

Assessment of Sustainability Reporting in Nigerian Industrial Goods Sector

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Abstract—Sustainability reporting has gained recognition as an improvement to traditional reporting. Whereas there is mandatory requirement for sustainability reporting in some countries, it is implemented in some other countries as a voluntary practice. This study examined the extent of sustainability reporting practiced by Lafarge Africa Plc. Content analysis was used to analyze the data extracted from their annual reports and the Global Reporting Initiative (GRI) G4 sustainability reporting guideline was used as a basis of assessment. The study found no disclosures on human rights issues, 3% environmental disclosures and an aggregate of 30% disclosure based on one hundred and sixty-nine indicators used. Consequently, this study recommends the regulation of sustainability reporting in Nigeria so as to enforce compliance on corporate entities because this will improve sustainability reporting among corporate entities in the nation and thus bring about more transparency and accountability which will enhance development in the nation.

Keywords—Sustainability reporting, Global reporting initiative, assessment, regulation

I. INTRODUCTION

Environmental catastrophes brought environmental issues to the forefront since the late 1960s, and such events stimulated a flow of concern which has led to sustainability reporting [1]. Sustainability reporting is a practice that enhances goal-setting, performance measurement and change management of organizations towards a sustainable global economy and it uses the medium of sustainability report [2]. In addition, [3] posits that “Sustainability reporting is considered as a wider level of transparency and accountability to stakeholders for social activities of firms” because according to [4], the traditional financial statements can no longer provide a complete assessment of corporate performance and shareholder value creation.

Reference [5] asserts that as an organization expands, its effects (positive and negative) through its business activities also increases and the more it becomes visible to the public. Thus, an organization becomes responsible to the society in

explaining its actions and their consequences in details to its society, hence the justification for sustainability reporting. Reference [6] argues that sustainability reporting has made enormous progress over the last two decades. Furthermore, [7] argues that increasing demands from stakeholders for more all-encompassing information about the operations and financial standing of businesses is influencing some companies to incorporate information on sustainability in their reports. Consequently, sustainability reporting has become an increasingly popular practice among global companies and financial regulators. But how has Nigeria fared so far?

Reference [8] observed that corporate social responsibilities (CSR) disclosures in building and materials industries was just emerging. Nonetheless, the financial reports of Nigerian companies have not been adequate overtime. Reference [9] asserts that generally, corporate entities don't fully comply with mandatory disclosure requirements of regulatory bodies and hence on the average, disclose only 44% of information required. Reference [10] expressed concern that while IFRS adoption in Nigeria was targeted at improving the level of accounting information disclosure, it seems that the level of CSR disclosure, which is just a fraction of sustainability, is low and it was attributed to the fact that the practice is not regulated. This brings some concern to the fore that even when there are mandatory disclosure requirements, accounting reports of corporate entities are lacking in some form. Therefore, having to comply with mere voluntary disclosure requirements will exacerbate the position.

Notwithstanding, corporate entities in Nigeria, especially listed companies have been winning awards which include that of sustainability reporting. Nevertheless, how well are these entities reporting their sustainability engagements especially in line with available sustainability indicators such as GRI guidelines?

Reference [4] posits that sustainability reporting has emerged as a response to interdisciplinary reporting. This practice keeps the society abreast of what is happening in organizations in a holistic manner. Nonetheless, environmental

sustainability is still voluntary in Nigeria. From the position of [9] how well do organizations in Nigeria practice sustainability reporting? Are these organizations driven by their own policies to become transparent or they have to be coerced by regulatory institutions? To this end therefore, this study seeks to assess the extent of sustainability reporting in the Industrial goods sector in Nigeria using Lafarge Africa Plc. as a basis of investigation.

II. LITERATURE REVIEW AND THEORETICAL FRAMEWORK

Stakeholder theory explains that if organizations understand their purpose of existence, it would help them to maintain good relationships with their stakeholders such that the stakeholders will cooperate with them to enhance performance. Also, the theory argues that organizations are responsible to numerous stakeholders and this shapes how organizations do business in order to ensure survival [11]. Sustainability reporting is a new trend in modern day business and organizations are incorporating it into their businesses gradually because the larger society is clamoring for sustainable practices.

Reference [3] assessed sustainable reporting among food and beverage firms in Nigeria which were randomly selected from the list on the Nigerian Stock Exchange. The study found that the firms exhibited some level of sustainability reporting though not significant because it only comprised of approximately two percent of the total disclosures of the annual reports. The results revealed that environmental activities represent 20.40% of the total disclosures, followed by product disclosures represented by 19.75% while human rights disclosures were the least representing 12.84%. The study further indicated that inverse relationship exists between the disclosures and the size of the firms.

Reference [12] assessed triple bottom line reporting in the banking industry in Nigeria through a survey study. The study opined that emphasis is still on financial profitability of the banking industry in Nigeria. However, in another study, [13] examined the annual reports of some banks in Nigeria for the presence or absence of sustainability reporting. The study found that sustainability reporting has received substantial attention over the past four (4) years in the Nigerian banking sector and that small positive correlation exists between sustainability reporting index and Profit After Tax (PAT)/shareholders fund. Reference [14] carried out an exploratory study on the benefits of triple bottom line disclosures on corporate performance. The study showed a positive correlation between sustainability reporting and corporate performance.

Reference [15] carried out a survey of sustainability reporting integrated into annual reports of Estonian companies for the years 2007-2010 based on companies listed on Tallinn Stock Exchange as at October 2011. The study revealed a continuous upward trend in the number of social and environmental accounting disclosures by the companies but a fairly low number of issued standalone corporate social responsibility reports. However, in an earlier study [16] assessed the impact of environmental accounting and reporting on sustainability development in Nigeria. The study posited that there is a significant relationship between environmental reporting and sustainable development and that environmental

reporting encourages organizations to track their GHG emissions and other environmental data against reduction targets.

Reference [4] assessed sustainability reporting in the Nigerian oil and gas sector in order to ascertain the level of reporting with global best practices. The GRI G3 reporting guidelines were used and all the sampled Nigerian companies were benchmarked against their international counterparts. However, the study only used limited criteria deemed fit to be "relevant within the Nigerian context". This assertion was not scientifically justified. Nonetheless, the study found incompatible difference in sustainable reporting indicators of all companies studied when compared with their counterparts. Reference [17] carried out a study on why New Zealand firms initiate sustainable development reporting. Organizational narratives were constructed from semi-structured in-depth interviews with reporting winners who participated in a sustainability reporting workshop sessions. The narratives were analyzed using the theory of institutional isomorphism to search how regulatory, normative and cognitive institutions combine with organizational dynamics to influence sustainability reporting activity. The study found that reporting is initiated by these firms because it forms a strategy that differentiates an organization and corporate entities appreciate the benefits derivable from it.

III. METHODOLOGY

The method adopted in this study is the content analysis using the GRI G4 sustainability reporting guidelines and standard disclosures. The GRI Standards for Sustainability Reporting are now the most trusted and widely used in the world [2], [3] and GRI G4 is the latest version. The content analysis technique was employed because "it uses a set of procedures to make valid inferences from texts" [18]. The content of the annual report of Lafarge Africa Plc. for 2014 was evaluated vis-à-vis the GRI G4 sustainability reporting guidelines and standard disclosures to know the extent of sustainability reporting in the company.

The reason for choosing Lafarge Africa Plc. is because it won the best company award in both Environmental sustainability and Stakeholder Engagement in the Social Enterprise Report Awards (SERAs) competition award for 2015. Also, it is in the building material and quarrying sector and classified as a high environmental-impact sector. The rating for assessing the extent of sustainability reporting in Lafarge Africa Plc. is as follows:

Rating:

- 0 - Index not included in the report at all
- 1 - Index included in the segment report but in general terms
- 2 - Index included in the segment report and in specific terms

IV. ANALYSIS OF RESULTS AND DISCUSSION OF FINDINGS

There are seven general and two specific standard disclosures included in the GRI G4 reporting guidelines. The general disclosures are strategy & analysis, organizational profile, identified material aspects, Identified Material Aspects and Boundaries, stakeholder engagement, report profile,

governance and ethics and integrity. The specific disclosures include disclosures on Management Approach, and indicators.

However, the focus of this paper is on environmental disclosures.

The Environmental category consists of twelve (12) aspects which include materials, energy, water, biodiversity, emissions, effluents and waste, products and services, compliance, transport, overall, supplier environmental assessment, and environmental grievance mechanisms.

TABLE 1: Data Analysis

Rating	0	1	2	Total	% of Disclosure
Strategy and Analysis	7	1	6	14	50
Organizational profile	3	-	11	14	79
Identified Material Aspect	3	-	4	7	57
Stakeholder Engagement	4	-	0	4	0
Report profile	3	-	3	6	50
Governance	23	-	7	30	23
Ethics and Integrity	1	-	2	3	67
Disclosure on Management Approach	1	-	0	1	0
Economic	4	-	6	10	60
Environmental	28	-	5	33	15
Labour Practices and decent work	14	-	2	16	12.5
Human Rights	11	-	0	11	0
Society	9	-	2	11	18
Product Responsibility	8	-	1	9	11

Out of the thirty-three (33) disclosures required by the GRI-G4 index on environmental impacts, Lafarge Africa Plc disclosed only 5 which represented a mere 15%. The result further corroborates the findings of [8] that this practice is still at the developing stage. This suggest that organizations embrace reporting standards when they perceive incentives, otherwise, they dump them especially where it is not mandatory. It could also be that the technicalities involved in the reporting guidelines are not properly understood by Lafarge Africa Plc and may require more time to grasp the details. This is probable considering a 60% disclosure achieved in the economic indicator which is not a new aspect.

The results of the other disclosures based on the GRI G4 Reporting Guidelines are summarized in TABLE 1.

V. SUMMARY AND CONCLUSION

This study examined the extent of sustainability reporting in Lafarge Africa Plc by analysis of documents through content analysis using the GRI-G4 reporting guidelines. Findings from the analysis show that the company scored 15% disclosure on Environmental issues.

Therefore, the study concludes that Lafarge Africa Plc exhibit some level of sustainability reporting, however, the extent of reporting is still below average which suggests there is much work to be done to improve this practice in order to become more transparent and accountable to its stakeholders.

VI. RECOMMENDATION

There have been testimonies of sustainability reporting contributing to accountability and transparency to wider group of stakeholders hence, it should become regulatory rather voluntary in Nigeria in order to make corporate entities operating in the country more committed to the protection of environmental virtues and society at large.

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