is related to consideration of multifaceted associations of all links in the supply chain with the natural environment and comprehensive mitigation of their environmental impacts. The GSCM researchers have identified a few applicable and explanatory organizational theories that have been utilized to expand the understanding and knowledge of this research field [4]. Nevertheless, the GSCM definition varies from one researcher to another. For example, Srivastava describes it as combining environmental thinking with the supply chain management and defines it as including the product design, the material sourcing and selection, the manufacturing processes, the delivery of the product to the consumer and end-of-life management of the product after its useful life [5]. According to Hervani et al. [6], the GSCM consists of green purchasing, green manufacturing / materials management, green marketing / distribution and reverse logistics. This means that numerous environmentally conscious practices should be adopted throughout the GSCM, ranging from green design (marketing and engineering), green procurement (certifying suppliers, purchasing environmentally sound materials and products), total quality environmental management (internal performance measurement, pollution prevention) and environmentally friendly packaging and transportation to various end-of-life practices defined by “the 4 R’s” of reduction, reuse, remanufacturing and recycling. In practice, the GSCM deals with various interorganizational relationships, including customers and suppliers with their respective chains and forming webs of very complex ties.

With regard to disclosures of the GSCM practices, the GRI G4 requires companies to report on significant environmental impacts in the supply chain and on actions taken, together with relevant indicators. Disclosures may consist of a description of processes used to identify and assess significant environmental impacts in the supply chain, practices for assessing and auditing suppliers and their products and services using environmental criteria, actions taken to address the significant environmental impacts identified in the supply chain, incentives and rewards for suppliers for prevention, mitigation and remediation of significant environmental impacts, and expectations established in contracts with suppliers to promote prevention, mitigation and remediation of significant environmental impacts [7]. In addition, the disclosed measurable indicators may comprise, inter alia, the number of suppliers subject to the environmental impact assessment, the number of suppliers identified as having significant environmental impacts, the percentage of new suppliers that were screened using environmental criteria, the percentage of suppliers identified as having significant environmental impacts with which improvements were agreed upon as a result of assessment, the percentage of suppliers identified as having significant environmental impacts with which relationships were terminated as a result of assessment [1].

3. MATERIALS AND METHODS

The research described herein included CSR-related reports published by 42 companies from selected sectors in Poland. These sectors comprised chemical & pharmaceutical products, construction & building materials, electric utilities (generation, transmission, distribution and retail of electricity), financial services (banking and insurance), food processing, IT & telecommunications, mining & metals, oil & gas, transportation & logistics and wholesale & retail trade. It was decided to take account of reports published in 2013 or later and the latest available report for every company was analyzed. The reports were obtained via the global online directory of corporate responsibility reports - <http://corporateregister.com> and the Polish web page dedicated to CSR reporting issues - <http://raportySpoeczne.pl/biblioteka-raportow>. The study included 23 corporate responsibility (EHS / Community / Social) reports, 13 sustainable (Environment / Social / Economic) reports and 6 integrated (financial and non-financial) reports. Most of the examined reports (29 items) were developed according to the GRI G4 guidelines, but 4 reports were prepared without any external guidelines. The characteristics of the analyzed reports is presented in **Table 1**.

Table 1 Characteristics of analyzed CSR-related reports [own analysis]

Sector	No. of analyzed reports	Report type	Guidelines declared	External verification	Years covered in report
Chemical & Pharmaceutical Products - CPP	3	Corporate Responsibility (2) Integrated (1)	GRI G4 - Core (2) None (1)	Verified (2) None (1)	2013-2014 (1) 2014 (1) 2015 (1)
Construction & Building Materials - CBM	3	Corporate Responsibility (1) Sustainable (2)	GRI G4 - Core (2) GRI G3.1 - B+ (1)	Verified (3)	2013 (1) 2013-2014 (1) 2014 (1)
Electric Utilities - EU	6	Corporate Responsibility (3) Sustainable (3)	GRI G4 - Core (4) GRI G3.1 - B (1) None (1)	Verified (3) None (3)	2012-2013 (1) 2013 (1) 2013-2014 (1) 2014 (3)
Financial Services - FS	6	Corporate Responsibility (4) Sustainable (2)	GRI G4 - Core (4) GRI G3.1 - B (1) None (1)	Verified (2) None (4)	2012 (1) 2013-2014 (2) 2014 (3)
Food Processing - FP	5	Corporate Responsibility (3) Sustainable (2)	GRI G4 - Core (5)	Verified (1) None (4)	2012-2013 (1) 2013 (1) 2014 (1) 2015 (2)
IT & Telecommunications - IT	2	Corporate Responsibility (2)	GRI G4 - Core (1) GRI G3 - B (1)	Verified (1) None (1)	2013 (1) 2014 (1)
Mining & Metals - MM	4	Corporate Responsibility (1) Integrated (2) Sustainable (1)	GRI G4 - Core (2) GRI G3.1 - C (1) GRI G3 (1)	None (4)	2011-2014 (1) 2014 (3)
Oil & Gas - OG	5	Corporate Responsibility (2) Integrated (3)	GRI G4 - Core (3) GRI G3.1 - A+ (1) GRI G3.1 - B (1)	Verified (4) None (1)	2013-2014 (1) 2014 (4)
Transportation & Logistics - TL	4	Corporate Responsibility (2) Sustainable (2)	GRI G4 - Core (3) None (1)	Verified (1) None (3)	2013-2014 (1) 2014 (3)
Wholesale & Retail Trade - WRT	4	Corporate Responsibility (3) Sustainable (1)	GRI G4 - Core (3) GRI G3 - C (1)	None (4)	2012/13-2013/14 (1) 2013-2014 (2) 2014 (1)

In brackets: number of relevant reports

Based on own previous research [8], the analysis of the content of CSR-related reports has focused on identification of specific descriptions of actions taken and on measurable indicators disclosed in relation to: (1) environmental impact assessment of products (goods and services) with regard to all stages of their life cycle, (2) incorporation of environmental criteria into the process of design and development of products, (3) implementation of cleaner technologies and environmentally friendly processes, (4) inclusion of environmental criteria in the supplier selection, (5) requirements for suppliers and subcontractors to maintain relevant environmental standards, (6) consideration of environmental issues in the selection of transport modes and distribution channels, (7) commitment to environmental protection in marketing activities, (8) the customer and local communities engagement in environmental protection activities.

4. RESULTS AND DISCUSSION

The empirical research results indicate that CSR reports in Poland contain fairly extensive characteristics of implementation of cleaner technologies and environmentally friendly processes. With regard to this area, all analyzed reports included a description of relevant actions taken and measurable indicators disclosed. There is much less information on requirements for suppliers and subcontractors to maintain relevant environmental standards, inclusion of environmental criteria in the supplier selection, consideration of environmental issues in the selection of transport modes and distribution channels or commitment to environmental protection in marketing activities. In addition, explicit indicators in relation to the aforementioned practices are unfortunately uncommon. However, disclosures of actions that concern the life cycle assessment of products or incorporation of environmental criteria into the process of design and development of products and services are extremely rare. There are also no indicators which present measurable achievements in this respect, but it is worth mentioning that 3 of the analyzed reports included data on carbon footprint calculations.

It should be noted that only in the case of two companies did the CSR reports comprise disclosures related to all analyzed GSCM practices. Both these reports were prepared according to the GRI G4 and verified by a third-party external agency. Nevertheless, in general, the CSR reports developed in accordance with the GRI G4 included merely slightly more expanded disclosures of the GSCM practices than those made in compliance with the GRI G3/3.1. The CSR reports elaborated without any external guidelines addressed the GSCM issues less frequently and seemed to be rather unsatisfactory. Taking into account all the sectors under analysis, the most comprehensive disclosures of the GSCM practices were identified in the CSR reports made by companies representing chemical & pharmaceutical products, construction & building materials and food processing. The results of the study are presented in **Table 2**.

According to the GRI G4, at the core of preparing a sustainability report is the focus on the process of identifying material aspects that reflect the organization's significant economic, environmental and social impacts or have a substantial influence on the stakeholders' assessment and decisions [1, 7]. With regard to this issue, insufficient disclosures of the GSCM practices made by considerable number of CSR reporting companies in Poland might mean that they do not perceive such activities as having a significant impact or affecting stakeholders' attitudes. This suggests that companies still underestimate the significance of environmental impacts in the entire supply chain. Nevertheless, it should also be emphasized that comprehensive and reliable implementation of the GSCM practices requires involvement of diverse innovative initiatives [9] and adequate forms of cooperation between the key actors in the supply chain [10]. Moreover, this necessitates utilization of appropriate quantitative and qualitative tools supporting eco-design and environmentally friendly development of processes and products [11, 12, 13], including identification and valuation of environmental externalities within the life cycle perspective [14], which usually needs the support of dedicated and complex IT tools [15].

Table 2 Disclosures of GSCM practices and relevant indicators in CSR-related reports in Poland [own analysis]

Specific disclosures of GSCM practices and indicators	Number of specific types of disclosures in analyzed companies by sectors									
	CPP	CBM	EU	FS	FP	IT	MM	OG	TL	WRT
Environmental impact assessment of products (goods and services) with regard to all stages of their life cycle	2/3*	2/3	0/6	0/6	2/5	0/2	1/4	0/5	0/4	0/4
Explicit indicators in relation to environmental impact assessment of products	0/3	0/3	0/6	0/6	0/5	0/2	0/4	0/5	0/4	0/4
Incorporation of environmental criteria into the process of design and development of products	2/3	2/3	0/6	0/6	2/5	1/2	0/4	1/5	0/4	1/4
Explicit indicators in relation to incorporation of environmental criteria into the process of design and development of products	0/3	0/3	0/6	0/6	0/5	0/2	0/4	0/5	0/4	0/4
Implementation of cleaner technologies and environmentally friendly processes	3/3	3/3	6/6	6/6	5/5	2/2	4/4	5/5	4/4	4/4
Explicit indicators in relation to implementation of cleaner technologies and environmentally friendly processes	3/3	3/3	6/6	6/6	5/5	2/2	4/4	5/5	4/4	4/4
Inclusion of environmental criteria in the supplier selection	2/3	2/3	2/6	2/6	5/5	0/2	1/4	1/5	4/4	3/4
Explicit indicators in relation to inclusion of environmental criteria in the supplier selection	0/3	0/3	0/6	0/6	0/5	0/2	0/4	0/5	0/4	0/4
Requirements for suppliers and subcontractors to maintain relevant environmental standards	3/3	2/3	4/6	4/6	4/5	1/2	1/4	2/5	1/4	3/4
Explicit indicators in relation to requirements for suppliers and subcontractors to maintain environmental standards	0/3	1/3	0/6	0/6	2/5	0/2	1/4	0/5	0/4	0/4
Consideration of environmental issues in selection of transport modes and distribution channels	3/3	2/3	0/6	3/6	3/5	2/2	0/4	2/5	4/4	3/4
Explicit indicators in relation to consideration of environmental issues in selection of transport modes and distribution channels	0/3	0/3	0/6	1/6	1/5	0/2	0/4	0/5	0/4	1/4
Commitment to environmental protection in marketing activities	1/3	2/3	4/6	3/6	0/5	1/2	2/4	2/5	1/4	4/4
Explicit indicators in relation to commitment to environmental protection in marketing activities	0/3	0/3	0/6	0/6	0/5	0/2	0/4	0/5	0/4	0/4
Customer and local communities engagement in environmental protection activities	2/3	2/3	5/6	4/6	4/5	1/2	3/4	5/5	1/4	3/4
Explicit indicators in relation to engagement of customers and local communities in environmental protection activities	0/3	0/3	0/6	0/6	0/5	0/2	0/4	0/5	0/4	0/4

* Notation "a/b" means that a given practice or indicator was included in "a" out of "b" reports in a relevant analyzed sector

5. CONCLUSION

The empirical research results show that a great number of CSR reporting companies in Poland have not paid sufficient attention to comprehensive disclosures of the GSCM practices so far. The focus of the new approach to the GRI Guidelines is materiality, which means reporting on what matters most to companies. This suggests that a considerable number of the GSCM issues are not perceived by them as significant impacts or factors affecting stakeholders' attitudes. Nonetheless, it seems inevitable that disclosures of the GSCM practices in CSR reports might be a new challenge for companies and a step forward in helping them to recognize the broader picture of sustainability performance across all relevant activities of the entire value chain, regardless of whether those impacts are within direct or indirect control. Unfortunately, this could be also a source of potential major difficulties for companies.

It is worth mentioning that, for the financial year starting on 1 January 2017, large undertakings (exceeding the average number of 500 employees) which are public-interest entities are obliged to include in the management report a non-financial statement containing information to the extent necessary for the understanding of the development, performance, position and impact of their activity, relating to, inter alia, environmental, social and employee matters [16]. These obligatory statements could also include disclosures of the GSCM practices that most likely will gain increasing attention in the future.

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