

Sustainable Development and Corporate Social Responsibility: Linking Goals to Standards

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Abstract

Corporate social responsibility (CSR) is the core of sustainable development of companies. On one hand, the corporate social responsibility of companies is a prerequisite for sustainable business, on the other - sustainable development sets specific requirements for the development of businesses in the context of increasing requirements to the degree of quality and reliability of financial information. In recent years, sustainable development has become a strategic issue for companies and this trend applies to Bulgarian companies too. Development of non-financial reporting is a very dynamic process, whose peak is the establishment of an integrated system of accountability. Current paper makes analyses of advantages of CSR linking it to the implementation of sustainable development goals through the integrated reporting following the requirements of the standards of the Global Reporting Initiative (GRI).

Key words: corporate social responsibility (CSR), sustainable development, global reporting initiative (GRI).

INTRODUCTION

On 25 September, 2015 a set of goals was adopted to end poverty, protect the planet, and ensure prosperity for all as part of a new sustainable development agenda². The goals have 169 specific targets to be achieved over the next 15 years. The UN General Assembly resolution “Transforming our world: the 2030 Agenda for Sustainable

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² 17 goals to transform our world: <http://www.un.org/sustainabledevelopment/sustainable-development-goals/>.

Development”³ is “*a plan of action for people, planet and prosperity*”. The goals are considered in terms of people, planet, prosperity, peace and partnership. In order the goals to be reached governments, private sector, civil society and citizens should be actively involved. All this implies the question of responsibility on different levels.

There are many different views, definitions and conceptual approaches to the identification of corporate social responsibility (Zahariev, 2014). The first group opinions approaches the concept applying the principles of sustainable development, which respects the balance between economic growth, social development and environmental protection. The second focuses on the strategic importance of the phenomenon, as it connects with the behavior of the company in the social and the business environment through which she gained competitive advantages. The third examines CSR as a standard of performance that defines ways of interaction and communication of the company with separate groups of subjects.

CSR is an element of the European strategy for sustainable development⁴. Very often the economic literature considers sustainable development and corporate responsibility as both part of the same coin. The reason is that both sustainable development and corporate social responsibility predispose that the business should follow not only economic but also social and ecological goals in its development.

Corporate social responsibility refers to companies „*voluntarily going beyond what the law requires to achieve social and environmental objectives during the course of their daily business activities*“⁵. It covers a range of areas: Europe 2020 (especially new skills and jobs, youth, local development); business and human rights; CSR reporting and socially responsible public procurement. The European Commission encourages companies to apply fair employment practices that respect human rights.

Being integrated in the organizations at all the levels and expressed by their inner and outer interactions and relations, it considers the expectations of all the parties and is in correspondence to the legislation concerning social and ecological issues and relevant international norms in the implementation of socially responsible initiatives (Nikolova and Yordanova, 2014).

³ Resolution adopted by the General Assembly on 25 September 2015 [without reference to a Main Committee (A/70/L.1)] 70/1. Transforming our world: the 2030 Agenda for Sustainable Development: http://www.un.org/ga/search/view_doc.asp?symbol=A/RES/70/1&Lang=E/.

⁴ Europe 2020: http://ec.europa.eu/europe2020/index_en.htm/.

⁵ Corporate Social Responsibility (CSR) in the EU: <http://ec.europa.eu/social/main.jsp?catId=331&langId=en/>.

In last few decades CSR has been developing from a narrow and often marginalized notion into a complex and multilateral concept (Cochran, 2007). Corporate social responsibility (CSR) and corporate social irresponsibility (CSI) are determined as key tasks which could lead to development of a number of international policies encouraging CSR and discouraging CSI (Windsor, 2013).

The concept of sustainable development gives a new way of thinking and management of the human impacts – creating more durable positive results for bigger benefits for human societies – common wellbeing / common capital (economic, human, social and ecological) do not decrease in time, i.e. availability and quality of resources in long term (Zahariev and Arabska, 2015).

THE BUSINESS MODEL OF CSR AND ITS SPECIFIC APPLICATIONS

CSR is a policy that organizations voluntarily accept and implement in their business strategies in a way showing their long-term engagement in sustainable development of their business, society and environment (Pop *et al.*, 2011). CSR is accepted as an activity which is not of a single performance but a sustainable process.

The question of Corporate social responsibility (CSR) is of an extreme importance because it gives a terminological clearness and introduces the basic positions and limitations from the point of view of the organizations and their roles in the balancing of the three pillars of sustainable development – economic growth, social development and environmental protection (Zahariev, 2013, 232). Corporate social responsibility, also called corporate conscience, citizenship, social performance, sustainable responsible business, is a form of corporate self-regulation integrated in a business model. CSR policy functions as a built-in mechanism of self-regulation by which the business controls and provides its active compliance to the law, ethical standards and international norms (Pop *et al.*, 2011).

Social responsibility is an element of the corporate culture considering the flexibility and security (flexicurity) and management of multiformity in a number of spheres and business practices.

According to the Bulgarian network for CSR⁶ main spheres of CSR are the following:

➤ **Society**

- Improvement of social environment
- PR activities with social effect
- Volunteering

⁶ Bulgarian network for CSR: <http://www.csr.bg/>.

- Support and social integration of orphans, children and adults institutions
- Protection of cultural and historical heritage
- Quality and safety of produce
- Donations
- Charity

➤ **Environment**

- Pollution control
- Environmental protection and recreation
- Preservation of natural resources
- Recycling
- Energy effectiveness
- Management of impacts on environment and natural resources

➤ **Human capital and labor conditions**

- Health and safe labor conditions
- Training and development of staff
- Supporting career development
- Volunteer programs for employees
- Programs for objective and fair payments
- Satisfaction and engagement of employees

➤ **Knowledge and education**

- Scholarships
- Supporting school activities
- Internships
- Youth activities encouragement

Discussing the concept as a voluntary integration of social and ecological concerns in the activities and interactions of the organizations, the CSR could be considered as based on three fundamental concepts: voluntary nature of initiatives, consciousness and attention on the relations to markets and hence consumers, and inclusion of all stakeholders (Viola *et al.*, 2013). This means that social responsible business is that paying more attention to environment, employment and consumers (Arabska and Terziev, 2016). The concept is developing into a successful business strategy for sustainable development supporting organizations in the raise of their influence on the market and also in establishing a positive public image (Nikolova *et al.*, 2014; Bakardjieva, 2009).

Common drivers of corporate social responsibility are presented with their definitions (Table 1) according to an investigation in mining industry (Govindan *et al.*, 2014).

Table 1. Common drivers of corporate social responsibility

(According to Govindan *et al.*, 2014 cited by Zahariev and Arabska, 2015)

Societal drivers	Drives the social engagement activities and avoidance of anti-social activities within the organization to improve the societal support and benefits
Supply chain drivers	To improve the ethical supply chain efficiency, the pressures from supply chain operations and partners are called as supply chain drivers and these drivers result in the integration of CSR in SC which became a popular debate in recent years.
Environmental drivers	These drivers mainly concern the development and security of the environment in such activities as green manufacturing, and optimal resource allocation which results in sound green management.
Financial drivers	It is a kind of profit-based strategy, where the organization is pressured to increase its profit through CSR activities which directly impacts its economic functions.
Voluntary drivers	These drivers are a part of internal drivers which mainly focus on the standard of the organization to improve its brand recognition beyond the boundary and to satisfy and maintain good relations with the internal stakeholders through the rise in long standing market capacity of the organization.
Mandatory drivers	Mandatory drivers: the name implies these drivers are needed to satisfy the business. Other drivers support the business development of the organization but these drivers assist the organization to survive and stay alive in the competitive business environment.

Bocken *et al.* (2014) propose a categorisation of “*sustainable business model archetypes*” aiming at categorizing and explaining business model innovations for sustainability; providing mechanisms to assist the innovation process for embedding sustainability in business models (e.g. through case studies and workshops); defining a clearer research agenda for business models for sustainability; and providing exemplars for businesses to de-risk the SBM innovation process. The sustainable business model archetypes are viewed as a starting point to broaden and unify the research agenda for sustainable business models (Fig. 2).

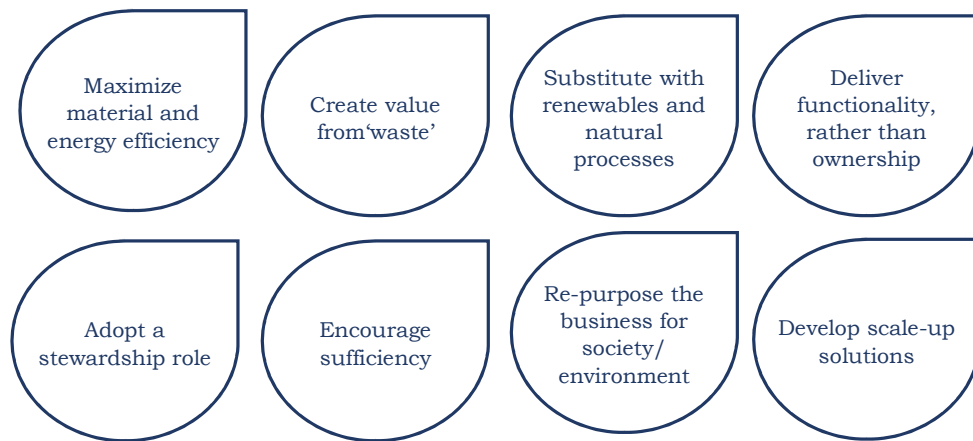


Fig. 2. Sustainable business model archetypes

(According to Bocken et al., 2014 cited by Zahariev and Arabska, 2015)

Asifa *et al.* (2013) develop an original framework for the integration of CSR into business processes stating that while many organizations utilize management systems to address their stakeholder requirements, their research “*elaborates on how organizations can capitalize on their existing management systems in order to more successfully introduce CSR practices*”.

Corporate social responsibility consists of the obligations of businesses to society and from that point of view its directions are connected to society, environment, human capital and work conditions, knowledge and education (Zahariev and Arabska, 2015). The varieties of CSR open many disputes of the levels of involvement, forms, etc. and turn the concept into the basic element of corporate culture in modern organizations. The uniting vector is in the specific attributes of CSR in different spheres (Fig. 3).

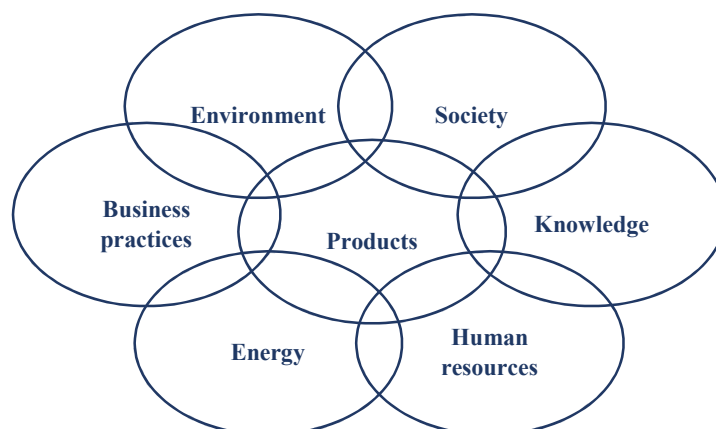


Fig. 3. Spheres of CSR

(According to Zahariev and Arabska, 2015)

Among the common characteristics of CSR are environmentally friendly and social policies in organizations as well as their inner and outer character. The notion that economic and social goals in organizations are separate and competitive (economic being connected to profit making and social to profit spending) is not the case anymore considering the fact that the organizations are part of the environment and society. The voluntary applications of CSR in modern organizations aiming at ecological and social effects are scrutinized as closely connected to raise in competitiveness and flexicurity. Today CSR policies are part of the strategies in many organizations as a means of integrating permanently increasing requirements of society towards business processes and products and of increase in added value in business. Since the mid-1990s, an increasing number of organizations around the world started to disclose nonfinancial information related to social issues, such as environmental preservation, human rights protection, employees' welfare improvement, and contributions to their communities and societies (Dhaliwal *et al.*, 2014).

Besides it is difficult to define all CSR manifestations, it can be concluded that the responsible way of functioning of all kind of organizations on different levels imposed by the increasing requirements towards accountability and transparency impacts image and performance of organizations in local and global scope considering globalization processes, innovations and knowledge society (Zahariev & Arabska, 2015).

The standards of CSR in Bulgaria are discussed by Bakardjieva (2012). The dynamics in CSR development in economic literature is considered in a study in Bulgaria which underlies the pressing necessity of social responsibility of organizations (Dimitrov *et al.*, 2014).

STANDARDS OF SUSTAINABLE DEVELOPMENT REPORTING: OPPORTUNITIES OF INTERGRATED APPROACHES FOR CSR DEVELOPMENT

The GRI Standards are the first global standards for sustainability reporting. They feature a modular, interrelated structure, and represent the global best practice for reporting on a range of economic, environmental and social impacts⁷.

⁷ GRI Standards: <https://www.globalreporting.org/standards/>.

The GRI Standards represent global best practice for reporting publicly on a range of economic, environmental and social impacts. Sustainability reporting based on the standards provides information about an organization's positive or negative contributions to sustainable development.

The modular interrelated GRI Standards are designed primarily to be used as a set, to prepare a sustainability report focused on material topics. The three universal standards are used by every organization that prepares a sustainability report. An organization also chooses from the topic-specific standards to report on its material topics – economic, environmental or social.

Preparing a report in accordance with the GRI Standards provides an inclusive picture of an organization's material topics, their related impacts, and how they are managed. An organization can also use all or part of selected GRI Standards to report specific information.

Universal standards

GRI 101: Foundation 2016 is the starting point for using the GRI Standards. GRI 101 can be used by an organization of any size, type, sector, or geographic location that wants to use the GRI Standards to report about its economic, environmental, and/or social impacts.

GRI 101: Foundation is the starting point for an organization to use the GRI Standards to report about its economic, environmental, and/or social impacts. The GRI Standards create a common language for organizations and stakeholders, with which the economic, environmental, and social impacts of organizations can be communicated and understood. They have been designed to enhance the global comparability and quality of information on these impacts, thereby enabling greater transparency and accountability of organizations. The GRI Standards have been developed primarily to be used together to help an organization prepare a sustainability report that is in accordance with the Standards. This provides a full and balanced picture of the organization's economic, environmental, and social impacts, and how it manages these impacts. Selected GRI Standards, or parts of their content, can also be used to report specific information, without preparing a report in accordance with the Standards. GRI 101 is divided into three sections: Section 1 presents the Reporting Principles for defining report content and report quality. These Reporting Principles are fundamental to helping an organization decide what information to include in a sustainability report and how to ensure the quality of the information. Section 2 explains the basic process for using the GRI Standards for

sustainability reporting. This section includes fundamental requirements for applying the Reporting Principles, and for identifying and reporting on material topics. Section 3 sets out the ways that the GRI Standards can be used and the specific claims, or statements of use, which are required for organizations using the Standards.

GRI 102: General Disclosures 2016 sets out reporting requirements on contextual information about an organization and its sustainability reporting practices. This Standard can be used by an organization of any size, type, sector or geographic location.

GRI 102: General Disclosures is used to report contextual information about an organization and its sustainability reporting practices. This includes information about an organization's profile, strategy, ethics and integrity, governance, stakeholder engagement practices, and reporting process. The disclosures in GRI 102 provide the context for subsequent, more detailed reporting using other GRI Standards. Contextual information about an organization (for example, about its size, geographic location, or activities) is important to help stakeholders understand the nature of the organization and its economic, environmental and social impacts.

GRI 103: Management Approach 2016 sets out reporting requirements about the approach an organization uses to manage a material topic. This Standard can be used by an organization of any size, type, sector or geographic location.

Management approach disclosures enable an organization to explain how it manages the economic, environmental and social impacts related to material topics. This provides narrative information about how the organization identifies, analyzes, and responds to its actual and potential impacts. Disclosure about an organization's management approach also provides context for the information reported using topic-specific Standards (series 200, 300 and 400). This can be especially useful for explaining quantitative information to stakeholders. The reporting requirements in this Standard have a generic form, and can be applied to a wide variety of topics. An organization preparing a report in accordance with the GRI Standards is required to report its management approach for each material topic using this Standard. Topic-specific Standards can also contain additional reporting requirements, reporting recommendations and/or guidance for reporting management approach information about the topic in question.

Topic-specific standards

Economic Standards

The 200 series of the GRI Standards include topic-specific Standards used to report information on an organization's material impacts related to economic topics.

GRI 201: Economic Performance 2016

GRI 202: Market Presence 2016

GRI 203: Indirect Economic Impacts 2016

GRI 204: Procurement Practices 2016

GRI 205: Anti-corruption 2016

Environmental Standards

The 300 series of the GRI Standards include topic-specific Standards used to report information on an organization's material impacts related to environmental topics.

GRI 301: Materials 2016

GRI 302: Energy 2016

GRI 303: Water 2016

GRI 304: Biodiversity 2016

GRI 305: Emissions 2016

GRI 306: Effluents and Waste 2016

GRI 307: Environmental Compliance 2016

GRI 308: Supplier Environmental Assessment 2016

Social Standards

The 400 series of the GRI Standards include topic-specific Standards used to report information on an organization's material impacts related to social topics.

GRI 401: Employment 2016

GRI 402: Labor/Management Relations 2016

GRI 403: Occupational Health and Safety 2016

GRI 404: Training and Education 2016

GRI 405: Diversity and Equal Opportunity 2016

GRI 406: Non-discrimination 2016

GRI 407: Freedom of Association and Collective Bargaining 2016

GRI 408: Child Labor 2016

GRI 409: Forced or Compulsory Labor 2016

GRI 410: Security Practices 2016

GRI 411: Rights of Indigenous Peoples 2016

GRI 412: Human Rights Assessment 2016

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- GRI 413: Local Communities 2016
GRI 414: Supplier Social Assessment 2016
GRI 415: Public Policy 2016
GRI 416: Customer Health and Safety 2016
GRI 417: Marketing and Labeling 2016
GRI 418: Customer Privacy 2016
GRI 419: Socioeconomic Compliance 2016

The standards imply the provision of information covering a wide range of indicators revealing the status of the company. The scope of reporting includes data for annual financial statements, monitoring and reporting, forecasting, assessment of financial and non-financial risk analysis of the supply chain, life cycle assessment and tools for environmental protection. Information is also summarized on relevant international standards for CSR.

The approach for collection and processing of business information presented implies some requirements that are defined to the layout of the report and how its verification is made by internal and independent external audit.

CONCLUSION

The paper presents a brief analyses of the interrelations of sustainable development goals and corporate social responsibility. The transparency is considered as the key principle in reporting. In this regard, GRI is discussed in terms of the advantages of standards, especially concerning intergrated reporting, i.e. a summary of the main stages of preparation of the report on sustainable development in its key stages - determining the content and quality of the report, the boundaries of reporting, disclosure of standard indicators that allow comparison and evaluation, and orientation of the report to the requirements of sustainable development.

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