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# RECENT TRENDS IN SUSTAINABILITY REPORTING: LITERATURE REVIEW AND IMPLICATIONS FOR FUTURE RESEARCH

**ABSTRACT**

Sustainability reporting has become a topical issue in recent years as it is no longer enough to make claims about the sustainability level of companies, but it is also necessary to demonstrate their sustainability efforts. For this purpose, sustainability reporting has grown from a voluntary basis into a legal obligation for some organizations, which speaks in favor of the importance of sustainable business globally. This paper aims to provide a wider perspective and theoretical support for research on sustainability reporting. A literature review of 52 papers from the Web of Science database indicates the following eight aspects as a trend in the literature reviews of sustainability reporting: Assurance, Boards, Communication, Framework, Impact, Indicators, Materiality and Practices. The paper highlights problems and provides challenges related to sustainability reporting and research opportunities for exploring sustainability reporting in future studies.

**Keywords:** Sustainability reporting, sustainable development, corporate social responsibility

**1. Introduction**

Modern technology as well as globalization have brought significant changes in numerous areas of human life. On the other hand, there are increasing global problems in the form of more frequent natural disasters, degradation of natural resources, climate change, energy crises, and other problems that have led not only to risks to the planet, but also to a threat to development. To prevent further con-

sequences, it is important to pursue a development policy aimed at achieving continuous economic and social progress, as well as protecting nature and the environment. This is accomplished by focusing on sustainability and sustainable development.

In 2015, as part of the 2030 Agenda for Sustainable Development<sup>1</sup>, the United Nations adopted 17 main Sustainable Development Goals (SDG) and 169 target goals that they plan to achieve by 2030.

Although the goals are not legally binding, the UN Member States are expected to integrate the SDGs into their national policies and establish a system for monitoring the implementation through the agreed indicators. SDGs balance the economic, social and environmental dimensions of sustainable development. Each participant should contribute to the achievement of these dimensions, with particular emphasis on the role of the business sector.

According to Pojasek (2007), business sustainability must take into account the needs of the company as well as its stakeholders but at the same time it must protect, sustain, and enhance the environmental, social, and economic resources that are crucial for the future. Sustainable business creates added value for the company, which reflects on the value of the company through its economic viability and financial utility. The results of activities related to sustainable business are presented to the public in the form of sustainability reports, which are needed “to substantiate information about the actual status of and progress towards corporate sustainability; otherwise the information tends to be considered rather superficial” (Schaltegger et al., 2006: 15).

There are several internationally recognized sustainability frameworks and standards that are available for organizations when preparing their sustainability reports: the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines G4, ISO 26000 Guidance on Social Responsibility, the UN Guiding Principles Reporting Framework, the IIRC International Framework, and the OECD Guidelines for Multinational Enterprises. In the European Union, sustainability reporting is regulated by Directive 2014/95/EU of the European Parliament and of the Council<sup>2</sup>. It is also called the Non-Financial Reporting Directive (NFRD) and is legally binding on large public-interest companies with more than 500 employees, listed companies, banks, insurance companies, and other companies designated by national authorities as public-interest entities.

However, there is still no universal regulation for sustainability reporting at a global level, but it is imposed by each country depending on its laws and accounting regulations; hence sustainability reporting varies across countries. Thereby, the purpose of this paper is to summarize and critically assess literature on sustainability reporting and explore trends related thereto in the period 2017-2020. This is important because as of 2017 sustainability reporting became a legal obligation for many organizations,

which should consequently lead to an increase and changes in sustainability reporting. In addition, the aim is to identify opportunities for future research in the field of sustainability reporting.

This research paper is organized as follows. The introductory part and the literature review of sustainability reporting is succeeded by a section with methodology explained. The next section brings results on recent trends in sustainability reporting, while the last section is devoted to discussion and the main conclusions of the paper.

## **2. Literature review of sustainability reporting**

Since sustainability reporting is an ever-evolving concept, there is still no single definition. Siew (2015) notes that sustainability reporting is known under various synonyms - corporate social responsibility (CSR) reporting, sustainable development (SD) reporting, triple bottom line (TBL) reporting, non-financial reporting, and environmental, social and governance (ESG) reporting. Calabrese et al. (2017a: 439) define sustainability reporting as “the practice of measuring, disclosing, and being accountable to internal and external stakeholders for the company’s ability to achieve sustainable development goals and manage impacts on society”. Disanayake et al. (2016) state that the most structured definition of sustainability reporting is obtained from the sole concept of sustainable development, i.e. from the economic, social and environmental pillars.

The absence of a standardized form of sustainability reporting makes it harder to compare reports. The implementation may be similar in associations of countries such as the EU, but the harmonization of reporting in the EU is still in the process that is hard to achieve (Jose, 2017; Kinderman, 2019). Companies choose independently how to compose their sustainability reports, as well as the manner of their presentation. Free will in terms of the layout of sustainability reports by companies allows researchers to do numerous research studies in this area.

Hahn and Kühnen (2013) provided a review of 178 articles from business, management, and accounting journals in the period 1999-2011 and gave an overview of the results on the determinants of sustainability reporting (internal and external). Morioka and de Carvalho (2016) conducted a literature review of 261 papers and integrated the literature on sustainability performance in a conceptual frame-

work. Gulenko (2018) provided an overview of potential consequences of CSR reporting regulation, derived potential future developments in Germany based on the EU Directive and contributed to the literature by suggesting that mandatory CSR reporting leads to a shift in the reporting behavior of companies. Dienes et al. (2016) reviewed existing studies, analyzed the drivers of sustainability reporting by using a qualitative approach, and contributed to the literature by defining the most important drivers of the sustainability reports disclosure. While the reviewed papers refer to a specific segment of sustainability reporting, Dumay et al. (2016) studied integrated reporting to discover how research has developed and contributed to the literature by offering an intuitive critique of accounting practice.

### 3. Methodology

To examine current trends in the literature related to sustainability reporting and to find the potential for future research, a literature review by analyzing the extant literature was used. The guidelines proposed by Vázquez-Carrasco and López-Pérez (2013) were used for a review of the literature with modifications adapted to the purpose of this research:

1. Define the research question(s) to be addressed;
2. Search for (i) a set of bibliographic databases, and/or (ii) in a well-defined and justified journal sample using one or more predefined keywords;

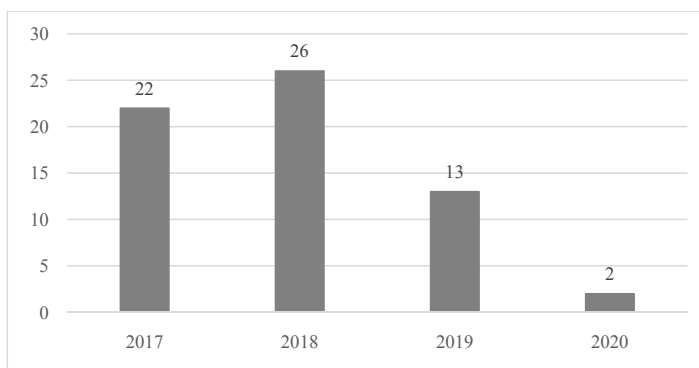
3. Include the keywords in the search fields (title);
4. Analyze each article to identify the theoretical framework, a methodological approach and interesting potential lines of research.

The sample consists of papers related to sustainability reporting. The authors selected the Web of Science as a bibliographic database. It includes scientific papers from a wide range of scientific disciplines, i.e. over 20,000 peer-reviewed scholarly journals published worldwide across 252 disciplines<sup>3</sup>. According to Orsagie et al. (2016: 236), such a “broad range of scientific disciplines ensures that the search is sufficiently comprehensive”. Within the database, the Web of Science Core Collection database and basic search were used. The literature search was based on the following criteria:

- Timespan: 2017 (1 January) to 2020 (until 23 March),
- All Citation Indexes,
- Document Types: Article,
- Key words: “sustainability reporting”, “sustainability report”, “sustainability reports” found in the title,
- Open access.

The search engine generated a total of 63 papers (i.e. 34, 5 and 24 papers containing “sustainability reporting”, “sustainability report” and “sustainability reports”, respectively) (Figure 1).

**Figure 1** Number of papers related to sustainability reporting (1 January 2017 – 20 March 2020)



Source: Research results

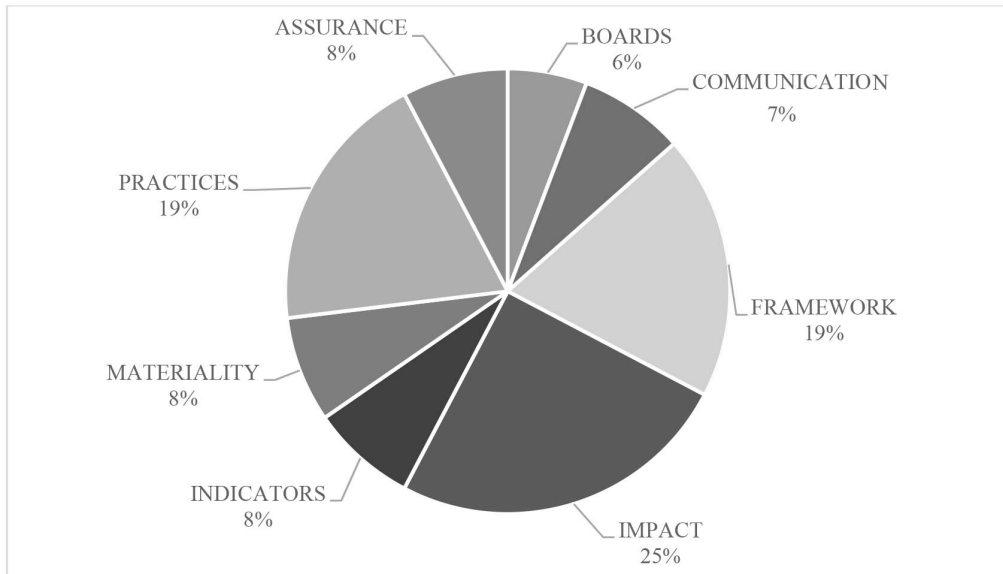
Out of the total number of papers, 2 papers (1 with “sustainability reporting” and 1 with “sustainability reports”) could not be downloaded despite the open access criterion, while 9 papers (i.e. 1 with “sustainability reporting”, 3 with “sustainability reports”, and 5 with “sustainability report”) are not entirely in English and in order to avoid any misunderstanding, they were excluded from further analysis. Hence a total of 52 papers (i.e. 32 papers with “sustainability reporting”, 2 with “sustainability report”, and 18 with “sustainability reports”) out of 63 generated papers were analyzed.

All papers were thoroughly reviewed by the authors who examined the key determinants in this literature, identified the main gaps, and pointed to areas where future work in this area could usefully be undertaken.

#### 4. Recent trends in sustainability reporting

Based on the review and according to the content and results of the papers, the authors found the following eight aspects of sustainability reporting: Assurance, Boards, Communication, Framework, Impact, Indicators, Materiality and Practices (Figure 2).

Figure 2 Aspects of sustainability reporting



Source: Research results

A trend has been observed in the literature in terms of researching the impact of sustainability reporting. Impact is the most prevalent aspect of sustainability reporting (25%). The framework and practices are equally explored (19%). This is because these two areas are closely linked since the framework acts on the application of sustainability reporting in practice. Other aspects (communication (7%), boards (6%), materiality (8%), assurance (8%) and indicators (8%)) are less investigated and they represent a basis for exploring future trends in sustainability reporting.

#### 4.1 Assurance

Boiral et al. (2020: 1) conducted a qualitative content analysis of 337 assured sustainability reports in the mining and energy sectors and found that “assurance statements do not demonstrate a material, substantial, and credible verification process”. By using a sample of Spanish accounting and consulting firms, Vaz Ogando et al. (2018) analyzed if the use of international standards and the profile of the provider performing the service influences the assurance process and quality. Results showed that

the profile of the provider performing the service does not have any effect on the assurance process and assurance quality. Al-Shaer and Zaman (2019) used a sample of UK FTSE 350 companies for the period 2011–2015. They found a significant positive connection between board-level sustainability committees and sustainability reporting assurance, and inclusion of sustainability terms in compensation contracts. Braam and Peeters (2017) investigated the relationship between corporate sustainability performance and choices related to sustainability assurance by using a panel data set of 4,686 listed companies (from 21 European and North American countries) in the period 2009–2014. They revealed that companies with superior corporate sustainability performance are more likely to employ third parties to assure their sustainability reports than companies with inferior sustainability performance.

#### 4.2 Boards

Anazonwu et al. (2018) used a sample of quoted manufacturing firms in Nigeria to investigate the influence of corporate board diversity on sustainability reporting, while Onyali and Okafor (2019) explored the influence of foreign directors on integrated sustainability reporting of 21 listed consumer goods firms in Nigeria in the period 2011–2017. These two studies recommend a heterogeneous board structure. Furlotti et al. (2019) used the data of 182 companies listed on the Milan Stock Exchange and examined whether there is an association between the presence of women with different responsibilities and gender policies disclosed in CSR or sustainability reports. The results showed that it is important for firms that care about gender equality to have women as board members.

#### 4.3 Communication

Calitz and Zietsman (2018) analyzed the existing sustainability reporting frameworks for higher education institutions and identified a lack of the use of mobile technologies in the reporting process. In their study, Rahim and Omar (2017) investigated the attitudes of managers of various backgrounds from Malaysian public listed companies on using online communication to report sustainability efforts. The results showed that from the perspective of a manager sustainability reporting through online communication was considered positive. Hsueh (2017) examined the success of corporate

communication in voluntary sustainability reporting on a sample of family businesses. The author revealed that although companies have a possibility and are motivated for communicating, external stakeholders might be skeptical about voluntary sustainability reports of companies. Hossain et al. (2019) used a sample of top 24 companies of the Fortune 500 Global to explore the nature of rhetoric and rhetorical strategies that are implicit in standalone sustainability reporting. They concluded that companies from the sample communicate fantasy type and rhetorical vision in their corporate sustainability reporting.

#### 4.4 Framework

The authors pinpointed the shortcomings and problems of sustainability reporting frameworks. Cardoni et al. (2017) evaluated the intra-industry comparability of sustainability reports, with an emphasis on GRI. Andreassen (2017) explored how sustainability reporting guidelines represent oil operation safety issues and concluded that frameworks do not indicate how well the product safety issues are presented. Diouf and Boiral (2017) analyzed the perceptions of stakeholders of the quality of sustainability reports using the GRI framework and observed that socially responsible investment stakeholders are aware of the limitations of sustainability reports.

Other authors described new frameworks to help solve sustainability challenges. Garcia-Torres et al. (2017) proposed an action-oriented disclosure tool in order to help solve sustainability challenges of complex fast-fashion supply chains. Hamalainen and Inkinen (2017) utilized Big Data and examined how to develop cost and sustainable reporting. Onkila et al. (2018) developed frameworks for understanding the role of sustainability reporting in organizational identity change by analyzing 52 interviews conducted with employees in two Finnish companies. Niemann and Hoppe (2018) used an exploratory evaluation in Amsterdam, Basel, Dublin, Freiburg, Nuremberg and Zurich, and presented a framework suitable for assessing real-life practices and outcomes. They suggested that sustainability reporting can positively influence organizational change, management and communication, but could also lead to “fatigue” and discontinuation. Maj (2018) involved companies indexed on the Warsaw Stock Exchange and investigated diversity

reporting, diversity data and the determinants of diversity reporting. The author asserted the possibility of embedding diversity into sustainability reporting by including it in auditing guidelines and standards. Romero et al. (2019) made an effort to improve the existing framework of the integrated report and provided a new reporting tool in order to achieve the objectives of the International Integrated Reporting Council.

#### 4.5 Impact

Most studies investigated the relationship between sustainability reporting and some of firm characteristics. Wang (2017) examined the relationship between firm characteristics and the disclosure of sustainability reporting for 50 Index-listed companies from Taiwan. The results showed that seven corporate governance and business characteristics, namely the size of the board of directors, the ratio of independent directors, the audit committee, the ratio of export income, the percentage of foreign shareholders' holdings, fixed asset staleness, and firm growth, are positively related to the sustainability reporting disclosure. On the other hand, the percentage of director holdings and the stock price per share are negatively related to the sustainability reporting disclosure. Gavana et al. (2017) used a sample of 230 non-financial Italian listed firms for the period 2004–2013 to analyze the differences in sustainability reporting within family businesses and highlighted "that the way family ownership affects sustainability reporting depends on how the family exerts its influence on the business". Loh et al. (2017) investigated the relationship between sustainability reporting and firm value based on listed companies in Singapore and found that there is a positive relationship between sustainability reporting and market value. By using an example of Korea, Lee et al. (2019) investigated whether chaebol firms are more likely to issue CSR reports than non-chaebol firms, and they proved that they are. Results also indicated that there is a smaller increase in firm value when a firm discloses its sustainability report voluntarily because investors doubt a firm's intentions in relation to sustainability disclosure and therefore discount its value. Carp et al. (2019) used a sample of Bucharest Stock Exchange listed companies from 2012 to 2017 to analyze the impact of sustainability reporting on firm growth and noticed low influence.

Cunha and Moneva (2018) identified the main influencing drivers on the elaboration and publication of sustainability reports of chemical and oil companies in Brazil and Spain. They found transparency and legitimacy as the main reasons affecting the publication of sustainability reports of companies. Smeuninx et al. (2020) applied readability formulae and Natural Language Processing to a manually assembled 2.75-million-word corpus in order to analyze the language of corporate sustainability reporting along region, industry, genre and content lines. The result indicated that there is no industry impact on readability, but the region proves to be an important variable. Sutopo et al. (2018) examined if the information on the winners of the Sustainability Reporting Award contributes to the usefulness of the information in the financial statements and found a positive impact on finance.

Other studies investigated the quality of sustainability reporting and various variables. Ching et al. (2017) concluded that although quality disclosure is improving throughout the years under study, the scores are still low. Mion and Adau (2019) noted that the implementation of the Non-Financial Reporting Directive (NFRD) increased the quality of sustainability reporting. On the other hand, the quality of sustainability reporting has a positive impact on risk (Truant et al., 2017) and on access to finance (Garcia-Sanchez et al., 2019).

#### 4.6 Indicators

Few authors examined sustainability disclosure information in a particular country at selected companies. Gnanaweera and Kunori (2018) evaluated the determinants of corporate sustainability disclosure practices on a sample of 85 Japanese companies listed on Tokyo Stock Exchange (TSE) from 2008 to 2014 and found that social values, ensuring the guidelines and the accuracy of the disclosure information, are important for corporate sustainability reporting. Arthur et al. (2017) examined GRI performance indicators disclosed in sustainability reports of 10 large mining companies in Ghana in the period 2008–2012. The result showed an increasing trend in the disclosure of performance indicators in sustainability reports for companies by GRI guidelines. Tarquinio et al. (2018) explored performance indicators disclosed in GRI-based sustainability reports produced by the companies in Italy, Spain and Greece. They revealed that social indicators related

to labor are more frequently reported in sustainability reports of the three countries under study.

Calabrese et al. (2017b) used sustainability reports of a sample of 50 Italian companies and analyzed the possible presence of greenwashing practices. Their results showed that reporting a higher number of environmental indicators pursues a greenwashing strategy aimed at obfuscating their scarce commitment in sustainability and managing stakeholders' perceptions of their benefit.

#### 4.7 Materiality

Calabrese et al. (2019) provided suggestions for the development of a new and more effective method of materiality analyses for making materiality work in practice. Guix et al. (2017) investigated sustainability reporting by focusing on stakeholder-related practices disclosed by the 50 largest hotel groups worldwide. The authors pointed out that dialogue mechanisms that are used to empower stakeholders, as their participatory role in decision-making and the reporting process, shape the materiality and responsiveness disclosure. The same authors (2018) explored the understanding and use of materiality on a sample of eight sustainability managers of the world's 50 largest hotel groups. The results showed that sustainability managers are disempowered, have limited resources, time, knowledge, and skills to apply to materiality assessment.

#### 4.8 Practices

Szekely and Brocke (2017) applied topic modeling to 9,514 sustainability reports published in the period 1999-2015 to identify the most common practices described in these reports. They found that the most frequently mentioned topics in sustainability reports of organizations related to the environmental dimension are emissions and consumption, the ones related to the social dimension are employees and the one related to economic sustainability is financial data. Kim and Kim (2017) based their research on news articles and sustainability reports to explore sustainable supply chain management (SSCM) trends, and a firm's strategic positioning and execution concerning sustainability in the textile and apparel industry. The results indicated that listed firms show relatively low realism and high commonality. Landrum and Ohsowski (2017) studied worldviews of corporate sustainability, or the corporate message conveyed as to what sustain-

ability or CSR is and how to enact it on a sample of dominant North American firms. The results showed that the most dominant worldview is focused on the business case for sustainability with a weak representation of sustainability in corporate sustainability reports. Stewart and Niero (2018) performed a review of 46 corporate sustainability reports in the fast-moving consumer goods sector with an aim to explore how companies from the sample incorporate the circular economy into their sustainability efforts. The results showed that a circular economy has started to be integrated into the corporate sustainability agenda. Cho et al. (2017) used a sample of seven large U.S. oil and gas firms to illustrate how Goffman's frontstage and backstage analogy can be useful for providing insights into sustainability disclosure. An et al. (2017) examined the sustainability reporting by a New Zealand public university from a longitudinal perspective and found that the university does not follow any reporting guidelines. Rashidfarokhi et al. (2018) investigated the content of sustainability reporting issued by the real estate sector and found that fulfilling the legislative requirement and avoiding financial or legal risks are the main reasons why companies report on sustainability. Giacomini et al. (2018) used Italian local government organizations (LGOs) to investigate if LGOs use reporting tools to promote sustainable development. They revealed that major obstacles to sustainability reporting in most Italian municipalities are cost reduction, voluntariness and low efficiency of sustainability reporting. Kurniawan (2018) described the implementation model of sustainability reporting in the village-owned enterprise and small and medium enterprises (SMEs), especially in Indonesia and found that SMEs and village-owned enterprises can contribute more to the sustainability context than other related businesses.

### 5. Discussion and conclusion

Successful companies engage assurance providers to assure their sustainability reports. Since sustainability reporting assurance is a relatively new process, "factors that affect the reliability and credibility of assurance statements need to be studied further" (Boiral, Heras-Saizarbitoria, 2020: 13). Further research on assurance providers, as well as sustainability reporting users is necessary. Exploring stakeholder expectations and their engagement in the process of assurance is worth studying. Board

member or CEO characteristics influence corporate board diversity and sustainability reporting, so future research can analyze the impact of characteristics of the board, such as the education level, personality, age, etc. What can also be analyzed is the board members' focus on particular aspects of sustainability reporting. In addition, there is a perception gap between the reporting company and its stakeholders that can influence the success of corporate communication regarding sustainability behavior of a company. Based on the presented framework problems, Cardoni et al. (2019) point out that researchers should be more concentrated on the quality characteristics of sustainability disclosure rather than on performance, as long as the level of data comparability in sustainability reporting is low. It is also necessary to discuss whether sustainability reporting frameworks are useful for providing information on companies according to various industries.

Sustainability reporting practices indicate that organizations are faced with different issues and barriers in sustainability reporting. The main reason for sustainability reporting is to fulfill the legislative requirement. On the other hand, the legal requirement has a role to play in how the size of firms will affect sustainability reporting, without neglecting SMEs that can contribute to sustainability. All of the above indicates that there are weak representations of sustainability in corporate reports. That is because sustainability is a process that has yet to find its way into sustainability reports. Although the quality of sustainability reporting is still relatively low, the legislation is affecting its increase. All segments of future impact research are welcome as the impact is a measure that is inexhaustible in the area of sustainability reporting due to a large number of variables that can be observed.

In sustainability reports, managers prepare materiality criteria using their judgment because materiality in the context of sustainability reporting implies those issues that are most relevant to stakeholders and companies. Therefore, it is important to develop an effective method for making materiality work. Stakeholders play a significant role in shaping the disclosure of materiality. Further research may study the judgment process of materiality determination from the perspective of stakeholders and managers.

This research makes three major contributions in the field of sustainability reporting. First, it contributes to the research gap by providing eight aspects that represent a trend in literature reviews of sustainability reporting. Second, the review offers insights into the topic and outlines problems and some of the challenges related thereto. Finally, it provides research opportunities for exploring sustainability reporting in future studies. Despite the contribution of this study to the literature, several limitations are worth mentioning. The analysis was conducted on a single database with three keywords, considering all papers that were conceptually solely related to sustainability reporting. One drawback of the Web of Science database in this research is that despite the set criteria, it was not possible to download all the selected papers from the database. These limitations imply recommendations for future research of this type. Future research should focus on a specific aspect of sustainability reporting and conduct an analysis of papers from other databases with multiple keywords included, i.e. all the synonyms. The search may include the years since sustainability reporting is required or multiple years may be included to gain an insight into the development of sustainability reporting.



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## ENDNOTES

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## **NAJNOVIJI TRENDVI U IZVJEŠTAVANJU O ODRŽIVOSTI: PREGLED LITERATURE I IMPLIKACIJE ZA BUDUĆA ISTRAŽIVANJA**

### **SAŽETAK**

Izveštavanje o održivosti u posljednjim je godinama postalo aktualno pitanje obzirom da više nije dovoljno iznositi tvrdnje o održivosti kompanija, nego demonstrirati njihove napore vezane uz održivost. Stoga je izveštavanje o održivosti preraslo s dobrovoljne osnove na zakonsku obvezu za neke organizacije, što govori u prilog važnosti održivog poslovanja na globalnoj razini. Ovaj rad ima za cilj pružiti širu perspektivu i teorijsku podršku za istraživanje izveštavanja o održivosti. Pregled literature koji uključuje 52 rada iz baze podataka Web of Science ukazuje na sljedećih osam aspekata koji su postavljeni kao trend u pregledima literature vezanim uz izveštavanje o održivosti: osiguranje, odbori, komunikacija, okvir, utjecaj, pokazatelji, materijalnost i prakse. U radu se ističu problemi i postavljaju izazovi povezani s izveštavanjem o održivosti i mogućnostima za istraživanje izveštavanja o održivosti u budućim radovima.

**Keywords:** izveštavanje o održivosti, održivi razvoj, društvena odgovornost