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PPUBLICATION OF THE DATA REQUIRED BY THE BUSINESS AND FINANCIAL MARKETS AND INFORMATION USERS IN THE NON-FINANCIAL DATA REPORTS PUBLISHED BY THE FINANCIAL INSTITUTIONS IN POLAND

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Abstract

According to the Freeman's definition, stakeholder is "every person or group that can have impact on the particular organization or, on which the organization can have impact" [Freeman, 1984:5]. In recent years business organizations understood that this mean that each organization has a number of important groups of stakeholders, and shareholders are not the only ones.

Therefore it can be observed that companies focus more on proper defining of their stakeholders, identifying their needs, conducting dialogue with them. On the other hand, stakeholders have changed. They are well educated and with better access to the information [Idowu, Papasolomou, 2007: 138]. They also become more aware of their needs and expectations towards business. These expectations are not only profit maximization, but are also connected with the way the business is conducted.

Some researchers state that this stakeholders' interest not only in economic, but also in social and environmental issues became one of the reasons for the increase in non-financial data reporting over the last twenty years [Adams, Frost, 2006:283]. Such in-

crease in disclosure on social and environmental data can also be observable in Poland since the beginning of the XXIst century.

In the last ten years not only the number of the non-financial data repots have increased, but they also become more standardized due to the existence and development of the non-financial data reporting standards, among them the most popular – Global Reporting Initiative (GRI) Guidelines. Nowadays almost every second non-financial data report published all over the world is a GRI based report [Perspectives 2013, Global CR reports trends and stakeholders' views, CorporateRegister.com].

The aim of the paper is to answer the question if the GRI based non-financial data reports of the financial sector companies, published in Poland in years 2009-2013 consist of the data indicated as important by two groups of stakeholders: Business Associations and Financial Markets and Information Users based on the publication "Sustainability Topics for Sectors: what do stakeholders want to know?"

Introduction

Since the last several years there can be observed the growing importance of the non-financial data reporting, both in Europe and in Poland itself that results in the increasing number of the non-financial data reports published year by year.

The need of transparency and disclosure of non-financial data has been also spotted by the international governmental bodies. In response to that on 15th November 2014 was published the Directive 2014/95/EU of the European Parliament and the council amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups. The directive defines the kind of the information that should be published and types of the companies that are obliged to do that. The EU member countries have time till 6th December 2016 for the implementation of the directive, which should go into effect latest since 1st January 2017.

Obligation for non-financial data disclosure is an important motivator for number of companies to either start publishing non-financial data or start preparing to this process and should result in further increase of publication of such reports. That increase of number of the reports published in the EU countries, including Poland, however, does not necessarily must be significant, while number of the companies that will be obliged to published non-financial data report according to the directive, already do that.

For instance, in Poland, the rise of the number of non-financial data reports can be observed since at least four years. The number of the reports submitted to the best CSR reports contest, organized by Responsible Business Forum, SGS Polska and PwC, has risen by over 40% between 4th and 8th[10] edition of the contest [Konkurs Raporty Społeczne 2007-2013, Responsible Business Forum, 2014]. Together with the increase of the quantity of the reports published, their quality increases too, what is confirmed also by increasing number of the Global Reporting Initiative (GRI) based reports. In 2007 8 out of 18 reports (44%) submitted to the contest were GRI based, in 2013 it was 26 out of 32 (81%) [Konkurs Raporty Społeczne 2007-2013, Responsible Business Forum, 2014].

Global Reporting Initiative (GRI) is an international not-for- profit organization based in Amsterdam. According to its own declaration: GRI's mission is to make sustainability reporting standard practice for all companies and organizations [www.globalreporting.org].

Since almost fifteen years GRI has been developing the framework for non-financial data reporting. The first version of the GRI Guidelines was released in 2000, the last one GRI G4-in 2013. At the moment there are over 22500 GRI based reports registered in GRI database[11], and every year number of the reports registered in the database increases by no less than 20% (based on presentation GRI reporting, available at www.globalreporting.org).

As GRI is also a network based organization and collaborates with various groups of stakeholders, also the Guidelines are worked out in the dialogue process that was engaging the representatives both of the reporters and the readers.

GRI spots also the increasing role of the stakeholders for the companies.

10 Year 2010 and 2013
11 Status for 15.02.2015

Following the definition of the Corporate Social Responsibility developed in 2011 by European Commission (EU COM 2011: 6) which says that it is "responsibility of the enterprise for its impact on society", forces reporting company to present their non-financial data with taking into account their impact on the society and with engagement of the stakeholder. The understanding of the need of engagement of the stakeholders is clearly visible in the new G4 GRI Guidelines, that oblige the reporting company to engage the stakeholders in the process of defining the materiality of the report, to make sure that it consists of the data that are material not only from the reporting organization's perspective, but also the readers' one.

The observation of rising role of the stakeholders has the companies itself and they try to engage them more. Moreover, companies are aware of the fact that the stakeholders' profile have changed within the time and nowadays they are well educated and informed and require on companies not only conducting business in the responsible way [Idowu, Papasolomou, 2007: 138], but they also demand for information, what results in the development of a variety of forms of stakeholder dialogue.

There appeared also the "stakeholder responsible approaches" [Zambon, Del Bello, 2005: 131] claiming that the approach to the reporting non-financial data should be focused on providing the stakeholders with activities and data they are looking for and that the only comprehensive and valuable report can be published if organization prepares it to satisfy the needs and expectations of the stakeholders [Brockett, Rezaee, 2012: 31].

Various groups of stakeholders that become the readers of the report and their need of information should be than taken into account when preparing the non-financial data report. It should be designed in a way that enables the key stakeholder groups find the data they are looking for.

Methodology

In May 2013, together with the new version of the reporting Guidelines, GRI published "Sustainability Topics for Sectors: What do stakeholders want to know?" publication. It was prepared together with almost 200 organizations, representing 5 groups of stakeholders:

- Business associations

- Labor representatives

- Civil society organizations

- Financial markets and Information users

- Mediating institutions.

Each of the stakeholder group defined the issues that are important for it and in its opinion should be reported by the companies. The issues were defined separately for 52 sectors. They are subjective and represent the point of view of the particular stakeholder group.

That is the unique value of this publication, while it is not saying "what should be published" in general, but gives the information what do concrete groups of stakeholders want to read about in the non-financial data reports and what information are important for them.

Therefore "Sustainability Topics for Sectors: What do stakeholders want to know?" publication was used as a basis for the research. There were two stakeholders groups chosen:

- Business associations

- Financial markets and information users as for the financial institutions[12] these two groups out of the five engaged in the publication's preparation process are important external stakeholders from the business perspective. The main weakness of the non-financial data reports highlighted often in the discussions by the business stakeholders is that these usually do not consist of the data that are interesting and important from the business perspective, focusing mainly on the social data important for the civil society organizations or employees.

The aim of the paper is to show if the reports of the financial institutions that fulfill the following criteria:

- were published in Poland

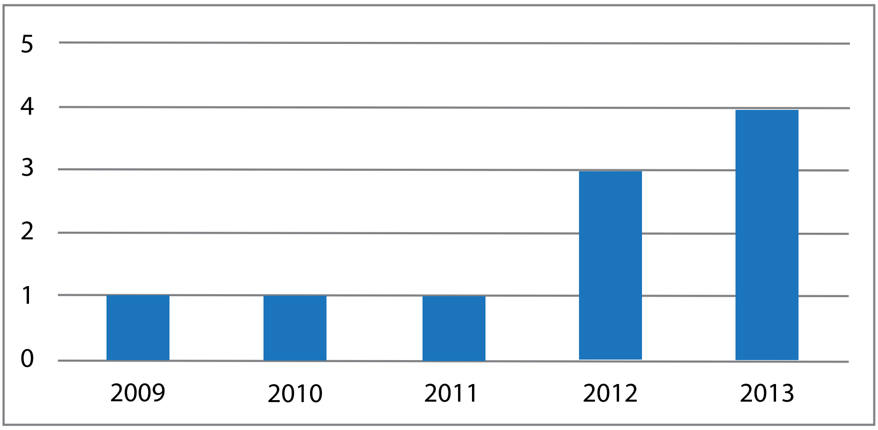
- base on the GRI 3.0 or later versions

12 Financial institutions consist of banks and insurance companies

- were submitted to the best CSR report contest consist of the information that were indicated as important for the business and financial markets and information users, defined in the "Sustainability Topics for Sectors: What do stakeholders want to know?," publication.

There are 10 reports that fulfill the above criteria (Figure 1) and that were analyzed. 8 of these reports were prepared by banks, and 2 by the insurance company.

Fig. 1. No. of financial sector companies' GRI based reports published by year and submitted to the Best CSR report contest



Source: own elaboration, based on the www.raportyspoleczne.pl/biblioteka-raportow/

Each of the issues identified by each group of the stakeholders (Business Associations and Financial Markets and Information Users) was linked to the GRI 3.1 or 3.0 topic and then to the proper indicator within that topic, both general and from the sector guidance. GRI G4 was not taken into account as none of the analyzed companies used this version of the Guidelines. The non-financial data reports published by the financial sector companies were analyzed to check if these indicators are present in the reports. The appearance or lack of the indicators was the basis to formulate the conclusions.

Findings and discussion

The representatives of Business Associations and Financial Markets & Information users indicated 11 topics as particularly relevant and important from their perspective for the financial sector (see table 1).

Topics indicated by Business Associations	Topics indicated by Financial Markets & information users	Relevant GRI 3.0 indicators	Relevant GRI 3.1 indicators
	Employment practices	LA1, LA2, LA13, LA14	LA1, LA2, LA13, LA14, LA15
Labor conditions		LA2	LA2, LA15
Labor management relations		LA5	LA5
	Employee education and development	LA10, LA11, LA12	LA10, LA11, LA12
	Political funding	SO6	SO6
ESG risk assessment and management	ESG risk assessment and management	EC2, 1.2, 4.11, FS2,FS5, FS9, FS11	EC2, 1.2, 4.11, FS2,FS5, FS9, FS11
	Business models	1.2, 2.8, FS6	1.2, 2.8, FS6
	Financial firm complexity	2.2, 2.3, 2.5, 2.6, 2.7, 2.8	2.2, 2.3, 2.5, 2.6, 2.7, 2.8
	Political accountability	SO5, SO6	SO5, SO6
Corporate governance	Corporate governance	1.2, 4.1, 4.5, 4.11, 4.12, 4.13	1.2, 4.1, 4.5, 4.11, 4.12, 4.13
Business strategy	Business strategy	EC2, 1.2	EC2, 1.2

Tab. 1. Topics indicated as important by Business Associations and Financial AMrkets and Information Users with relevant GRI indicators

Source: own elaboration

The representatives of Business Associations and Financial Markets & The topics indicated by the stakeholders were matched altogether with 29 GRI G 3.0 and 30 GRI 3.1 indicators (GRI 3.1 indicator that is not present in the previous version of the Guidelines is bolded in the table 1), including 4 from the sector supplement for the financial services.

As the next steps, these indicators were searched in the GRI based CSR reports of the financial sector companies, published in Poland in years 2009-2013.

Out of all 11 topics indicated by the stakeholders, 3 were indicated as important for both stakeholder groups:

- ESG risk management

- Corporate governance

- Business strategy

These are the topics that are important from the risk management perspective, as allow to evaluate not only the current company's position but its long term plans. They cover also the information if the company is aware of the all crucial, also ESG, risks and manages them properly.

Tab. 2. Topics important both for Business Associations and Financial Markets & Information users and relevant GRI 3.0 and GRI 3.1 indicators (with a number of companies reporting each indicator)

	EC2	1.2	4.1	4.5	4.11	4.12	4.13	FS2	FS5	FS9	FS11
ESG risk assessment and management	0	9			6			1	0	1	1
Corporate governance		9	10	6	6	10	8				
Business strategy	0	9									

Source: own elaboration

Despite the fact that the ESG risk assessment and management, corporate governance and business strategy were indicated by both stakeholder groups as important for the financial institutions, only two indicators that relate to these topics was reported by all or almost all companies. Out of these two, the 4.1 indicator is a profile indicator that the company is obliged to report according to the GRI Guidelines. The second one: 1.2 indicator is not obligatory for the companies that report on the C level. That means that in three reports where it was not mandatory, 1.2 indicator: *Description of key impacts, risks and opportunities* was reported voluntarily. The 4.11, 4.12, 4.13 indicators are mandatory for all companies reporting on at least B level are mandatory, and as such should be reported by at least 6 companies (see Figure 2). Out of these three, 4.12 indicator: *The information on membership in associations* was reported by all organizations, also these reporting on the C level, for which it was not obligatory.

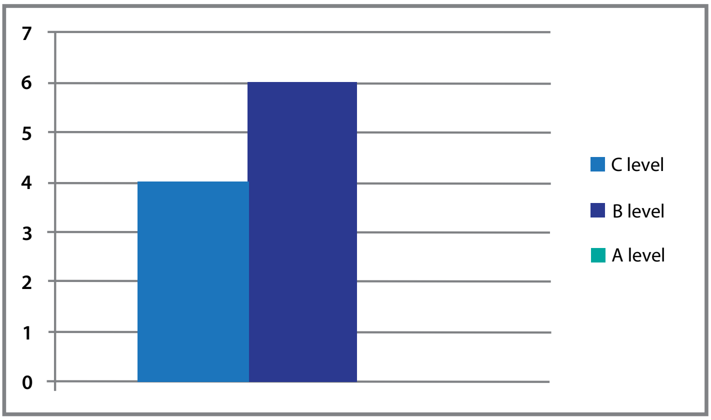


Fig. 2. Number of reports on each level of GRI application level

Source: own elaboration

None of the companies reported the EC 2 indicator: *Financial implications and other risks and opportunities for the organization's activities due to climate change*. The possible reasons could be two: either they not perceive that indicator as material one or do not have any data to report.

Companies also did not use the GRI indicators that are in the sector guideline (the FS indicators), despite the fact that sector guidelines were developed to be more relevant for the sector specificity. Only 1 company disclosed any of the FS indicators.

None of the companies disclosed FS5 indicator: *Interactions with clients/ investees/ business partners regarding environmental and social risk and opportunities*. The data required in this indicator are not the quantitative but qualitative does not seem sensitive and leave the reporting organization wide freedom on what to report, but still are not disclosed. There could be two reasons for that similar to the mentioned above on EC2 indicator: either the companies do not see that issue themselves as material and therefore did not decide to report on that or find this issue as material but do not do enough in this area to feel comfortable with reporting these data. The third option can be a compilation of the two above: that companies do not find this issue as material and therefore do not do enough in this area.

Also the other ESG risk management related FS indicators (FS2, FS9 and-FS11) were reported only by 1 company.

Although ESG risks are still by number of companies treated as additional ones, the financial institutions cannot omit them. Inclusion of the ESG risks in the analysis of the companies, especially these that have significant environmental impact is crucial for the proper valuation of the companies. *Information on the procedures for assessing and screening environmental and social risks in business lines* (FS2 indicator) allows investors and shareholders who are reading the report to see if all the operational but also strategic risks that can have impact on the reporting company's business are properly and completely analyzed and taken into account.

As the ESG issues become more regulated in the European Union, they cannot be omitted in the risk analysis, while that can result in fines, delays in investments etc. As such are taken into account by financial institutions, and at least G (governance) and E (environmental) issues are not treated as irrelevant – but still are not reported.

For the Business Associations the labor issues were also important, specifically two of them:

- Labor conditions

- Labor management relations

Tab. 3. Topics important for Business Associations and relevant GRI 3.0 and GRI 3.1 indicators (with a number of companies reporting each indicator)

	LA2	LA5	**LA15**
Labor conditions	**8**		**2**
Labor management relations		**4**	

Source: own elaboration

The LA2 indicator consists of the basic statistical information on the: *Total number and rate of new employee hires and employee turnover by age group, gender and region*. That gives the reader the information on the scale of the company from the employment perspective. Information on the employment is available in every company, usually publicly and often reported. However, the data that is usually published is the total number of employees without breaking down by the diversity dimensions. Companies may not have such statistics and therefore not all companies reported them.

The LA 5 indicator: *Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements* in Poland is correlated with the relation with trade unions. The collective agreements are signed by employer and the trade unions that are employees' representatives. In companies where there are no trade unions the relations between employer and employees (or their representatives) are usually not so formal and as such do not require collective agreement and base on the open and regular communication and in such cases that indicator rather presents the communication process than precisely answer the question about the notice period.

Out of 10 analyzed reports, 4 were prepared based on the GRI G 3.1 standard, therefore only 4 companies could have had report the LA15 indicator; 2 of them decided to do that and disclose the data on: *Return to work and retention rates after parental leave, by gender.*

Also for the Financial Markets and Information Users the social indicators, especially LA (labor relations) and SO (Social) are important. However, this group of stakeholder is interested more in the soft LA indicators, focused on the employment practices and education and development.

	LA1	LA2	LA10	LA11	LA12	LA13	LA14	**LA15**	SO5	SO6
Employment practices	10	8				8	2	2		
Employee education and development			10	0	6					
Political funding										1
Political accountability									2	1

Tab. 4. Topics important for Business Associations and relevant GRI 3.0 and GRI 3.1 indicators (with a number of companies reporting each indicator)

Source: own elaboration

The result of the analysis shows that all companies report the basic, statistical information about employment that are under LA1 indicator: *Total workforce by employment type, employment contract, and region, broken down by gender.*

All companies disclose also statistical data on employees education (indicator LA10: *Information on the average training hours per year per employees in various categories*), but none of them reported on LA 11 indicator: *Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings*. As it is the qualitative indicator with no sensitive information to be disclosed, the reason for that may be that companies do not have such programs and lifelong learning is not the concept that is present in this sector companies and that HR managers focus on.

Only 6 out of 10 companies reported what is *The percentage of employees that receive the regular performance and career development reviews* (indicator LA12). That indicator is not complicated and consist of one data that if exist in an organization, is rather easily accessible. For the financial institutions sector, where high skilled people are needed, the way of development of the careers is important for the overall success of the company. The reason behind not reporting these data by the rest of the companies may be that the percentage of the people that receive the performance and career development reviews is quite low and the reporting companies do not want to share that information with public.

Companies have no problem in reporting on some aspects of the diversity, 8 out of 10 reported the LA13 indicator: *Composition of governance bodies and breakdown of employees by employee category according to gender, age group, minority group membership and other indicators of diversity*. The picture that present reported data answers the question if there is diversity management in the companies and what are the main areas of diversity where the results are satisfactory and what are the ones that the company should still focus and work on.

It is not surprising that only 2 companies reported LA 14 indicator: *Ratio of basic salary and remuneration of women to men by employee category, by significant localizations of operations*, not only because it could show the potential inequalities in remuneration between men and women but basically because transparency in communication about remunerations is still a problem on the polish market. A very few companies disclose the information on the remunerations, also internally.

On the other hand, the low number of companies reporting the SO5 and SO6 indicator is surprising. According to the polish law, business cannot support financially political parties that can be supported only by citizens and the state itself in a definite ways [Ustawa z dnia 27 czerwca 1997 o partiach politycznych, Dz. U. 1997 nr 98 poz. 604]. That would suggest that for SO6 indicator: *Total value of financial and in-kind contributions to political parties, politicians and related institutions by country* would always be the same and equal 0.

In terms of SO5 indicator: *Public policy positions and participation in public policy development and lobbying* – as lobbying has in Poland negative connotations, companies are very cautious on any lobbying activity and communication on that. That may be the reason why only two companies reported that indicator.

The remaining two topic that are important for Financial Markets and Information Users focus on reporting organization's business (Table 4). As the overview on the reporting company's business is important to really understand its impact and responsibility, GRI indicated the basic indicators that define business model and allow understanding business firm complexity as the obligatory ones.

	1.2	2.2	2.3	2.5	2.6	2.7	2.8	FS6
Business models	9						10	0
Financial firm complexity		10	10	10	10	10	10	

Tab. 5. Remaining topics important for Financial Markets and Information U and relevant GRI 3.0 and GRI 3.1 indicators (with a number of companies reporting each indicator)

Source: own elaboration

The last, not obligatory indicator is the one from the sector guideline (FS6: *Percentage of the portfolio for business lines by specific region, size and sector*) and that one as the previous sector ones was not reported by any of the companies.

Conclusion

The main conclusion is that companies report:

- the data that are obligatory either by the GRI Guidelines or any other standard or regulation

- the basic statistical data that are available in the company and are often needed for any other internal or external purposes and therefore are collected.

To the similar conclusions came the authors of the publication "Transparentność w obszarze ESG jako element przewagi konkurencyjnej spółki giełdowej" that analyzed over 800 publicly listed companies in Poland. Their first statement is that companies report nothing above the regulations [Stowarzyszenie Emitentów Giełgowych, GES, Grido Consulting, 2013: 59].

Analyzed companies did not use the sector guidelines that could have had been helpful also for themselves, while make the GRI indicators more financial sector specifics and the same time more relevant. The reporting companies do not focus on the issues that are important for the sector – both for the reporting companies and the readers, an example of that may be no or little data disclosed on ESG risk management what would be recommended for better understanding of the specifics of the reporting companies, but also risk and opportunities.

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CONTENT

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