

# THE PROCESS OF SOCIAL REPORTING – AN ORIGINAL MODEL

## Introduction

Preparing a good social report is a complex and difficult process to be carried out by an enterprise. It takes a lot of time and requires financial expenses. It is however a very profitable undertaking, as it is a basic instrument for communicating the enterprise's corporate social responsibility. In order to maximise the advantages resulting from social reporting, the process should be comprehensively considered and integrated with the strategy of an enterprise. As a result of an incorrectly prepared social report, an enterprise can lose its credibility perceived by its stakeholders. The enterprise's activity in CSR-related areas can also be unsuitably presented. This can also have a negative impact on one of the basic factors conditioning the enterprise's competitiveness, which is the image of the enterprise. This article presents an author's process of social reporting, which would enable an enterprise to prepare and issue a professional social report presenting, in a tangible, credible and clear way, the activities of an enterprise in the area of corporate social responsibility.

## 1. Key success factors in the asocial reporting

In an attempt to design a social reporting process, factors conditioning success in the period under consideration should be analysed in the first instance. Research carried out by AccountAbility and KPMG company have proved that the reporting process covers the following five particularly important factors: selection of issues for the report, showing the impact of CSR activities on the enterprise governance, considering critical opinions of the stakeholders, the scope of the social report and balanced presentation of good and bad results, as well as the method of

communication<sup>1</sup>. Identification and selection of issues which are most significant from the stakeholders' point of view is one of the most important tasks to be carried out by the team preparing the report. What is important is not only the process of identification and selection of issues to be described, but also clarifying in the report the way the process have proceeded. The readers expect to learn what groups of stakeholders have been invited for consultation and the reasons of selecting particular issues. The report should highlight the relation between the results achieved by an enterprise in the area of social responsibility and its assumed strategy and objectives. Taking the critical opinions of the stakeholders into consideration proves the significance of an enterprise's dialogue with them and its effects. In the case of receiving negative information, it is necessary to define actions to be undertaken by the enterprise to change the adverse results. A social report should be published systematically to enable current analyses of the enterprise's activities in the area under consideration. The way of providing the report to the stakeholders is also important, as they should not have any problems accessing it.

P. Roszkowska however lists five basic features determining the quality of a social report. In her view it is very important to choose contents matching the profile of the enterprise and to maintain the quality features of the published information. This can be achieved by applying reporting standards and impartiality of the published information, reflected by a balance between strengths and weaknesses of the enterprise and its activity. Reporting should be consistent with the enterprise's strategy. Actions carried out for the benefit of society and the environment should be integrated within the strategy. The report should cover the description of objectives and opportunities related to the social responsibility set out by the enterprise. The report should also include actions of the entire chain of supply, clients and related entities. Stakeholders should be included in the reporting process. The last feature listed by Roszkowska is the external verification of the report<sup>2</sup>.

According to the author hereof, several key factors of success should be considered in the process of preparing a social report, which would not let the enterprise's time and outlays invested in its preparation be wasted. First of all, a social report should meet the expectations of its stakeholders. It should therefore include information on the enterprise's activity in the economic, social and environmental areas. Secondly, it should be accurate, which means that it has to present, in an impartial way, the activity of an enterprise in the listed areas, focusing on its positive and negative aspects, objectives which have and have not been attained, so that it is possible to make an appropriate assessment of its operation. Thirdly, the social report

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<sup>1</sup> *Count Me In – The readers' take on sustainability reporting*, SustainAbility, KPMG, 2008.

<sup>2</sup> P. Roszkowska, *Rewolucja w raportowaniu biznesowym. Interesariusze, konkurencyjność, społeczna odpowiedzialność*, Difin, Warszawa 2011, p. 168.

should be reliable. The information provided should be able to be confirmed by reality. That is why the process of its internal and external verification is so important. Fourthly, the report should be complete. It cannot disregard any information that could influence the stakeholders' decisions or that could be the basis for their evaluation, or that reflects significant economic and social impacts or influences the environment. Fifthly, the stakeholders should be able to compare the enterprise's results with previous ones and with the results of other enterprises. In other words, it has to ensure comparability. Finally, the report should be published at a proper time, so that information it provides is up-to-date. To ensure the comparability of information, it should be published at regular time intervals.

## 2. Models of the social reporting process

The process of drawing up a social report should be systematised. That is why model social reporting processes have been created to streamline the preparation of social reports. They were established as result of cooperation of theoreticians working on the issue of corporate social responsibility and the representatives of economic practice<sup>3</sup>. One of these models is a model consisting of five stages: drawing up the concept, planning the reporting process, preparation of the contents, distribution of the report and, finally, a summary and an analysis of the feedback<sup>4</sup>. At each stage of a social report preparation the questions provided in table 1 should be answered.

While preparing the concept the objective of the report should be clearly defined and advantages connected with its publication should be considered. Identifying the stakeholder groups and establishing standards and guidelines to be applied in the reporting process is also very important. An enterprise also has to establish the way of publishing the report. This method recommends also an analysis of its competitors' reports in respect of their strengths and weaknesses. At the stage of planning the reporting process, the key issues related to the report preparation should be established. They include appointing a person responsible for preparing the report, the method of obtaining the data to be used in the report and the method of verification of the data and external verification of the report. The next stage involves the preparation of the structure of the report and description of the gathered information concerning the key issues that should be included in the report. This stage involves

<sup>3</sup> The description of the social reporting process can be found, among others, in the following publications: *Sustainable development reporting – Striking the balance*, World Business Council for Sustainable Development; *Directions in Environmental and CSR Reporting 2000/01*, Salterbaxter and Environmental Context; *Sustainability: a guide to triple bottom line reporting*, Business Council of Australia.

<sup>4</sup> CSR Consulting based on: *Sustainable development reporting – Striking the balance*, World Business Council for Sustainable Development, in: M. Greszata, *Raportowanie społeczne: niedoceniony element zarządzania CSR*, Harvard Business Review Polska, dodatek "Odpowiedzialny Biznes" 2009, p. 37.

also an external verification of the report. The fourth stage covers the distribution of the report. The recipients of the report should be determined, as well as the form of publication and the distribution channels. The most important task of the last stage is to determine the method of obtaining feedback from the stakeholders and the way it should be used to improve the reporting method in the future.

Table 1. Reporting process – areas of interest

Stages of the social reporting process	Questions
Preparation of the concept	<ul style="list-style-type: none"> <li>What is the objective of the social report?</li> <li>What results are to be achieved by the enterprise by preparing the social report?</li> <li>What stakeholder groups will be the recipients of the report?</li> <li>What will be the best way of publishing the report?</li> <li>What standards and guidelines will be used by the enterprise?</li> <li>What stakeholder groups does the enterprise intend to engage in the reporting process and how?</li> <li>What do the reports of the competitors look like? What are their strengths and weaknesses?</li> </ul>
Planning the reporting process	<ul style="list-style-type: none"> <li>Who will be responsible for the report preparation process?</li> <li>Will the enterprise use external services? If yes – to what extent?</li> <li>What is the key message of the report?</li> <li>What data will be obtained for the report and in what way?</li> <li>How will the data verification process be carried out?</li> <li>How will the process of external verification of the report be carried out?</li> </ul>
Drawing up the contents	<ul style="list-style-type: none"> <li>What should the structure of the report look like?</li> <li>What do the enterprise's stakeholders expect?</li> <li>What are the key issues?</li> <li>How to describe and present the collected information?</li> <li>What are the results of external verification of the report?</li> </ul>
Distribution of the report	<ul style="list-style-type: none"> <li>Who should the report be directed to?</li> <li>How should the publication of the report be announced?</li> <li>How should the process of distribution among the key stakeholders be organised?</li> </ul>
Summary and analysis of feedback	<ul style="list-style-type: none"> <li>What will be the method of gathering feedback on the report?</li> <li>How should the feedback be used to improve the reporting process in the future?</li> </ul>

Source: Own study based on: M. Greszata, *Raportowanie...*, op.cit., p. 39.

Some authors distinguish four steps of the social reporting process: planning, targeting the reporting process, implementation of the reporting strategy and the report publication<sup>5</sup>. The planning process covers obtaining knowledge on the habits

<sup>5</sup> Based on: *Sustainability: A guide to Triple Bottom Line Reporting*, Group of 100 Inc. 2004, pp. 23–24; *Overview of Business and Corporate Accountability*, Business for Social Responsibility, www.bsr.org, 08.10.2011.

and trends of social reporting applied in a given sector at an industry, national and international level. The presumptions and objectives of an extended reporting policy should also be established, taking into account the fact that they can evolve along with changes taking place at an enterprise. The most important internal and external stakeholders should be identified, as well as key economic, social and environmental factors by which the enterprise affects its surrounding. It is also important to define the financial needs and the necessary input related to the reporting process, and to win the support of the management staff. Targeting the reporting process covers involving the representatives of the most important stakeholder groups and a common identification of mutual expectations by including the stakeholders in the report preparation process, as well as an assessment of current possibilities of reaching the report objectives. The existing disadvantages and barriers limiting the possibilities to prepare the report should also be determined. At this stage it is important to draw up a reporting strategy and to establish key indicators for the evaluation and presentation of the enterprise's activities in the scope of corporate social responsibility. The next task is to determine the form and contents of the report. An application of the reporting strategy covers the implementation of the strategy and the establishment of dependencies between the social and financial reporting. The report publication stage involves the following tasks: preparing the draft report, internal control of the report form and contents, internal report verification, providing the report to the stakeholders using various communication techniques in order to ensure its broad accessibility, gathering and an analysis of the feedback from the stakeholders, and finally continuous improvement of reporting and communication methods, taking into account the stakeholders' comments and opinions.

According to P. Roszkowska, the social reporting process consists of ten steps described in the table below.

Table 2. Steps in the preparation of a corporate social responsibility report

Before publication	After publication
<ol style="list-style-type: none"> <li>1. Considering the reasons for preparing social reports.</li> <li>2. Identification of key stakeholder groups.</li> <li>3. Identification of key subjects and issues.</li> <li>4. Planning and developing objectives and actions of corporate social responsibility.</li> <li>5. Selection and development of key measurement indicators.</li> <li>6. Measurement and evaluation of the results.</li> <li>7. Improvement of the effectiveness and usefulness of communication.</li> </ol>	<ol style="list-style-type: none"> <li>8. Ensuring feedback from particular stakeholder groups.</li> <li>9. Managing the obtained feedback and formulating recommendations on its basis.</li> <li>10. Implementation of the system of monitoring and control of actions carried out in the area of corporate social responsibility.</li> </ol>

Source: P. Roszkowska, *Rewolucja...*, op.cit., p. 161.

The element that distinguishes the social reporting process proposed by P. Roszkowska from other processes is the division into two phases. The first one covers stages of the report preparation. The second one covers the stages that should be implemented after the report publication. At the first stage, Roszkowska suggests defining the objective of the social report preparation and publication and analysing the potential opportunities and risks connected with its publication, and subsequently confronting the advantages with the costs of reporting. This analysis should confirm the arguments for or against the preparation and publication of the social report. At the second stage, basic stakeholder groups should be identified and their information needs should be defined. It is important to establish which groups are the most affected by the enterprise. The stakeholders should be mapped and systematised. At the third stage the enterprise should analyse which aspects of its activities are important from the perspective of the enterprise itself and that of its stakeholders. Issues of key importance for the implementation of the corporate social responsibility idea should be selected and it should be indicated how they affect the enterprise's activity. Subsequently the scope of the report should be considered, i.e. what fields of activity, entities and organisational units should be covered by it. Roszkowska also recommends carrying out a review of the competitors' reports and analysing the trends and the profile of the industry. The fourth stage consists of planning the objectives and actions of the enterprise in the area of corporate social responsibility that should be closely integrated with its strategy. The social report should show the long-term involvement of the enterprise in the social and environmental activities. At the fifth stage, relevant indicators describing the enterprise's activities in the economic, social and environmental spheres should be established. The sixth stage involves the development of the system of gathering information helpful in preparing the social report, a measurement of the current situation of the enterprise's activity in the area of social responsibility and finally, an evaluation of the measurement results. The seventh stage covers a verification of the social report by an independent internal entity and a publication of the report in the form and in the moment most appropriate for the enterprise and the stakeholders' requirements. At this stage the report should also be distributed among the stakeholders. Obtaining feedback on the report, an evaluation of the actions undertaken by the enterprise as well as suggestions of changes should be the next stage of social reporting. The ninth stage covers an analysis of the feedback obtained from stakeholders and formulating relevant recommendations on its basis, concerning the implementation of corporate social responsibility. The last stage is the consequence of the sixth stage. It consists in controlling the implementation of sustainable development tasks, monitoring and publishing the results in the next reports<sup>6</sup>.

<sup>6</sup> P. Roszkowska, *Rewolucja...*, op.cit., pp. 161–167.

Pursuant to the AA1000 standard, a model process should lead to the preparation, publication and verification of the enterprise's social report. It consists of twelve following stages: establishing an audit commitment and governance procedures, an identification of stakeholders significant for particular tasks, defining and verifying the mission and values of the organisation, identifying material issues in the dialogue with the stakeholders, determining the scope of the report, identifying indicators and methods of measurement, collecting information, the data and evaluations provided by the stakeholders, analysing this information and setting methods for the improvement of the results, preparing the method of presentation and preparing the report, providing the report and audit, obtaining feedback, establishing procedures for embedding the results and their improvement system<sup>7</sup>. The process described above is based on the cooperation with the enterprise's stakeholders at each stage. As a matter of fact, it is the only international standard focusing on the need to involve the stakeholders in the social reporting process. It provides for mutual communication between the enterprise and its stakeholders. That is why it is so important to determine stakeholder groups with whom material issues should be agreed, which should further be published in the report. On the basis of dialogue with the stakeholders the scope and method of preparing the report should be determined, as well as indicators and their measurement methods that will be applied in the report. Collecting information, data and evaluations provided by the stakeholders is the key step of this process. The collected information should be analysed and the ways of improvement of the results should be considered. From the stakeholders' perspective, an independent audit of the prepared report is an important step. The AA 1000AS standard specifies the process of verification of the social report by an independent auditor. Overarching principles to be followed by the auditors are the principles of Materiality, Completeness and Responsiveness<sup>8</sup>. The principle of completeness makes sure that the report covers information concerning all actions of a given enterprise and their implications. Pursuant to the principle of materiality, the auditor is obliged to evaluate whether an enterprise has included sufficient and up-to-date information on its activities in the report, which would enable the stakeholders to understand and assess the enterprise. The principle of responsiveness obligates the auditor to provide an opinion, whether the enterprise had considered and responded to the expectations of its stakeholders, and whether it included its response to the stakeholders in the report using relevant indicators or declarations. The AA1000AS standard recommends preparing a report on the social report verification. The next important stage of the discussed process is ensuring access to the

<sup>7</sup> P. Wallage, *Assurance on sustainability reporting: An auditor's view*, „Auditing: A Journal of Practice & Theory” 2000, Vol. 19, Supplement, p. 56.

<sup>8</sup> N. Dando, T. Swift, *Transparency and assurance: Minding the credibility gap*, „Journal of Business Ethics” 2003, No. 44, p. 199.



social report and audit for the stakeholders and obtaining feedback from them. The social report preparation process should be improved on the basis of this information. Establishing procedures for embedding the results and their improvement system is the last step of the social reporting process described in the AA1000 standard.

The analysis of social reporting processes described above indicates that certain steps repeat in each process. One of the repeating steps is the step related to the identification of the stakeholders. It is very important because stakeholders are the main recipients of social reports and their expectations should be met. Another step, being a part of all the social reporting processes, is the planning of the reporting process, i.e. establishing who is to be responsible for the preparation of the report and what it should contain, as well as what should be the way of obtaining and presenting information. The next step is about preparing the contents of the report. It is connected with obtaining and processing information, agreeing on the structure of the report and preparing it for publication. Another important step is providing the report for external verification, as a result of which the information it contains become more reliable for the stakeholders. The last of the steps common for the processes referred to above is the report publication and obtaining feedback from the stakeholders, on the basis of which the reporting process should be constantly improved. The presented social reporting processes often cover steps not related to preparation and publication of social reports. Such a step is, for example, the stage of planning and developing the enterprise's social responsibility actions or implementing the system of monitoring and controlling social responsibility actions, proposed by P. Roszkowska.

### 3. Author's model of the social reporting process

On the basis of the reference literature, the author hereof has developed his own social reporting process. According to him, the reporting process should consist of the following steps: initiating the reporting process, preparation of the reporting process, developing the social report, evaluation of the social report, publication of the social report, completion of the social reporting process. The author matched the listed steps with specific tasks presented in table 3.

The first step is the analysis of social reporting needs carried out by the enterprise management and subsequently a formulation of objectives related to the preparation of the social report. A specific definition of the objectives allows for drawing up a good quality report and an analysis of benefits and losses connected with social reporting. As a result, an enterprise can make conscious decisions on the preparation and publication of the reports. That is why formulating the initiative of preparing a social report should focus mainly on the substantiation of the need to undertake this process. If objectives are to be the starting point for preparing the social report,



they have to be precisely described and achievable for people preparing the report, they have to be related to the enterprise's social responsibility objectives and measurable, so that the evaluation of their achievement rate is possible. When establishing the objectives related to the social reporting process, a technique of objective tree can be applied which shows the dependency between the general objective of the process and specific objectives and individual tasks.

Table 3. Author's model of the social reporting process

Steps of the social reporting process	Tasks
Initiation	<ol style="list-style-type: none"> <li>1. Determining the objectives of the social report</li> <li>2. Winning the employees' support for the preparation and publication of the social report.</li> <li>3. Appointing a person responsible for the preparation and publication of the social report.</li> <li>4. Identification of key stakeholder groups.</li> <li>5. Planning the dialogue with the key stakeholder groups.</li> </ol>
Preparation	<ol style="list-style-type: none"> <li>1. Analysis of the social reports prepared by competitors.</li> <li>2. Establishing expectations of key stakeholder groups.</li> <li>3. Selection of standards and guidelines according to which the social report will be prepared.</li> <li>4. Establishing issues to be presented in the social report.</li> <li>5. Establishing the way of obtaining data for the social report.</li> <li>6. Establishing the form of the social report.</li> <li>7. Establishing the procedure of internal and external verification of the social report.</li> <li>8. Establishing the recipients of the social report.</li> <li>9. Establishing the distribution method of the social report.</li> <li>10. Establishing the way of obtaining feedback from the stakeholders.</li> <li>11. Establishing necessary input connected with the preparation and distribution of the social report.</li> </ol>
Development	<ol style="list-style-type: none"> <li>1. Development of the structure of the social report.</li> <li>2. Collecting information necessary for the report development.</li> <li>3. Description of issues related to the social responsibility.</li> </ol>
Evaluation	<ol style="list-style-type: none"> <li>1. Internal verification of the social report.</li> <li>2. Making possible changes in the social report.</li> <li>3. External verification of the social report.</li> <li>4. Making possible changes in the social report.</li> </ol>
Publication	<ol style="list-style-type: none"> <li>1. Publication of the social report.</li> <li>2. Distribution of the social report among stakeholders.</li> </ol>
Completion	<ol style="list-style-type: none"> <li>1. Obtaining feedback from the stakeholders concerning the social report.</li> <li>2. Stakeholders' feedback analysis.</li> <li>3. Formulating conclusions on the preparation and publication of social reports in the future.</li> </ol>

Source: own study.

Another important task of this step is winning the employees' support for social reporting. Preparing a social report requires considerable involvement of the employees. A particularly important factor conditioning successful implementation of social reporting at an enterprise is absolute involvement and support of the management staff for this idea<sup>9</sup>. The management staff should promote the concept of social reporting among other employees. Without the involvement of the other employees in the discussed process, preparing a good report requiring information from various fields of the enterprise's operation is not possible. It is very important to ensure open communication with the employees, who should receive an unbiased presentation of advantages and risks of social reporting. It is obvious that this will require extra work from them. The success depends on whether the employees are determined to understand and accept the social reporting process actions, whether they are listened to and their views are taken into account to the greatest possible extent. The employees' support for the idea of social reporting is closely connected with their knowledge on this issue. That is why it is worth including training on Corporate Social Responsibility and social reporting in the enterprise's training system.

The preparation and publication of the social report should be the responsibility of one person appointed by the enterprise management. Appointing such a person is the next important task within the step of social reporting process initiation. Considering the need to obtain information from various fields of the enterprise's activity, the position of such a person in the organisational hierarchy should be strategic. A situation where the employee is directly subordinate to the chief manager of the enterprise or his/her deputy and is responsible for comprehensive implementation of tasks related to the corporate social responsibility, is the best solution. Today many enterprises employ CSR managers, whose task, among others, is to prepare, in cooperation with other employees, a social report.

Another important task is to identify key stakeholder groups that can affect the operation of the enterprise and are interested in its activities. While identifying their stakeholders, enterprises should apply basic social reporting standards. For example, the ISO 26000 standard not only includes stakeholders in the definition of social responsibility, but also considers taking their requirements into account as one of the seven basic principles of social responsibility. ISO 26000 therefore highlights the significance of identification and engagement of stakeholders and presents it as one of the two fundamental practices of social responsibility. Reporting in accordance with the GRI standard requires an appropriately documented process of engaging stakeholders in the reporting process. An analysis of stakeholder groups should be carried out, which should cover their identification, determining their significance

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<sup>9</sup> P. Hoyte, *Beyond GAAP: Corporate Sustainability Reporting (CSR) and the Triple Bottom Line*, [www.climatechangeinstitute.com](http://www.climatechangeinstitute.com), [26.04.2012].

and impact on the enterprise as well as their open and hidden objectives. Among all the stakeholder groups, the most important would be those with the greatest significance and impact on the enterprise.

The last task of this step of the social reporting process is to plan the method of dialogue with the stakeholders. Stakeholder engagement implies certain forms and methods of building relations with the stakeholders as a result of which the enterprise is able to identify their expectations and simultaneously involve them in its processes<sup>10</sup>. The most common ways of communication with the stakeholders are electronic means such as the Internet, Intranet, the enterprise's website and more active tools of dialogue with stakeholders such as: meetings with particular stakeholder groups or stakeholder panels, the significance of which is growing. They match the functions of an experts' panel with the stakeholders' dialogue. They can be attended by representatives of the key stakeholder groups and experts allowing the enterprise to evaluate its decisions and to embed their activities in a broader social and economic context. Their advantage is a short time of response and low cost, compared to a broad process of dialogue with stakeholders. Such a form requires an appropriate selection of the panel participants, ensuring its independence and a high level of trust between the enterprise and the panel. This way of carrying out a dialogue with stakeholders should not replace other methods. It is a complementary means to the broad dialogue with stakeholders<sup>11</sup>. Planning a dialogue with stakeholders should start from an analysis of the forms of dialogue applied so far and their effectiveness, as well as an analysis of best practices in stakeholder dialogue. Next, particular stakeholder groups should be associated with certain forms of communication. Each enterprise has to establish what dialogue tools would be most effective for particular stakeholders.

The step of preparation of the social reporting process starts with an analysis of social reports made by competitors. It is worth knowing what information they include in their reports, what their structure is, what their reporting process looks like. This information is very useful in implementing further tasks related to this process. It allows for improvement of the social reporting process in an enterprise.

The next task within this step is to establish the expectations of key stakeholder groups. Stakeholder engagement should be carried out in accordance with the AA1000ES standard which precisely defines the way this process should proceed. The starting point is to regard the inclusivity principle as the basis of action. Next, an enterprise should define the objective of stakeholder engagement and subsequently prepare an action plan that should cover defining the profile of particular stakeholders

<sup>10</sup> L. Anam, *Zaangażowanie interesariuszy fundamentalną praktyką CSR, Standardy AA 1000. Narzędzie społecznej odpowiedzialności organizacji*, pp. 7–9, [www.odpowiedzialnybiznes.pl](http://www.odpowiedzialnybiznes.pl), [15.07.2011].

<sup>11</sup> L. Anam, *Zaangażowanie...*, op.cit., pp. 9–10.

and assigning them relevant priorities, as well as a choice of the way of engagement and a schedule of actions<sup>12</sup>. The stakeholders' expectations are established during a four-part dialogue with them: planning the dialogue, preparing a meeting, holding the meeting and formulating conclusions from the meeting, i.e. specifying the stakeholders' expectations. The way the process is carried out conditions the results of the dialogue. The enterprise's openness to conclusions stemming from the dialogue is significant. The person responsible for the dialogue with the stakeholders is also important. It should be a person who is well fixed in the enterprise's organisational hierarchy. Various standards are helpful in preparing social reports. An enterprise has to choose the standards to be applied for preparing the report. In my opinion, three standards should be used as guidelines: ISO 26000, AA1000, GRI<sup>13</sup>. These are international standards. They are universal. Applying these three standards will allow for a preparation of a report of a very good quality and high reliability, containing all the necessary information for the stakeholders. The possibility to compare a report prepared according to these standards with reports of other enterprises is an advantage.

The next task is to determine what elements of the corporate social responsibility strategy should be presented in the social report. A social report should not be a document containing all the available data concerning economic, social and environmental issues. Consequently, it should be ensured that the information presented there is reliable and transparent. When selecting information to be included in the report, four following GRI principles should be complied with: Materiality, Stakeholder Inclusiveness, Sustainability Context, and Completeness<sup>14</sup>. The document should contain information important from the point of view of the enterprise's influence on the economy, society and environment, as well as information providing a basis for the stakeholders' decisions. Under the process of identification of material issues in the reporting process, a materiality matrix can be applied. First, a list of issues material from the enterprise's and its stakeholders' perspective should be created. Next, each issue is evaluated according to two criteria: significance for the stakeholders and significance for the enterprise, expressed on a 1-to-10 scale<sup>15</sup>.

When determining the influence of social responsibility actions on the management processes, the influence of each described issue on business activity should be indicated and subsequently the enterprise's policy in this scope should be specified as well as how the enterprise manages and includes specific social responsibility

<sup>12</sup> AA1000 Stakeholder Engagement Standard Revision Process, AccountAbility, [www.accountabilityaa1000wki.net](http://www.accountabilityaa1000wki.net), 21.05.2012.

<sup>13</sup> ISO/WD 2600 Guidance on Social Responsibility, Standard AA 1000, [www.AA100.pl](http://www.AA100.pl), [11.09.2011]; Sustainability Reporting Guidelines (GRI), [www.globalreporting.org](http://www.globalreporting.org), [11.09.2011].

<sup>14</sup> Sustainability Guidelines. The Global Reporting Initiative, Amsterdam 2006, [www.globalreporting.org](http://www.globalreporting.org), [11.09.2011].

<sup>15</sup> BT's 2007 Sustainability Report, in: M. Greszata, *Raportowanie...*, op.cit., p. 41.

issues in business practice. Each issue should be described in a relevant way according to the following model: we promised, we did it and we will do it in the future. Such a way of presenting the undertaken actions gives the possibility to track real progress of results achieved by the enterprise in all the fields defined by it as key areas<sup>16</sup>. It is important for the reports to provide up-to-date data and objectives, plans and obligations of the enterprise for the next years. Social reports have to present critical attitude to the enterprise's actions. The reports should also identify the enterprise's weaknesses within its activities and possible solutions. The best way is to present in a consistent way the progress in achieving the set objectives and to explain why some objectives have not been achieved, as well as what is planned to be done in the future to achieve them. In order to increase the level of the report's reliability, it should contain statements of the stakeholders on the presented issues.

Information used in the social report comes from various organisational units of the enterprise. It is therefore advisable to build a system for obtaining this information, which could be called the System of Social Responsibility Information. Such a system consists of the following elements: obtaining information, processing information, storing information, providing information and protecting information. The first element of the system is to establish information needs for the purposes of social reporting. Each issue to be presented in the report should be linked with information necessary for its description. Next, the source from which the information would be obtained should be established. Information processing consists in assessing whether it is reliable and useful from the point of view of social reporting. Subsequently, the information is analysed and relevant conclusions are formulated. It is also important to provide them in an appropriate form, so that they can be used directly for preparing a social report. The processed information should be stored in a way preventing its loss. It is often collected in the form of data bases that will be further used for report preparation. When the report is prepared, the problem of providing information in due time becomes important. That is why information provision is a significant part of the System of Social Responsibility Information. A well organised exchange of information is the condition of smooth provision of information within the enterprise. Information stored under the System has to be properly protected so that it cannot become a source of knowledge about the enterprise for its competitors. The information should be protected, but it should be done in a reasonable way, so that its protection does not require considerable costs from the budget designated to the social reporting process.

The next task is to choose an appropriate form of providing information on the enterprise's CSR activity. The most common form of providing the discussed information is an annual report for shareholders or an independent publication. Quite

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<sup>16</sup> M. Greszata, *Raportowanie...*, op.cit, p. 41.

often the way of providing this information is not formal. The information is neither presented in an annual report nor in a social report. Enterprises can also choose another channel of communicating the information, for example by their websites, where certain data on social responsibility are placed. One advantage of an annual report is presenting the image of the enterprise's activities in a comprehensive way. Not all stakeholders are however interested in financial matters of the enterprise broadly discussed in an annual report, which is mainly focused on this type of issues. Too much financial information can often result in a sketchy way of presentation of other information. These are the most important disadvantages of publishing social responsibility issues in an annual report. Informal channels of communication of the discussed information do not present the enterprise's social responsibility activities in a comprehensive way, and consequently the image of the enterprise's activities can be deformed. Information from the three areas: economic, social and environmental, should not be analysed independently of each other. Unfortunately, it is often intentionally done by enterprises. Stakeholders can also have difficulties in finding useful information. The author hereof claims that the best solution is to prepare separate social reports. As a result, stakeholders receive useful information which is a good basis for the desired analyses. Well prepared social reports meet in 100% the expectations of each group of stakeholders, who are not forced to look for useful information in other sources. Such a method of publication is advantageous from the point of view of an enterprise, which presents a comprehensive image of its activities in one document and controls the way of providing this information.

The next step is to establish the procedure of internal and external verification of the social report. A person or an organisational unit should be appointed to carry out internal verification of information covered by the social report. To reduce the costs of social reporting it is reasonable to assign the task of internal verification to an internal control unit. Information covered by the social report should also be verified by an external entity. An external auditor should have relevant competences. It is confirmed by the 2008 report by KPMG and SustainAbility entitled *Count Me In – The readers' take on sustainability reporting* which proves that what is important is not only the verification of the social report, but also the fact that it is done by a professional consulting company. The report indicates also that the experts' opinions are highly valued, while the opinions of stakeholders are slightly less appreciated by the respondents. The respondents covered by the survey declared that in the audit process the verification procedures were of key significance. The image of the auditing company is also a very important factor<sup>17</sup>. The form of the external audit should also be established.

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<sup>17</sup> *Count Me In – The readers' take on sustainability reporting*, op.cit.

The next tasks to be performed within the preparation step is to decide who should receive the social report and how it should be distributed. All the stakeholder groups should receive the social report. Consequently, it should be commonly available. The best solution is to print the social report, provide it to key stakeholder groups and place it in a noticeable place on the enterprise's website, which makes it available for the remaining stakeholder groups. Another solution can also be applied, i.e. printing a summary of the report and placing its full version on the enterprise's website.

It is important to establish the way of obtaining feedback from the stakeholders. It would be advisable to launch an application on the enterprise's website that would allow for providing information by the stakeholders. Setting up a panel discussion for the representatives of key stakeholder groups after the publication of the social report is a good solution.

The last task of this step is to draw up a budget for the preparation and publication of the social report.

The next step of the social reporting process is the development of the structure of the social report. According to the GRI standard, the social report should consist of the following parts:

1. Vision and strategy – description of the enterprise in relation to social responsibility.
2. Profile – presenting the profile of activities and the description of the published report (information on the methodology of the report preparation).
3. Structure and governance – presenting the organisational structure and governance in relation to social responsibility, presenting specific objectives to be reached and stating which employee is responsible for their attainment.
4. Indicator of compliance of the contents with GRI guidelines – a table presenting where the information required by GRI can be found in the report.
5. Results indicators – evaluation of the results of activities of the reporting enterprise carried out in several respects:
  - a) economic (EC – direct economic impact),
  - b) environmental (EN – environmental impact),
  - c) social.

A good social report presents a compacted image of the enterprise governance and provides results of a responsible business activity. It should also define the reporting period, include statements on the policy, objectives, strategy and results reviews, allowing for their comparison in the coming years.

The next two tasks are to collect information necessary to prepare the report and to describe issues to be presented therein. The information should be taken from the System of Social Responsibility Information. The issues should be described in a transparent and comprehensive way. Indicators should be interpreted. Numerical data should be presented in charts. To illustrate the presented issues in a better



way it is advisable to use an appropriate number of pictures. However, the social report cannot consist only of illustrations.

The next step covers internal and external verification of the social report and an introduction of possible changes. It is advisable to carry out an external audit in accordance with the AA1000AS standard. The external audit process compliant with this standard includes planning the verification measures, the performance of the verification measures, reporting to an assurance provider<sup>18</sup>. The organisation verifying the social report should plan the verification measure in a way that enables its effective performance. Planning requires a transparent strategy of collecting evidence and its evaluation within an agreed scope. Proper planning ensures a comprehensive, complete and balanced verification process. During the verification activities, the verifying organisation should evaluate and present its findings and conclusions about the nature and compliance of the enterprise's activities with the AA1000 AccountAbility Principles Standard. It should refer to criteria provided for by the AA1000PS Standard. As a result of the verification, the organisation responsible for the internal audit is obliged to publish a statement on the performed verification, containing its findings, conclusions and recommendations. All the restrictions of the scope of the disclosed data or the very verification measures should be included in the statement. The internal verification organisation should also prepare a report for the enterprise management staff, if it has been agreed between the parties. This report should not include findings that would considerably differ from those included in the public statement. Principles defined in the AA1000AS standard can be successfully applied by internal auditors.

When the information included in the social report is verified, it should be published. The next important step is the completion of the social reporting process, which covers obtaining feedback from the stakeholders, an analysis of this information and formulating conclusions concerning this process in the future.

## Recapitulation

The process of social reporting should be carried out in accordance with the described procedure. As a result, the prepared social report will meet the challenges connected with the development of such a document. The stakeholders will have an easy access to information on the enterprise's activities in the area of social responsibility. Implementation of all the tasks connected with all the steps of the social reporting process guarantees a good quality of the social report. An important element of the social reporting process is defining the objective of the report preparation and the

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<sup>18</sup> *Standard AA 1000. Weryfikacja 2008*, AccountAbility, 2008 (English edition: *AA1000 Assurance-Standard 2008*).

expected effects. Their realisation will make it possible to prepare a reliable social report. A clear specification of the objectives will also contribute to greater involvement of employees in the process, without which the development of the report is not possible as it requires cooperation of employees working in various organisational units. Dialogue with stakeholders plays a key role in the social reporting process, because it allows for the exchange of material information between them and the enterprise, and for building mutual trust and growth of consciousness of its participants. By means of dialogue with stakeholders the enterprise can learn more about their expectations which should be a basis for the social report development. Determining the standards according to which the report will be prepared and what issues it will address is one of the priority tasks of the social reporting process. The author hereof recommends social reporting in accordance with the three basic standards: ISO 26000, AA1000 and GRI, which allow for a comprehensive and impartial presentation of the enterprise as a socially responsible company. It should be thoroughly thought over what issues concerning the economic, social and environmental area should be included in the report so as not to make it too detailed and thus not clear enough, or too general and thus not useful for the stakeholders. When selecting issues and information the following principles should be followed: materiality, stakeholder inclusiveness, sustainability context and completeness. The information included in the report should be systematically collected in the System of Social Responsibility Information. An integral part of the reporting process is obtaining feedback from the stakeholders and its analysis. It allows the enterprise to continuously improve the process. The social reporting process should be well structured, which will guarantee that it is performed in an efficient way and that it ends with a desirable result, i.e. the development and publication of a social report in a proper time and within the allocated budget. This process should be a responsibility of one appointed employee who would be comprehensively responsible for the company's social responsibility policy.

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## THE PROCESS OF SOCIAL REPORTING – AN ORIGINAL MODEL

### Abstract

For a business to prepare social report well is a complex and difficult process. It takes a lot of time and requires considerable financial outlays. Nonetheless is rewarding because it is the basic tool to communicate with an environment and present its social responsibility. To fully maximize benefits from social reporting this process has to have well-thought-out strategy and to be integrated with business strategy. If social report process is well structuralized, it guarantees that the process will run smoothly and bring desired results. This article presents original model of social reporting ensuring effective communication of the enterprise with environment regarding corporate social responsibility. Accomplishment of all tasks according to each stage of social reporting process presented in original model guarantee that the social report will be useful for their stakeholders.

**KEY WORDS: CORPORATE SOCIAL RESPONSIBILITY, SOCIAL REPORT, SOCIAL REPORTING, STAKEHOLDERS, REPORTING STANDARDS**

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## PROCES RAPORTOWANIA SPOŁECZNEGO – MODEL AUTORSKI

### Streszczenie

Przygotowanie dobrego raportu społecznego jest złożonym i trudnym procesem. Pochłania dużo czasu i wymaga poniesienia nakładów finansowych. Mimo to jest przedsięwzięciem bardzo opłacalnym, ponieważ raport ten jest podstawowym narzędziem komunikowania otoczeniu przez przedsiębiorstwo jego społecznej odpowiedzialności. Chcąc maksymalizować korzyści wynikające z raportowania społecznego, proces ten powinien być w pełni przemyślany i zintegrowany ze strategią przedsiębiorstwa. Proces raportowania społecznego powinien być procesem dobrze ustrukturyzowanym, co zagwarantuje, że będzie on przebiegał sprawnie i zakończy się pożądanym rezultatem. W artykule przedstawiono autorski model procesu raportowania społecznego, który zapewnia skuteczną komunikację przedsiębiorstwa z otoczeniem dotyczącą społecznej odpowiedzialności biznesu. Realizacja wszystkich zadań zgodnie z poszczególnymi etapami procesu raportowania społecznego wymienionymi w modelu autorskim zagwarantuje, że raport ten będzie przydatny dla jego interesariuszy.

**SŁOWA KLUCZOWE: SPOŁECZNA ODPOWIEDZIALNOŚĆ BIZNESU, RAPORT SPOŁECZNY, RAPORTOWANIE SPOŁECZNE, INTERESARIUSZE, STANDARDY RAPORTOWANIA**