Corporate sustainability reporting: scrutinising the requirements of comparability, transparency and reflection of sustainability performance

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Companies of different size and sector regularly publish sustainability reports in order to record and disseminate their activities aimed at contributing to sustainable development and to reflect their corporate social responsibility. From the various existing suggestions for such reports, the principles and guidelines of the Global Reporting Initiative are most widely used – at least among large companies. The very detailed guidelines and indicator system aim at supporting companies to provide relevant, balanced, comparable, accurate, timely, clear and reliable information on corporate activities and performance, while focusing on sustainability-context and stakeholder inclusiveness in their "non-financial" reporting. However, based on research into the content and quality of non-financial reporting, it is difficult to clearly conclude just how comparable and transparent the reports are, as well as to decide whether they truly reflect the sustainability performance of the reporting companies. The paper provides a literature review and a qualitative analysis on the reporting practice of 37 large companies.

Keywords: non-financial reporting, Global Reporting Initiative, sustainability performance, indicators

JEL codes: Q01, Q56, M31

1. Introduction

Sustainability reporting has become a widespread communication tool for disseminating corporate non-financial performance. Few-page summaries of environmental measures have been replaced by complex, extensive reports, aiming to reflect the contribution of the companies to sustainable development – in environmental, social, economic and governance aspects, and in an integrated context.

The aim of non-financial reporting is to provide comprehensive, relevant, balanced, comparable, accurate, timely, clear and reliable information for society about the corporation's sustainability performance, taking into account the stakeholders in a proper way. Consequently, the contribution of the company to sustainable development can be evaluated. However, non-financial reporting is often criticized, mainly because of the imperfect and insufficient achievement of the above aims. Hence, suggestions for improvement are necessary and desirable.

The parallel development of the concepts of corporate sustainability and corporate social responsibility resulted in various titles of non-financial reports. Different titling generally means different focus. In case of "sustainability reports" the emphasis is on the reconciliation of the environmental, social and economic aspects, while "corporate social responsibility (CSR) reports" and "corporate responsibility (CR) reports" underline the (social) responsibility aspect. In further cases, the focus is on responsible "corporate governance" or "corporate citizenship". The paper does not go into discussing phrasing differences; but uses non-financial reporting and sustainability reporting as equivalent terminologies.

A review of the literature provides an overview of the concept, motivations, empirically explored advantages and common features of corporate sustainability reporting. Reporting guidelines are listed and briefly described, with special focus on the Global Reporting Initiative (GRI) guidelines. GRI is an independent international organization, which aims to provide help for businesses, governments and other organisations to understand and communicate the impact of their activities on important sustainability issues (GRI 2017).

Empirically, the non-financial reporting practice of 37 multinational companies are analysed and evaluated, based on the aspects of *content* and *quality*, suggested by the GRI guidelines. Content-related aspects include sustainability context, stakeholder inclusiveness, materiality and completeness. The quality of reporting can be assessed through balance, comparability, accuracy, timeliness, clarity and reliability of the provided information.

The aim of the qualitative assessment is to highlight some remarkably strong and weak points of corporate non-financial reporting practice. The appearing examples are often unique, the authors are not aiming to classify them into generalized categories, and therefore statistical analysis is not a purpose of the study. The number of analysed corporations makes a diverse qualitative analysis possible, in an explorative manner. Discussing connected research with the results helps conclude for the future development of non-financial corporate reporting practice and for clarifying assessment criteria to be used in quantitative research.

2. Sustainability reporting – literature review

2.1. Definitions, reasons, aims and expected advantages of sustainability reporting

During the collection of *definitions*, two aspects can be identified. Authors emphasize the social, environmental and economic dimensions as well as the dissemination of information about those dimensions to the stakeholders. Furthermore, definitions are often formulated due to the Global Report Initiative and its features and requirements. As Roca and Searcy (2012: 104) point out, there is no universally accepted definition. Structuring the definitions is difficult, as a result of interchangeably used, but differently titled and focused reports – like sustainability report, ESG (environmental, social, governance), non-financial or CSR report (Atkas et al. 2013: 115; Roca – Searcy 2013).

According to Bill (2014: 23), "sustainability reporting is the practice of measuring, disclosing, and being accountable to internal and external stakeholders for organizational performance towards the goal of sustainable development." The definition of WBCSD (also used by Beare et al. 2014) is similar to Bill's (2014) definition: sustainable development reports are "public reports by companies to provide internal and external stakeholders with a picture of corporate position and activities on economic, environmental and social dimensions. In short, such reports attempt to describe the company's contribution toward sustainable development" (WBCSD 2002: 7).

The importance of providing information to internal and external stakeholders are highlighted by several authors (Ernst and Young 2015; Herzig – Schaltegger 2006; Battaglia et al. 2014; Calu et al. 2015; Zilahy – Kovács 2012), while much fewer researchers focus on the quality and the balance of provided information. According to Daub (2007: 76), sustainability reports have to contain both qualitative and quantitative information to the extent which reveals how the company has improved its own economic, environmental and social effectiveness and efficiency in the reporting period and how the company has integrated these aspects into its sustainability management system. KPMG (2002) highlights the necessity of balance between qualitative and quantitative information in sustainability reports when providing an overview of the company's financial/economic, social/ethical, and environmental performance (KPMG 2002, cited by Daub 2007: 76.) Gomez et al. (2015: 281) use the definition of Gray (2000), according to which the sustainability report contains social, environmental, community and other stakeholder interactions and activities of the company, their preparation and documentation.

Sustainability reporting also has marketing dimensions. According to Moravcikova et al. (2015), CSR reports have become the tool of communication, as through the reports the environmental and sustainability policy of the company can be well introduced. Similarly to Moravcikova et al. (2015), Perrini (2006) defines sustainability reporting as a communication instrument, which aims to manage the corporate image and dialogue with the various stakeholders. According to Calu et al. (2015), the introduction of environmental and social indicators are considered to be useful tools for sustainability marketing.

Oliveira and Rodrigues (2010: 579) define sustainability reporting based on the GRI, stating that the aim of the GRI is "to provide a balanced and reasonable representation of the company's sustainability performance, disclosing outcomes and results that occurred in the context of the organisation's commitments, strategy and management approach."

Kozlowski et al. (2015) and Harangozó et al. (2016) also use the terminology of the GRI: sustainability reports are helping companies to set their goals, measure their performance and manage the changes in order to make the company's operation more sustainable. Reporting on sustainability means disclosing the company's positive or negative impacts on the environment, society and economy (GRI 2013: 3, cited by Kozlowski et al. 2015: 380). According to Bill (2014), the bottom line of GRI reporting is to provide a basis for companies, which they can adapt voluntarily and flexibly, independently of size, sector or location of the firm. Knebel and Seele (2015: 197) emphasise that GRI Guidelines have become the most common global framework for sustainable reporting. They interpret the GRI as an NGO, which is considered to provide professional response and guidance through different performance indicators for companies related to their economic, social and environmental problems.

Different *reasons* emerged for sustainability reporting. According to Bill (2014: 22-23), the spread of sustainability reports originates from three causes:

- problems related to sustainability significantly influence corporate performance;
- stakeholders of companies are increasingly calling for transparency;
- expectations are increasing towards companies to react properly to challenges related to sustainable development.

In addition to the three main reasons, further key factors were identified, based on the pressures and needs coming from stakeholders (Bill 2014: 22-23):

- Regulation: the state exerts pressure on companies – the most noticeable change is that the initially voluntary reports become compulsory.
- Consumers: in the case of customer-oriented companies, consumers are a significant pressure factor, as they are able to influence the reputation of a company.
- Loyalty: this factor has motivated companies to share more information about their products, suppliers and the whole manufacturing process.
- The role of NGO's and the media: public opinion may come from those institutions as well.
- Competitors in the same industry also may exert pressure towards reporting.
- Companies themselves may initiate the reporting as well.

Similarly to Bill (2014), Efimova and Batyrova (2013) have highlighted the relevance of public opinion as a reason why sustainability reporting is spreading so quickly. Parallel to strengthening environmental legislation (Bárth – Fehér 2012), those competitors are important which have started operating in accordance with the principles of sustainability. Calu et al. (2015: 978) emphasize the supply of corporate stakeholders with information. Investors of the company are in the focus of the survey, carried out by Ernst and Young in 2015. According to the survey, investors expect the companies to measure the risks and opportunities of environmental, social and economic sustainability which are important during value creation and also to explain how they are going to manage those risks and opportunities. Investors of today are calling for integrated reports which need to reflect non-financial performance beyond corporate financial performance. Herzig and Schaltegger (2006) also highlight the important role of investors. Battaglia et al. (2014) add economic and strategic reasons, while James (2015) underlines the preservation of resources and the reduction of the negative impacts caused by the companies.

Sustainability reporting may bring several *benefits* to companies. In accordance with Herzig and Schaltegger (2006: 302), those benefits are the following:

- legitimation of corporate activities, by presenting products and services having related environmental and social impacts;
- increase of corporate reputation and brand value;
- gaining competitive advantage;
- benchmarking and comparison with competitors;
- increase of transparency and accountability within the company;
- establishment and support of employee motivation, internal information flow and controlling processes.

Baldassarre and Campo (2016) emphasize that in cases where sustainability is regarded to be important for the company and related activities are well-communicated to stakeholders, sustainability becomes a competitive advantage for the company. Reputation of the company also needs to be supported by facts and figures. Companies which forget to communicate their own sustainability strategies and activities externally, may lose socially and environmentally conscious consumers.

According to Efimova and Batyrova's (2013) research, companies with more intelligent resource utilisation are less exposed to price fluctuations resulting from increasing resource scarcity and costs. In line with Herzig and Schaltegger (2006), they point out that the earlier a company adopts the principles of sustainability, the bigger are its chances of gaining competitive advantage in the market (Efimova and Batyrova 2013: 33). According to Battaglia et al. (2014), sustainability reporting contributes to competitive advantages through improved risk management, better supported decision making and the improvement of environmental and social performance evaluation. James (2015: 1) highlights long-term cost reduction and the increase of investor and consumer goodwill.

Maharaj and Herremans (2008) characterised the first sustainability reports as short, qualitative documents, in which companies introduced their initiatives to reduce their environmental impacts. These documents included some important quantitative facts and figures as well, sometimes together with negative impacts of the company and planned future actions to eliminate them. As corporate experience has risen in this area and information systems have developed, the quality of sustainability reporting has also improved. Later, some started to document economic, environmental and social aspects and their impacts on them, based on the triple bottom line approach (Maharaj and Herremans 2008: 36, see also Elkington 1997). Parallel to this development, several *reporting guidelines* have emerged (see more details in Efimova and Batyrova 2013: 35-36), including the Global Reporting Initiative Guidelines (since 1999), the International Guidance Document for Environmental Accounting (published by IFAC in 2005), the UN Guidance on Corporate Responsibility Indicators in Annual Reports (since 2008), and the Key Performance Indicators for Environmental, Social and Governance Issues – a Guideline for the integration of ESG into Financial Analysis and Corporate Valuation (issued by DVFA, since 2010).

Related research papers all underline the wide range of existing initiatives, while considering the GRI as the most widespread, excellent and worldwide acknowledged framework (Issakson – Steimle 2009; Aktaş et al. 2013; Knebel – Seele 2015; Lukács 2015). Currently, 93% of the 250 biggest companies report on their sustainability based on the GRI Guidelines. Until 2015, companies mainly reported according to the GRI G3 guidelines, while since 2015, the overwhelming majority of them use the fourth generation of GRI (GRI G4, published in 2013). The development of GRI guideline generations is constantly in progress. From July 2018, a new generation called "GRI Standards" will replace GRI G4 (see GRI 2016). Following the critical evaluation of G3 and G4, a short explanation is provided about the upcoming changes at the end of this section.

Knebel and Seele (2015), Issakson and Steimle (2009) and Aktaş et al. (2013) all based their research on reports using the GRI G3. The biggest advantage of GRI G3 was its completeness, while its biggest disadvantage lay in the use of an excessive amount of indicators, which made longitudinal comparison and benchmarking within the industry rather difficult. In addition, obtaining the necessary information for indicators was often costly, and the guideline did not consider the synergies among different dimensions (Lozano – Huisingh 2011). According to Harangozó (2008), the biggest strengths of GRI are the simultaneous presentation of the three dimensions of corporate sustainability and the wider interpretation of economic performance, going beyond the traditional financial indicators.

In GRI G3, the chapters on company profile and management approach were followed by the section of non-financial performance indicators, including 84 indicators in total. The 56 core and 28 additional indicators were further classified into economic indicators (7 core, 2 additional), environmental indicators (18 core, 2 additional), and social indicators (31 core, 14 additional). In the case of social indicators, four subcategories were identified: human rights, labour, product responsibility, and society. In the G3 system, companies could decide on different levels (A, B, or C), containing different amounts of core and additional indicators. The + sign indicated the independent third party assurance of the report (Knebel – Seele 2015).

In the case of GRI G4, there is no separation of core and additional indicators, while indicators have been further extended in number. This may cause problems in internal comparison with previous reports of the same company, when switching from G3 to G4 (Global Report Initiative 2013). In addition, G4 includes further differences compared to G3. One of the central elements of G4 is materiality assessment – the function of which is to serve as an input for preparing the report – since its aim is to explore the main environmental, social and economic aspects relating to the activities of the company from the points of view of stakeholders and the company itself. The boundaries of reporting were redefined as well, resulting in a replacement of A, B, C classification by "in accordance" *levels*. New requirements have been introduced in terms of corporate governance and impacts along the supply chain (Global Report Initiative 2013).

2.2. Critical assessment of research into non-financial reporting

Several research papers have recently analysed the content of sustainability reports. James (2015: 2) points out that the majority of research focused on global companies, paying less attention to the examination of small and medium size companies. She classified SMEs into 8 groups, based on the patterns of issued reports (formal standalone reports, integrated reports, GRI-based reports, traditional annual reports, sharing qualitative and quantitative information exclusively on the website, focusing on purely qualitative data, significant sustainability-related information on sustainability-related goods or services of the company). The results of James (2015: 7-9) have shown that 62% of the medium size and 100% of the small enterprises of the sample which are providing formal reports, apply the GRI guidelines. This means a much higher amount of sustainability related information than in the case of companies without formal reporting. In the research, companies reporting on different levels (A, B, C level) were simultaneously analysed (James 2015: 10). On the one hand, analysed reports used several common indicators in every indicator category which allowed for comparison. On the other hand, companies significantly varied according to the reporting level (A, B or C), which made comparison difficult due to the different pool of indicators. Companies not using the GRI guidelines disclosed a much higher amount of qualitative than quantitative information, and common elements were difficult to find, even if some issues were sometimes raised which also appear in the GRI guidelines (James 2015: 13). In terms of consecutive years, those reports were not consistent in extent and content, which made reliable comparison almost impossible (James 2015: 14).

Extent itself is not a sufficient indicator of showing how serious the content is for the company in sustainability reporting. Examining Russian sustainability reports, Efimova and Batyrova (2013) found the analysed reports to be extensive, but lacking sufficient and deep information in several important aspects. Instead of the current practice, it would be advisable to focus more on relevant factors while rationalising the amount of provided information presented in the reports. However, providing too detailed information makes interpretation and more difficult. According to the research, the identified target audience had a significant impact on the nature of shared information. Published information often stayed in close connection to the target audience and their perceived needs.

Roca and Searcy (2012) investigated the indicators appearing in the sustainability reports of Canadian enterprises in several sectors (mining, oil and gas, electricity, bank, insurance, investment and other finance, forestry and paper, engineering, construction and chemicals, steel, transport, communication and services, retail and food). Comparing the available indicators, the authors concluded that the analysed companies are using various indicators for different issues, and their indicators are differing even in case of similar issues. This makes comparison hard. In the analysed reports, 42% of the presented indicators were economic, 33% environmental, and 25% were related to social problems. The number and dominance of the indicators varied sector by sector. Companies from sectors like engineering, construction and services, bank sector, or oil and gas have used significantly more indicators compared to those of retail and food. Regarding the content, in the sectors of oil and gas, transport, communication and services, indicators were presented in a balanced way from the point of view of the triple bottom line, while in the sectors of electricity, banks, insurance, investment and other finance, economic indicators dominated. In the sectors of mining, forestry and paper, retail and food, and steel, the dominance of environmental indicators was noticeable. The social dimension did not dominate in any of the analysed companies. Almost half of the reports were issued according to the GRI guidelines.

One-fits-all practice is impossible in case of sustainability reports, as reporting itself is strongly sector- and company-specific (WBCSD 2002). This is the reason why GRI aims to provide flexibility in the adoption of the system (Bill 2014).

Related to reliability and credibility of communicating social and environmental issues, Knebel and Seele (2015) drew attention to the so-called "trustworthiness gap", which is a significant problem and challenge for companies. This phenomenon is also called the communication paradox of CSR, and refers to a situation where a much wider range of provided social and environmental information does not automatically increase transparency, but instead, it questions reliability first. According to the authors, this phenomenon becomes even more mysterious as companies start implementing measures to increase transparency and trustworthiness by applying third party assurance (Knebel and Seele 2015: 196-197). NGOs do not necessarily have enough power to shift the interpreted indicators in the right direction, while big auditing and consulting firms tend to influence reporting to become more attractive for business considerations.

A further problem is the lack of compulsory legislation in the case of non-financial reporting, while we have such legislation in financial reporting. To solve this problem, various initiatives have been established to interpret sustainability performance in standardized forms and numbers. Their aim is comparability and verifiability of the reports, since big auditing firms do examine the reports in the verification process but not the sustainability performance itself. Several companies communicate their sustainability reports online which provides the possibility to change their content frequently. This generates reliability and trustworthiness issues as well. For comparability, information about past performance needs to be accessible. In the case of financial reporting, data related to past performance are available, while for non-financial reports these pieces of information are often missing (Knebel and Seele 2015: 200-201).

Based on the analysed GRI G3 A+ reports, Knebel and Seele (2015) drew the following conclusions:

- As a result of flexibility and voluntary reporting, only a few companies prepared their reports comprehensively.
- Contrary to previous assumptions, the reports were not always available though the GRI's website or online at all.
- Benchmarking is of key importance for the development of sustainability reporting. Comparability with competitors in case of non-financial reporting is challenging for two reasons: the difficulties of measuring sustainability performance and the form, collection and understandability of data. According to the authors, the GRI is not able to provide comprehensible and individually manageable data for stakeholders to do benchmarking on meta-level.
- In the case of companies reporting on A+ level, it can be assumed that large number of mandatory core indicators are appearing, related to the given level. However, findings show that some A+ reports – which were assured by an independent third party – disclosed less mandatory core indicators than some B level reports (Knebel – Seele 2015).

Isaksson and Steimple (2009) analysed the sustainability reports of five large cement manufacturers where reasons (the resource indicators) were not differentiated from result indicators. The analysed companies did not deal with price-performance ratio and did not make any benchmarking within the sector. The authors criticise the GRI guidelines for lacking consumer focus and the lack of process orientation, as well as for formulating principles which are insufficient to assess the environmental performance of the company and provide any statement on how fast the company will be able to reach sustainable operations.

The GRI G4 is partially able to correct the incompleteness of G3, however, the development process is still ongoing. The GRI announced a new generation of non-financial reporting guidelines in October 2016: the "*GRI Standards*", which will replace the G4 Guideline from July 2018 (GRI 2016). The new system aims to become the global standard of sustainability reporting, going beyond the status of being the most widespread guideline. The main objective of the new standard is the transparent reflection of economic, social and environmental impacts of companies. The GRI Standards will be based on G4, but according to Eric Hespenheide, the current managing director of GRI, it will make the disclosure of non-financial information much easier for companies, by using a clear, accepted common terminology (GRI 2016). The new format makes clear distinctions between requirements (indicated by ‘shall’), recommendations (indicated by ‘should’), and guidance. The 36 modular standards of GRI Standards promises the possibility of updating previous reporting, without making full rethinking necessary. Emphasis will be put on materiality – the most important social, environmental and economic impacts from the company and the stakeholders –, and companies will have opportunity to report on material issues in a focused (core) or an extended (comprehensive) form (GRI 2016). The interpretation of the content and essence of GRI Standards has been started at various forums and provides companies with instructions on how to reshape their reporting practice accordingly. It is obvious that GRI aims to improve some of the intensively criticized elements of G4, using a new structure and a revised content.

3. Empirical research: Evaluating the content and quality of sustainability reports

3.1. Methodology

This section of the paper provides a qualitative assessment of non-financial reporting practices of 37 multinational companies.[1] The selection principle of companies for the assessment was to find multinational companies of different sectors which publish their sustainability performance on a regular basis, in the form of non-financial reporting. Most of the selected companies (except Apple, Unilever, McDonalds, Lufthansa, L’Oreal and Novo Nordisk) report according to the GRI Guidelines (G4 or G3). Their latest non-financial reports (from 2013, 2014 and 2015) served as basis for the assessment. As according to the statistics (see GRI G4 2013), 93% of the 250 biggest companies report their sustainability based on the GRI Guidelines, selected companies are mainly representing this population, even if our

[1] Assessed companies are the following: Apple, Audi, Accor Hotels, BASF, Beiersdorf, BMW, BP, British American Tobacco, C&A, Citi Group, Coca Cola, Deutsche Bank, Deutsche Telekom, Du Pont, E.On, Exxon Mobil, H&M, Heineken, HP, IKEA, L’Oreal, Lufthansa, Mc Donalds’, Monsanto, Nestlé, Novartis, Novo Nordisk, Pepsi Cola, Phillips, Procter & Gamble, Sanofi Aventis, Shell, Siemens, Unilever, Vodafone, Volkswagen, Walmart. In every case, the latest non-financial report available on the website of the company in 2016 provided the input for assessment. In terms of comparability, these reports were compared to previous ones of the same company.

sample is not fully representative in terms of sectoral distribution. However, sample size is more relevant for quantitative analysis; our methodology remains on qualitative basis.

Non-financial reporting practice of the selected companies is assessed according to the principles defined for report content and report quality by the GRI G4 Implementation Manual. It is relevant even for companies which do not exactly report according to the GRI Guidelines because those principles represent stakeholders' expectations related to sustainability reporting in general. Content-related principles of the GRI G4 concern sustainability context, stakeholder inclusiveness, materiality and completeness. The quality of reporting is assessed by balance, comparability, accuracy, timeliness, clarity and reliability of the provided information. Exact description of the principle and the related expectations for the qualitative assessment are given at each and every principle in the following sub-chapters. The aim of the explorative evaluation is to draw attention to some strikingly positive and negative features of current non-financial reporting, with the help of practical examples.

As seen from the literature review above, previous research has usually focused on selected aspects of the non-financial reporting practice, carrying out a deep analysis in some important issues while not providing an overall picture on necessary aspects of consideration. The added value of the paper lies in its approach to address every principle of the GRI G4 Guidelines, providing an explanation on what those principles *should* mean for companies in their non-financial reporting and reviewing their practice accordingly. Reliability of the method and the results is provided by the framework, which uses the official principles of the GRI Guidelines for the assessment, and also from the way how we use the outcome and suggestions of previous research when explaining assessment criteria, related to each and every principle.

The methodology used in this paper also has limitations. As the assessment is of qualitative nature, made in a limited sample of 37 companies, statements and conclusions are definitely valid for those companies, but not necessarily for the whole population of companies which are reporting on their non-financial performance. However, results of this assessment can be considered as useful lessons for further improving the compliance of sustainability reporting with the GRI principles and setting up clear assessment criteria for quantitative research in the field.

3.2. Accordance with Principles for Report Content of GRI G4

3.2.1. Stakeholder inclusiveness

Principle: The organization should identify its stakeholders, and explain how it has responded to their reasonable expectations (GRI 2013: 9).

Due to the development processes of the last decades in organisational theories and practice, we would expect companies to be completely able to routinely identify their stakeholders and easily comply with this principle when formulating their sustainability reports. However, analysed reports show diverse corporate practice. Most evaluated companies listed their stakeholders, but there were just a few (e.g. C&A) which defined each stakeholder by how their expectations and interests are taken into account by the company, in terms of sustainability. The more widespread practice among them was to illustrate material aspects of stakeholders altogether in the materiality assessment (see below), which makes it difficult to check to what extent the company implemented the material aspects of stakeholders. Assessment regarding specific stakeholders can only be made in an indirect way, based on checking each and every measure of the company, related to those material aspects. This phenomenon can be clearly seen in the cases of Audi and Coca Cola, where stakeholders were mentioned in general when defining objectives for sustainability.

We found the latest sustainability report of Siemens utterly surprising, as it reflected a very strong shareholder focus. This is very interesting from two points of view. On the one hand, a wider stakeholder approach seems to be missing, on the other hand, it clearly indicates that non-financial information has become important for shareholders. This is a significant change compared to the previous attitude of companies which – based on the theory of Friedman (1970) – considered corporate sustainability and CSR issues as insignificant for shareholders and investors. Our literature review has shown that owners, shareholders and investors today are expressing their interest in non-financial information, and they prefer integrated reports, prepared especially for them (Ernst and Young 2015; Herzig – Schaltegger 2006). The above example indicates that some companies are strongly addressing shareholders and investors also in their separate sustainability report. Another approach, preferred by several companies (e.g. Sanofi in our research) is to use the principle of "think globally, act locally" as suggested historically by the UN Conference on the Human Environment in 1972 (UNEP 2015). This principle provides a comprehensible framework for global companies to interpret the interests of their – often local – stakeholders.

The GRI G4 guidelines aim to strengthen the supply chain approach in sustainability reporting. According to our experience, some supply chain-related issues are considered at the level of indicators, but the analysed companies do not manage sustainability aspects along their supply chain in a deep and systematic manner, although this would be rather relevant for most of them. Nestlé for instance has prepared non-financial reports exclusively for its European divisions during the previous years. In the case of other companies (e.g. Procter and Gamble) it is not clear how sustainability issues are connected to the supply chain. Several companies forget to mention their suppliers among important stakeholders in terms of sustainability.

The evaluated companies provide limited information, in an ad hoc manner on whether their measures related to their stakeholders go beyond minimum compliance with regulation. Companies often seem to simply report their minimum compliance activities. Usually, there is not enough information disseminated in the reports on the extent to which companies comply with the regulations (this topic will be further discussed at the principle of “balance”). If companies do comply with all regulations, their legitimacy is ensured, at least in terms of regulatory requirements. However, expectations of society are wider than the scope of regulation. Especially in the international context, it is a relevant issue whether just complying with regulations of a country is enough to be considered as responsible. In several countries, environmental and social (sometimes even economic) regulation is lax, which is the source of a wide range of environmental and social problems. Companies are increasingly facing the challenge to respond to those critical voices which are sharply criticising them to outsource their environmentally polluting and socially irresponsible activities into countries where regulation is not stringent or does not exist at all. Non-financial reporting aims to reduce this tension – with sometimes more, sometimes less success.

3.2.2. Sustainability context

Principle: The report should present the organization’s performance in the wider context of sustainability (GRI 2013: 10).

Most of the evaluated companies provide a definition in the report what corporate sustainability means for them. The trend is clear: companies reporting according to GRI guidelines are using the definition suggested by the GRI. However, in some reports, sector-specific features dominate the sustainability context (e.g. Novartis, see also PWC 2011: 4). Based on our research results, the reasoning part of the sustainability context does appear in non-financial reports, but disclosed information is usually not enough for concluding on the real contribution of the company – in the separate measures and in total, related to all activities – to sustainable development. This contribution can be positive or negative which will be discussed at the principle of balance.

3.2.3. Materiality

Principle: The report should cover aspects that reflect the organization's significant economic, environmental and social impacts; or substantively influence the assessments and decisions of stakeholders (GRI 2013: 11).

The GRI G4 proposes a matrix for selecting the material aspects. One dimension of the matrix refers to the significance of economic, environmental and social impacts of the specific aspect, while the other dimension refers to the influence of the aspect on judgement and decision making of stakeholders regarding the company. Some companies, however, detract from this framework and establish their own evaluation system. In our sample, Coca Cola has illustrated material aspects in layers, instead of the four boxes of the matrix. Their two dimensions were: importance for the stakeholders and impact on business success (see the sustainability report of Coca Cola from 2014). The second dimension is substantially different from the suggested version of the GRI. Unilever also has unique evaluation dimensions for their materiality matrix: one is the potential of the company to transform markets and systems, while the other one is the impact on the management and performance of the company (Unilever 2015). Beiersdorf simplified the suggested dimensions to relevance for external stakeholders and relevance for the company (Beiersdorf 2014). Self-made evaluation systems, on the one hand, indicate that companies do not necessarily follow the same logic when determining material aspects for themselves. On the other hand, they may detract attention from sustainability problems if the company collects the aspects which influence their business success and economic interests, instead of focusing on economic, environmental and social impacts of corporate activities. Hence, it becomes difficult to assess whether material aspects taken into account by the company are those which should be of highest relevance. Comparison with other companies is even harder in such cases.

A further critical issue of selecting material aspects is the process of selection, how companies are collecting and evaluating emerging aspects. Companies usually gather information from their stakeholders, which they are assessing and testing with their own ideas. This is the input for materiality matrix. When asking stakeholders, the question is who exactly will be asked and how. Sustainability reports are often lacking these pieces of information, it is uncertain whether the company interviewed any experts, did it go beyond asking direct stakeholders, and sometimes important stakeholders are missing from the aspect-collecting and evaluating process (like suppliers at P&G). A lack of transparency and the various gaps in the process make the result – the materiality matrix – not sufficiently reliable. Surveyed stakeholders are not necessary experts in every single topic (like sector-specific environmental issues, etc.). The structure of the questionnaire also may cause bias, when companies use closed questions, with previously determined possible material aspects and the respondents can assess only those aspects in terms of their perceived importance. Formulation of the questions may be suggesting, and the questionnaire may not provide open space to collect important issues independently. Due to this method, issues which were not predetermined by the company in the questionnaire for any reason (because the company did not recognise their importance or just wanted to avoid it) may remain untouched and do not emerge. It means that "material" aspects will be selected from this predetermined pool of aspects, resulting in a seriously biased materiality matrix. What is missing in the materiality matrix will be missing from the sustainability report as well. Sometimes even important sector-specific issue are not addressed in the report like in the case of Vodafone, which does not discuss the issues of human rights, or Novartis and Monsanto which leave their impact on biodiversity out of scope.

An important indicator of taking material aspects seriously would be how much companies spend on managing these aspects. Information regarding investments into and costs of social and environmental measures are often missing in the sustainability reports, or not disclosed in a systematic, but rather an ad hoc manner. This makes it impossible to get a thorough and comparable overview on the management of material aspects by companies.

However, expectations of society are reflected in a development process of dealing with material issues. When comparing the materiality assessment in sustainability reports of consecutive years for the same company, it becomes obvious that more and more environmental and social aspects are getting into the “important” and “very important” categories.

3.2.4. Completeness

Principle: The report should include coverage of material aspects and their boundaries, sufficient to reflect significant economic, environmental and social impacts, and to enable stakeholders to assess the organization’s performance in the reporting period (GRI 2013: 12).

Striving for completeness relates strongly to materiality assessment; this principle motivates the company to take the results of the materiality matrix seriously in the reporting process. Analysis of completeness raises some dilemma. What does “sufficient” coverage of material aspects exactly mean? If comprehensive, detailed explanations tend to get extremely technical and specific, stakeholders are not able to understand them, the principle fails to reach its goal and evaluation of sustainability performance of the company becomes more difficult (instead of becoming easier). Finding optimal system boundaries is not simple, and it seems rather illogical why companies provide in-depth explanation to some material aspects while dealing with others in rather superficial ways only (e.g. Audi). Companies would definitely need more exact (and maybe less flexible) guidelines in this matter.

Most companies which use the GRI guidelines carry out self-assessment regarding compliance of their sustainability report with the standard. Tools of self-assessment are flexible: some companies purely give an aggregated percent of compliance, while others provide a detailed table, showing the extent of compliance (full, partial, or no compliance), indicator by indicator (e.g. BP). This method is much more transparent than the previous one and gives an overview on the coverage and completeness of reporting in material aspects. One step forward is when companies additionally provide acceptable explanations why compliance was partial or missing at indicators where it did not reach 100%. BP is a positive example for this procedure, while Nestle argues for the lack of available data at several points of non-covered topics.

3.3. Accordance with Principles for Report Quality of GRI G4

3.3.1. Balance

Principle: The report should reflect positive and negative aspects of the organization's performance to enable a reasoned assessment of overall performance (GRI 2013:13).

Regarding the principle of balance, we found that the overwhelming majority of companies disclosed exclusively positive information in their non-financial report, although the contribution of corporate activities to sustainability includes both positive and negative impacts. The main reason behind the existence and fast spread of sustainability reporting is the big variety of negative, damaging impacts of corporate operations on the environment and society which need to be reduced or compensated. One of the most relevant critiques related to non-financial reporting is the issue of balance: very few companies in our sample have taken the risk of disclosing negative impacts, and even if they have mentioned some negative effects, the exact extent of the impact and its consequences have not been disclosed. A practical example can be Procter and Gamble, which referred to non-compliance regarding environmental regulation in 2015, but did not provide any further information about the scope and severity of their environmental load and about the consequences, if there were any (penalty, withdrawal of permits, etc.). Ethical issues also tend to be missing from non-financial reports of the analysed companies.

3.3.2. Comparability

Principle: The organization should select, compile and report information consistently. The reported information should be presented in a manner that enables stakeholders to analyse changes in the organization's performance over time, and that could support analysis relative to other organizations (GRI 2013: 14).

Regarding comparability, there are several positive examples in each and every non-financial report, at least at the level of indicators, as companies clearly recognised their interest to show development processes and improvements in their sustainability performance, compared to previous years. Figures and tables comparing specific indicators of consecutive years are usually informative and useful for stakeholders. In order to have a complete view, it is not enough to just disclose the improvements in percentages (relative indicators), but indicating the total amounts of environmental/social/economic impacts are also necessary (absolute indicators). This internal comparison is usually partial. We also found examples when companies disclosed different types of indicators within a specific aspect in consecutive years, which makes internal comparison impossible (e.g. the environmental indicators, appearing in the latest reports of Vodafone are not comparable with those in previous ones). One reason behind this phenomenon can be the fact that the disclosed problem has been managed and solved from one year to another, which makes the same kind of indicator irrelevant. However, companies often develop a totally new indicator for an existing problem and change the measurement, which results in incompatible indicators. Changing the reporting guideline (for example from GRI G3 to G4, or from G4 to GRI Standard) is a further challenge for companies to reconcile the indicator set. Changing structure, focus and content of the reports also make comparability difficult. Some sustainability indicators are qualitative, where comparability is per definition very hard.

Various companies are making some benchmarking within their sector of operation (e.g. Nestlé, HP) which either aims to inform the public about their place in rankings (like Nestlé does), or to compare themselves with competitors (e.g. HP with Cisco). Sectoral comparison is difficult because the flexibility provided by the GRI guidelines results in a high variety of reports, even if the guideline is the same.

3.3.3. Accuracy

Principle: The reported information should be sufficiently accurate and detailed for stakeholders to assess the organization's performance (GRI 2013: 14).

It was typical for each and every analysed company that they provided sufficiently accurate and detailed information regarding their quantitative indicators while, at the same time they made qualitative statements which were not supported by sufficient data and information. In case of qualitative information, the principle of accuracy is hard to define, which is obvious from the ways how companies provide qualitative information.

3.3.4. Timeliness

Principle: The organization should report on a regular schedule so that information is available in time for stakeholders to make informed decisions (GRI 2013: 15).

Most of the analysed companies prepare non-financial reports on an annual basis, which is important for stakeholders to make "informed decisions". However, there are still exceptions – e.g. Audi reports biannually. There is no uniform requirement for frequency, but the tendency in the direction of annual reporting.

3.3.5. Clarity

Principle: The organization should make information available in a manner that is understandable and accessible to stakeholders using the report (GRI 2013: 15).

The principle of clarity is usually taken seriously by the assessed companies. Texts are illustrated by figures and tables. Wording is in most cases appropriate, and only rarely too complicated. Transparency and comprehensibility can be significantly increased by using links related to the discussed themes. Problems arise only if those links all direct to the same document which does not include the necessary information in an appropriate and sufficient manner (e.g. Apple).

Comprehensibility is compromised if the indicator does not clearly show how it is measured by the company. Measurement can be rather difficult in the case of environmental management indicators (related to environmental training or the environmental management system, etc.). The same is true for most social indicators because evaluated aspects are often impossible or difficult to measure quantitatively, while the provided qualitative information is not sufficient (e.g. qualitative indicators for employee training at E-On).

Transparency can be increased if the company clearly introduces its goals, the present situation, and the steps of achieving the goals (e.g. Procter&Gamble). Providing sufficient explanation is much less common when some goals were not (fully) achieved.

3.3.6. Reliability

Principle: The organization should gather, record, compile, analyse and disclose information and processes used in the preparation of a report in a way that they can be subject to examination and that establishes the quality and materiality of the information (GRI 2013: 16).

To justify trustworthiness, large companies tend to get their non-financial reports assured by well-known consultancy firms (like PWC, KPMG, Ernst&Young, Deloitte etc.) which have significant experience in various auditing activities (like financial auditing or certifying environmental management systems). Some international NGOs like WWF are also popular partners of companies in third-party quality assurance of their non-financial reports. In our sample, most companies (except Beiersdorf, IKEA, Procter&Gamble, Walmart) have their non-financial report assured by accountancy firms or other third-party organisations. It was typical, even in cases where the report was not based on the GRI Guidelines. The assurance usually covered the whole report, except some cases where only a part of the report was assured (Accor Hotels, Du Pont).

Beyond assurance, companies tend to emphasize their commitment to the UN Global Compact, in order to justify their corporate social responsibility efforts. These companies are often criticised for "bluewashing" which means that they use the name and credibility of a worldwide acknowledged organisation, while their sustainability performance and corporate social responsibility is lagging behind. Our research did not aim to deal with the identification of the "bluewashing" phenomenon at the analysed companies.

4. Discussion and Conclusions

The paper focused on non-financial reporting and the implementation of content and quality principles of the GRI G4, based on an evaluation of sustainability reports in case of 37 large international companies. Based on the empirical results (summarised in Table 1) and the literature review, this section aims to provide a discussion and conclusion both for corporate non-financial reporting and future research.

Table 1. Summary of empirical findings

Principle	Features of non-financial reporting at the analysed companies
Report content	
Stakeholder inclusiveness	Diverse corporate practice could be witnessed. Providing a list of stakeholders was common, but defining stakeholder inclusiveness in case of each stakeholder group was rare. Some companies just mentioned stakeholders in general. Specification of considering stakeholders' expectations and interest in corporate measures would be necessary.
Sustainability context	Most companies defined what sustainability means for them. Companies which report according to GRI guidelines used the GRI-definition. Sustainability context was explained, but in our opinion, the disclosed information was usually not suitable for drawing conclusions on the real contribution of the company to sustainable development.
Materiality	Most companies used the matrix proposed by GRI G4 for selecting the material aspects, but some of them set up their own assessment criteria. Self-made assessment systems may detract attention from sustainability problems if the company collects the aspects which influence their business success and economic interests, instead of focusing on economic, environmental and social impacts of corporate activities. In addition, the methodology of collecting information for selecting material aspects is often unclear. Aspects which are missing from materiality assessment are also missing from the whole report.
Completeness	Striving for completeness is in strong relationship with materiality assessment, however, it is hard to specify, what sufficient coverage of material aspects exactly mean. Compliance with the GRI guidelines was often tested, however, disclosure on this was diverse. Some companies gave an aggregated percent of compliance, while others provided a detailed table. Explanation of partial compliance or no compliance was rarely transparent.
Report quality	
Balance	The overwhelming majority of analysed companies disclosed exclusively positive information in their non-financial report, although the contribution of corporate activities to sustainability includes both positive and negative impacts. Ethical issues also tend to be missing from the assessed reports.
Comparability	Several positive examples for comparison with previous years' performance of the company were found, although this internal comparison was usually not possible for all issues raised and discussed in the report. When companies changed the types of indicators in consecutive years, comparability became difficult (or even impossible). Sectoral comparability (benchmarking) is difficult as flexibility provided by the GRI guidelines resulted in a high variety of reports.
Accuracy	Every analysed company provided sufficiently accurate and detailed information in case of quantitative indicators, while qualitative statements were not supported by sufficient data and information.
Timeliness	Companies complied with the principle of timeliness as most of them report on their sustainability performance annually (sometimes biannually).
Clarity	The principle of clarity was taken seriously by the assessed companies. Texts were illustrated with figures and tables; wording in most cases was appropriate. In case of environmental management indicators and social indicators, methodology of measuring should be provided for clarity.
Reliability	In our sample, most analysed non-financial reports were assured by accountancy firms or other third-party organisations.

Source: authors

Results indicate that the majority of the analysed companies named their stakeholders and expressed taking care of them during their operation. This is in contrast with the results of Searcy and Roca (2012), where most of the analysed Canadian companies did not nominate their stakeholders in their sustainability reports of 2008. We assume a fast development process between 2008 and 2015, at least in terms of stakeholder approach. However, further refinement of stakeholder groups is necessary, when it comes to stakeholder-specific sustainability measures of the companies.

The GRI G4 guideline intends to strengthen the supply chain approach in sustainability reporting, however, the companies in our sample seemed to still miss a systematic view and in-depth consideration of sustainability aspects along the supply chain. These results are in line with the research of Isaksson and Steimle (2009), who lacked consumer focus and process orientation from the sustainability reports of the analysed companies of the cement industry. Further strengthening of taking responsibility along the whole supply chain and disclosing the related measures in the sustainability report is necessary.

In terms of sustainability context, most of the analysed companies tried to follow the GRI guidelines. However, based on the provided information, it is difficult to draw reliable conclusions about the real contribution of companies to sustainability. This corresponds with the statement of Harangozó (2008), according to which GRI indicators do not allow us to decide whether the operations of the company are sustainable. Similarly, Isaksson and Steimle (2009) found the principles of GRI insufficient to assess the environmental awareness of the company and its development path towards sustainability.

GRI G4 offers a materiality matrix to evaluate the aspects based on how relevant the economic, environmental and social impacts of the company are, related to the analysed aspect, and how important and influential this aspect is in the judgement and decision making of stakeholders, related to the company. We found the applicability of the materiality matrix suggested by the GRI not evident, as several companies used their self-created dimensions and scoring systems. The selection process of material aspects also needs revision. Companies usually receive information via asking their stakeholders, but it is not clear which stakeholders are asked and how by the company. In case of questionnaire based surveys, wording of the questions may be suggestive for stakeholders and they may not have the opportunity to express their own, independent opinion. Majority of the companies do not report to have carried out separate expert interviews in order to build up a well-based materiality matrix.

Regarding the principle of completeness, companies seem to have difficulties in finding the optimal system boundaries, which means that some sustainability aspects are discussed in a detailed form, while the explanation of other aspects is superficial. Efimova and Batyrova (2013) faced the same problem: the GRI-based sustainability reports of the evaluated Russian companies were extensive, but they did not provide sufficient and deep information.

The majority of companies using the GRI G4 guidelines carry out self-assessment to determine to what extent their report is in accordance with the GRI guidelines. Several companies in our sample have reasonably explained why their accordance with the GRI guidelines is less than 100%, while others argued that the lack of data does not allow full accordance. This result is in line with the statement of Lozano and Huisingh (2011), who argued that gaining data can be expensive for companies.

The GRI G4 defines the principle of balance, which has been broken by the majority of the companies in our research. Most companies delivered only positive information in their reports, however through their operation they contribute both positively and negatively to sustainability. Only very few companies presented negative effects, but without further information on the extent and financial consequences of those negative impacts.

Analysing the principle of comparability is popular in research related to non-financial reporting; the majority of the papers cited have dealt with this principle. Positive examples for internal comparability emerge in every company, as presenting the development and improvements in economic, social and environmental aspects of sustainability, compared to the previous years is very important for companies, to justify their efforts. Our research revealed some challenges the enterprises are struggling with in terms of internal comparability. Emphasized aspects, measured and published indicators, or the content of qualitative information may change from one year to another, making internal comparability difficult.

Sectoral comparability is also difficult, due to the flexibility of the GRI guidelines. This statement is supported by Lozano and Huisingh (2011), who found that the large amount of indicators makes longitudinal comparability and benchmarking more difficult. Roca and

Searcy (2012) came to a similar conclusion: in their research, different amounts and types of indicators were used in the same sector, making comparability complicated. On the contrary, James (2013) focusing on SMEs and Efimova and Batyrova (2013) on Russian companies found some common indicators in dimensions of the triple bottom line, which supported comparability. There is thus hope for comparison, even if not comprehensively for all analysed sustainability characteristics.

Our most important conclusion relating to the principle of accuracy is that the analysed reports include properly detailed, exact, and quantified indicators, which can be compared to the economic performance of the company, however, not every statement is sufficiently supported by data. Considering the principle of timeliness, it has been revealed that the vast majority of companies provide annual sustainability reports, with only few exceptions.

Regarding clarity, we found that companies make efforts to comply with this principle, illustrating the text information with figures and tables. However, information could be better understood if companies disclosed the methodology on how they measure the indicators. Transparency is increasing, if the company clearly presents its goals, the current status and the steps of fulfilling those goals. Regarding accessibility, as defined within the principle of clarity, Kneebel and Seele (2015) pointed out that some reports are not available via the GRI website or online at all. However, this problem is expected to disappear due to regulations which mandatorily require the biggest companies to regularly report on their non-financial performance (European Commission 2014).

The achievement of the sixth principle for research quality – reliability – is often demonstrated by third-party, independent assurance of the report, provided either by consultancy firms or NGOs. However, Knebel and Seele (2015) question the reliability of reports assured by auditing companies, which verify the reports, but do not assess the sustainability performance of the company.

During the last decades, non-financial reporting has gone through an extensive development process, which leads towards a higher level of standardisation. To present sustainability performance of companies in a uniform approach and indicator system is still a large challenge for the experts of sustainability, for those who prepare the reporting guidelines and for companies. The results of our research provide useful insights into the strengths and weaknesses of non-financial reporting practice, serving the continuous improvement of sustainability reports and the underlying guidelines. Regarding the upcoming GRI Standards, a higher level of clarity and transparency is expected to be realised, due to well-defined common terminology and the clear distinction between requirements and recommendations. Apart from the most emphasised aim of the Global Reporting Organisation to make the whole system easier for companies, stakeholders are expected to benefit from a strengthened focus on materiality. Those improvements, along with higher flexibility regarding the modular standards and the ways how companies disclose both the material aspects and their sustainability performance – in a focused (core) or a more detailed (comprehensive) form – will definitely provide further input for researchers to analyse the aspects in which the new generation of the non-financial reporting standard has become "better" in terms of reflecting sustainability performance of companies, and which areas need further improvement.

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