

Emerging Trends in Sustainability Reporting (SR): Comparative Literature Review in Developed, Developing and GCC Countries

Hassan Mousa Haidar¹, Rabia Minatullah Sohail¹, Shatha Mohammed Al Qurashi²

¹Business Department, Jeddah International College, Jeddah, Saudi Arabia

²Business Department, Swiss Business School, UAE Campus, Jeddah, Saudi Arabia

Email: hassan@jicollege.edu.sa, rabia@jicollege.edu.sa, shathalqurashi21@gmail.com

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Abstract

This paper aims to investigate the emergence and practices of sustainability reporting (SR) in developed, developing and GCC countries, as well as the various users of sustainability reports. To gain thorough insights on the regulatory guidelines that govern SR practices, the paper deeds the SR standards and related frameworks. Furthermore, the paper looks at SR motivations to ascertain the impact of stakeholders, regulations, and rankings on SR practices of a company. Profoundly, a review of literature on SR practices in developed, developing and GCC countries is conducted to identify and substantiate an academic research gap. The major findings of this paper contribute to displaying that the extent of SR reporting motives and practices is pointedly differentiated between developed, developing and GCC countries due to cultural factors, legitimacy concerns and country-level perspectives, however GCC countries have gained enhanced impetus due to the legislative nature of private and public industries.

Keywords

Sustainability Reporting, International Institute for Sustainable Development (IISD), Global Reporting Initiative (GRI), UN Global Compact (UNGC), Organization for Economic Co-operation and Development (OECD)

1. Introduction

The evolution and emergence of SR have been an instrumental development in corporate governance through innovations that have extended the reporting scope

of firms from the financial aspect to include non-financial accountability. The evolution of SR traces back in early 1960s when employee reporting began and later evolved to social reporting (Buhr, Gray, & Milne, 2014). In the 1970s, social responsibility concept emerged sweeping across the US and Europe. In these jurisdictions, the organizations issued commentary on their responsibility in the society/local community above and beyond the quest for profit maximization. During the era, the corporate world witnessed the publication of the very first social reports (Fifka, 2013). The beginning of 1980s marked the period when both social reporting practice and social responsibility concept started to die away. During 1990s, the corporate governance practice shifted their focus towards environmental issues, substantiating the reporting practices, and eventually marking the birth of environmental reporting (Buhr et al., 2014; Gray, Adams, & Owen, 2014; O'Dwyer & Owen, 2005).

The notion of sustainability gained popularity following growing awareness, with individuals and organizations beginning to pay extra consideration on the concept of SR as well as making efforts to transform SR into workable practice (Van Bommel, 2014; Fifka, 2013; Gray et al., 2014). Elkington (1999) coined the terminology “triple bottom line” or TBL to offer the ideals for SR reporting on three dynamic elements: social, environmental, and economic performance. The TBL idea marked the footing for social reporting and accounting practices as later conceived by the International Institute of Sustainable Development (IISD) and the Global Reporting Initiative (GRI) guidelines on SR. By late 1990s, the emergence of GRI and the works on social responsibility and financial reporting work by CERES, would lead to the emergence of the term sustainability reporting (SR) and later adopted by organizations in representing social, environmental, and economic performance (Dragomir, 2011; Gray et al., 2014; Montiel & Delgado-Ceballos, 2014). Even though the procedure turned out to be distinguished, SR key scholars Gray et al. (2014) and Munoz, Zhao and Yang (2017) believe the SR terminology is not relevant to sustainability, but rather the reporting is purely TBL reporting practice.

An important dynamic worth considering on emergence of SR is the link between sustainability awareness and development context of the countries where the firms operate. As noted by Simnet, Vanstraelen and Chua (2009); Utile (2016) in the development countries the emergence and evolution of SR was purely rooted in sustainability awareness. Nonetheless, in the UK and the US the sustainability awareness was greatly influenced by political and socio-economic factors that either decreased or increased interest on environmental and social sustainability issues. For instance, in the UK sustainability awareness was quite low during tough economic times and during conservative politics era (Van Bommel, 2014; Pan et al., 2014). During these times, both economic development and growth would take precedence over the SR issues. In the US, the emergence of SR practices was spurred by critical events such as the Brundtland report and the commemoration of earth day, resulting in more recognition on SR and sus-

tainability movement (Gray, 2010; Pan et al., 2014; Ioannou & Serafeim, 2014).

Additional initiators and contributors inclined to the progression and emergence of SR include the experts, authorities, models and standards compositors, as well as non-governmental organizations (O'Dwyer & Owen, 2005; Owen, 2007; Gray, 2010; Pan et al., 2014; Utile, 2016). Despite Finland becoming the first government to mandate SR by organizations, the adoption of SR as a mandatory exercise in various parts of the world has remained debatable. Although some jurisdictions have developed legal frameworks on reporting or some listing requirements on stock exchanges in mandating the sustainability disclosure, the SR practices have remained voluntary in majority of countries (Adams & Whelan, 2009; Pan et al., 2014). Consequently, there has been a non-ending discourse among the professionals and academicians regarding the role of governing body in making SR a compulsory practice among global organizations. In fact, a supporter of this view believes that regulatory requirements and compliance regulations are critical drivers for SR practices by the SMEs and large corporations (Munshia & Duttab, 2016; O'Dwyer & Owen, 2005; Pan et al., 2014; Utile, 2016).

Furthermore, from early 2000s, majority of academics have supported the mandatory SR practice in quest for increased rate of SR reporting, enhanced comparability, credibility, and reliability of SR reports (Gray, 2006; Simnet et al., 2009; Owen, 2007). Nonetheless, in countries such as South Africa and China, regulation on organization's SR practices and organizational processes has resulted in increased level of disclosure, comparability, and reliability whilst in countries such as Malaysia and Denmark, government regulations have led to a declined rate of SR practices (Gray, 2010; Ioannou & Serafeim, 2014). Despite the mixed results on SR regulations on firms, the impact of NGOs has yielded increased level of disclosure by way of enhancing voluntary disclosure practices as well as more transparency and public accountability. This has been the precursor of the development of bodies such as UN Global Compact (UNGC) that focuses on offering legitimacy and reputation on SR practices on corporate membership (Knudsen, 2011; Utile, 2016).

In addition, professional bodies such as the ACCA in Europe have funded useful research projects on SR practices as well as embarking on launching reporting awards in setting norms for voluntary SR practice (Fifka, 2013; Gray et al., 2014; Hahn & Kühnen, 2013). More importantly, the last decade has witnessed a surge in number of multi-stakeholder initiatives and guidelines or standards in guiding SR practices and creating an element of assured reporting, including GRI, the International Organization for Standardization (ISO) guidelines, and the Organization for Economic Co-operation and Development (OECD) Guidelines (KPMG, 2005). Among these standards, the GRI has gained universal acceptability and has successfully founded the generally accepted SR principles on sustainability, social and environmental performance (KPMG, 2013; KPMG, 2008; KPMG, 2005). Despite the acceptability of the GRI frameworks, the current challenge facing world organizations is the practical applicability of the frameworks,

resulting in practices such as combined reporting done by having SR alongside the fiscal reports, and stand-alone SR practices (Adams, 2013; Burrit & Schaltegger, 2010; Gray, 2010).

Finally, the current combined reporting as well as the stand-alone SR practices has been at the core of compliance and regulatory debate on use of GRI frameworks (Fifka, 2012; Hahn & Kühnen, 2013; Montiel & Delgado-Ceballos, 2014). Another debate has been on the acceptable definition of SR. The workable definition has included the TBL reporting elements, while merging the idea of corporate communication with stakeholders. Another issue is that at the moment, SR is synonymous to corporate social responsibility (CSR) reporting, TBL reporting, non-financial reporting, as well as sustainable development reporting (SDR) practices, leaving more room for dissenting voices (Bansal, 2005; Ballou et al., 2006; Gray, 2010; Montiel, 2008). Regardless of the ongoing discourse on SR definitions/meaning, compliance and regulations, it is evident that SR has successfully marked a paradigm shift from social reporting practices to the modern reporting of relevant sustainability dimensions, acting as an imperative corporate communication procedure between the external stakeholders and the internal stakeholders on environmental, economic/financial, and ethical/social performance (Chabrak, 2015; Przychodzen, 2013; Yu & Zhao, 2015).

2. Users of Sustainability Reporting

According to Dragomir (2011); Gray et al. (2014); Montiel and Delgado-Ceballos, (2014); Munoz et al., (2017) SR practices have diverse users, including surrounding community, own employees, financial business partners, social organizations, other business partners or associates, government and other departments or institutions, and the consumers. The surrounding community entails the immediate local community where the organizations run their businesses or operations. As an external stakeholder, the surrounding community is concerned by organizational measures and plans taken in lessening and averting any nuisance on the communal area, as well as plans aimed at bettering the future. Thus, the SR should focus on informing the community on safety and health risks posed by the firm's activities, performances on issues to do with soil pollution, stench, dust, and noise, as well as informing the community on the procedures for addressing their complaints (Dragomir, 2011; Munoz et al., 2017). Additionally, the internal stakeholders such as own employees have their interests pegged on the intentions and strategies of the organization towards safety and health issues, job prospects, business longevity, training and development avenues, risk management practices by the employer, as well as measures to manage or avert accidents and disasters. As articulated by Dragomir (2011); Gray et al. (2014); Utile (2016), the SR is useful to a company's employees if it covers details on the HR practices, job security, workplace conditions, measures against risks, as well as strategies to prevent and address disasters that may compromise lives or business future on long-term basis.

Furthermore, financial business partners entail banks, shareholders or investors, and other relevant financial business associates, who are fundamentally concerned with the company's risk management frameworks, financial performance, risk management, as well as financial impacts of social and environmental dimensions (Bansal, 2005; Dragomir, 2011; Munoz et al., 2017). The stakeholders are at liberty to scrutinize the organization's SR while making comparisons with other industry players. Consequently, the SR should offer detailed information regarding reputation management, future opportunities, compliance on regulations and laws, relationship between the SR and financial reporting practices, compliance with pollution regulations, as well as any decisions about business closures or launch of new services/products. Nonetheless, majority of financial business partners look at reporting practices that are harmonized by way of acceptable guidelines (Fifka, 2013; Montiel & Delgado-Ceballos, 2014).

Additionally, consumers as the users of SR are mainly concerned with information regarding the circumstances surrounding procedures on producing products or services (Fifka, 2013; Simnet et al., 2009). As a result, consumers are interested in how SR covers information relating to human rights as premised on local conditions, working conditions of employees, as well as the degree to which the company complies with them. The consumers are equally interested in information about product development as well as if the organization is taking care of the environment, or if the company is adhering to product safety measures, offering information on product liability, health impacts by the product and product quality details (Fifka, 2013; Gray et al., 2014; Montiel & Delgado-Ceballos, 2014). Similarly, other business associates are mainly interested in the way that the company's responsibilities over policy issues and management practices over chain management. The firm's future plans for chain management and sustainable practices should be captured during SR.

Moreover, the social organizations make use of SR information when engaging in dialogue with the concerned reporting organization in specific dimension. For instance, from environmental field perspective the social organizations would be interested in information about the organizations management practices on lessening or preventing any possible adverse environment. From social perspective, the stakeholders would be concerned with the working conditions such as safety and health, child labor, working hours, freedom of unionization or association, and decent wages/compensation strategies (Gray et al., 2014; Montiel & Delgado-Ceballos, 2014). The social organizations would use information on the organization's policy as well as implementation on working conditions and environment to benchmark the entity's sustainable practices. Finally, governments and other departments or institutions use SR information in gauging the social responsibility of an entity. The government and other regulatory institutions are concerned with organizational voluntary initiatives on social responsibility. The information is useful in guiding the governments in formulating policies on social responsibility for enforcement and regulation purposes.

3. SR Standards and Frameworks

3.1. GRI Framework Guidelines

According to Dhaliwal et al. (2011); GRI Standards (2016); Munshia and Duttab (2016) the GRI framework offers both report content principles and the report quality principles. The quality standards involve diverse elements, including comparability, reliability/consistency, timelines, balance/non-biased, accuracy, and clarity, whereas the content principle focuses on sustainability context, completeness of SR, stakeholder inclusiveness, as well as materiality aspects of reports (Chabrak, 2015; Van Bommel, 2014; Dhaliwal et al., 2011). The contemporary GRI guidelines are categorized using universal standards, and topic-specific standards. The universal standards/guidelines include GRI 103 on general disclosures and GRI 102 management approach (Van Bommel, 2014; GRI Standards, 2016). It is crucial to clarify that the GRI 101 on foundations guidelines forms the pedestal for guiding both GRI 103 and GRI 102 on reporting principles, application of GRI standards, and the claims procedures when applying the GRI standards. As noted by Dhaliwal et al. (2011), Munshia and Duttab (2016), GRI 102 guidelines focus on general disclosure procedures by articulating reporting requirements on the contextual information regarding SR practices and the organization. As per the GRI 102 guidelines, the reporting entity should document information on organization profile, the business strategy, the integrity and ethics ideals, stakeholder engagement structures, the governance structure, and policies, as well as the reporting practice (Dhaliwal et al., 2011; GRI Standards, 2016).

Chabrak (2015) and Dhaliwal et al. (2011) concludes that the GRI 102 guidelines are useful in offering contextual information on organization's activities, size, location, or sector of operations, as well as helping stakeholders comprehend the nature of an organization together with its social, economic/financial, and environmental impacts. The GRI 103 concentrates mainly on the management strategy or approach reporting practices of an organization. The guidelines require the reporting entity to offer detailed explanation regarding the boundaries and material topic, the evaluation approach used by the management, as well as the main components of the management approach during SR practices.

Additionally, on topic-specific guidelines of the GRI framework refer to the standards for social, environmental, and economic impacts using GRI 400, GRI 300, and GRI 200 codification, respectively (Albino et al., 2009; Van Bommel, 2014; Junior et al., 2014). The GRI 200 on economic guidelines offers SR practices guidelines on economic/financial performance, indirect economic impact, the market presence performance, the anti-corruption practices of an organization, the anti-competitive behaviour, as well as the procurement practices (GRI Standards, 2016; Gray et al., 2014). As supported by Van Bommel (2014); Munshia and Duttab (2016) GRI 200 are imperative in helping users of SR to ascertain the sustainability levels of the organization and economic integrity/ethical

practices in quest for profit maximisation. Furthermore, the GRI 300 on environmental impacts concentrates on organization's practices or strategies that yield sustainable environmental development. The guidelines offer standards that guide the organization on energy consumption, biodiversity reporting, materials use, water and effluents practices, emissions management, supplier environmental evaluation, as well as environmental compliance. The GRI 400 on social impacts guide's organizations on working conditions of employees, consumers' rights issues, socioeconomic compliance, and employees' rights and privileges.

3.2. Benefits

The GRI framework avails both internal and external benefits to users of SR. From internal benefits perspective, Gray et al. (2014); Utile (2016); Munshia and Duttab (2016) believe that the GRI standards have enhanced the understanding of opportunities and risks that organizations face. In this context, the standards have enumerated the procedures to acknowledging environmental exposures, economic threats, as well as social exposures that may compromise its future existence. In a different view, Adams and Whelan (2009); Van Bommel (2014); Gray (2006) believe that GRI standards/guidelines have emphasized the relationship between non-financial and financial performance. This dynamic has helped organizations to develop strategy for spending resources in supporting non-financial performance. It is important to indicate that GRI standards have instrumentally streamlined processed, improved efficiency levels, as well as reduced costs (Chabrak, 2015; Hahn & Kühnen, 2013; Montiel, 2008).

Indeed, GRI guidelines have helped organizations avert litigation costs for social or environmental negligence from social-interests groups or consumers, as well as streamlined production processes in meeting environmental needs. Moreover, the GRI standards have helped organizations avert being drawn in publicized governance, social and environmental failures. Additionally, as evidenced by Van Bommel (2014); Dhaliwal et al. (2011); Gray (2006) GRI frameworks offer international standards that enable the organizations undertaking SR to perform comparably, as well as benchmark the performance of the organizations based on voluntary initiative, regulations, performance standards, codes, and norms. In support of international standards offered by the GRI framework, Dhaliwal et al. (2011); Munshia and Duttab (2016) articulate that the standards are useful in enhancing the assurance levels of sustainable reports and increasing confidence among investors and in the capital markets.

Besides, as mentioned by Jones and Ratnatunga (2012); Peters and Romi (2015) firms have gained a variety of external assistances. Organizations have been able to plan and implement reversing or mitigation strategy against negative governance, social and environmental impacts. The GRI standards have offered organizations with minimal requirements for managing processes and practices to avert damaging governance, social and environmental impacts. Adams and Whelan (2009); Chabrak (2015) assert that GRI standards have helped organizations

to succinctly comprehend the influences from sustainable development, and how internal processes are influenced by the SR expectations. In this context, organizations have been able to find some middle ground on the two ends of expectations. As [Hahn and Kühnen \(2013\)](#); [Montiel \(2008\)](#) evidence the GRI standards have created a platform for organizations to improve on brand loyalty as well as reputation. Organizations adopting GRI standards in managing their SR practices tend to gain global recognition from peers and governing bodies. It is important to note that some GRI requirements tend to yield more compliance costs, jeopardizing compliance efforts by SMEs and new company start-ups ([Montiel, 2008](#); [Munshia & Duttab, 2016](#)).

3.3. Challenges

Today the debate focuses on the challenges of GRI guidelines touching on principles of SR. Critiques such as [Carè \(2018\)](#) and [Herriott \(2016\)](#) point out that the shift from G3.1 to G4 guidelines on reporting principles has yielded more controversy on aspects of materiality and boundaries, and stakeholder management. Although G4 emphasizes on liberty of SR regarding boundaries and materiality, the G3.1 used more reasonable guidelines by emphasizing on the boundaries and materiality of coverage by specifying social/governance, economic and environmental impact of organizations. A controversy still looms on the acceptable disclosure levels and rating, with GR categorizing SR as just core or comprehensive, whereas the G3.1 emphasizes content grading using application-level checks. Nonetheless, despite the variation both G3.1 and G4 guidelines support systematic stakeholder engagement during SR practices ([Peters & Romi, 2015](#); [Utile, 2016](#)).

Another challenge relates to lack of clarity on how organizations can decide on their target audience when making SR ([Jones & Ratnatunga, 2012](#); [Ioannou & Serafeim, 2014](#); [Munshia & Duttab, 2016](#)). The resulting sustainable reports may end up being too long, complex, or highly detailed based on the size of an entity, making it challenging for some audiences to probe the organization's performance on social, economic, or environment spheres. Finally, as noted by [Carè \(2018\)](#); [Herriott \(2016\)](#); [Ioannou & Serafeim, 2014](#); [Peters & Romi \(2015\)](#), the GRI framework may not apply on jurisdictions highly influenced by cultural and religious dynamics in developing nations. As a result, the GRI guidelines have been supplemented or substituted by more locally oriented SR practice guidelines, often regarded as the non-GRI standards which are not only informed by the validation of the SR practices, but also the cultural context of the reporting firm.

3.4. Non-GRI Framework Guidelines

3.4.1. International Integrated Reporting Council (IIRC)

The IIRC as established in 2010 focuses on guiding the integrated representation of the company's performance on financial dimensions and the non-financial

elements (Adams, 2015; Mio, 2016; Utile, 2016). As noted by O'Dwyer and Owen, 2005; Pan et al. (2014) the IIRC framework pushes for reporting practices through integrated report on the firm's governance, prospects and performance, governance, in the milieu of external environment in leading to value creation in long, medium, and short term. The IIRC framework concentrates on backing and directing the integrated reporting procedure thru ideologies of connectivity of info, reporting materiality, stakeholder associations, due comparison and steadiness, succinctness, strategic future, and focus orientation of a business, in addition to comprehensiveness and consistency of the integrated reporting (Biondi & Cracci, 2018; The IIRC, 2013). Therefore, a compliant integrated report should adhere to the aforementioned guiding principles. Moreover, the IIRC guides organizations in developing integrated reports on diverse elements, including organization's outlook/prospects, governance, performance, external environment, resource allocation and strategy, presentation and preparing, risks and opportunities, as well as business model.

3.4.2. ISO Standards

ISO 26000 is the relevant ISO Standards in SR practices (Albino et al., 2009; Moratis & Cochius, 2017; Pan et al., 2014). The ISO 26000 guidelines focus on standardizing business operations using socially responsible benchmarks. According to Moratis and Cochius (2017); and Pan et al. (2014) ISO 26000 assists reporting entities to effectively address and evaluate social responsibilities that are vital and pertinent to the organization's customers, environment, processes and operations, communities, own employees, as well as other stakeholders. In support of this view, Biondi and Cracci (2018); Moratis and Cochius (2017) indicate that ISO 26000 guides organizations on integrating the socially responsible practices, as well as stakeholders' engagement and recognizing social responsibility practices. ISO 26000 pursues diverse principles/benchmarks of social responsibility, including respecting human rights, ethical behavior, respecting international norms or codes of conduct, transparency, respecting stakeholder interests, adherence to rule of law, and accountability. For the reporting entity, the disclosure should cover sections on human rights, environment, consumer issues, labor practices, the community involvement, organizational governance, and fair operating practices (Moratis & Cochius, 2017; Pan et al., 2014).

3.4.3. UN Global Compact

The UN Global Compact promotes the adoption of socially responsible and sustainable practices by encouraging organizations to implement and make reports to stakeholders (Rasche & Kell, 2010; Singh et al., 2009). The UN Global Compact guides organizations on social and governance responsibility, environmental responsibility, and economic accountability. The framework is premised on guiding principle categorization using labor, human rights, environment, and anti-corruption (Albino, Balice, & Dangelico, 2009; Singh et al., 2009). On environment, Gonzalez-Perez and Leonard (2015) note that the UN Global Compact

agitates for the principles of diffusion and development of environmentally friendly systems/technologies, programs for promoting environmental responsibility at organizational level, and precautionary business approach to the environmental challenges.

From human rights perspective, the framework promotes the principles of respecting and supporting human rights at organizational level and averting human rights abuses. As noted by [Gonzalez-Perez and Leonard \(2015\)](#); [Rasche and Kell \(2010\)](#) the labor facet is guided by the principles of eradicating compulsory and forced labor, abolition of any child labor practices, upholding freedom of association, and eradicating forms of discrimination at workplace. Under the anti-corruption dimension, the framework promotes condemnation of bribery and extortion.

3.4.4. OECD Guidelines for Multinational Enterprises

The guidelines apply to member states and are used in availing standards and principles of responsible business practices to the multinational corporations ([Albino et al., 2009](#)). The guidelines require organizations to implement and report socially responsible practices on areas of environment, competition, combating bribery and corruption, industrial relations, taxation, information disclosure to stakeholders, consumer interests, and issues of science and technology ([Singh et al., 2009](#)). The guidelines promote transparency, accountability, and responsibility on social, economic and environmental impact and performance of an organization. However, the guidelines do not exclusively agitate for the TBL performances, but the social responsibility of MNCs.

3.4.5. AA1000

The AA1000 supports SR practices through assurance guidelines that evaluate and enhance quality and credibility of the reporting entity's environmental, economic and social disclosure ([Al-Khuwiter, 2005](#); [Katsiolouides & Brodtkorb, 2007](#); [Sarraj, 2018](#)). The standards were incepted in 1995 and are purely open-source standards and non-prescriptive guidelines promoted by the auditing and social accounting movement in promoting responsiveness, materiality and completeness, public assurance, as well as impartiality declaration by the disclosing entity on environmental, economic, and social performance ([Accountability, 2008](#); [Sarraj, 2018](#)). The potential benefit associated with AA1000 is that the standards are quite holistic and ensures reporting entity do address environmental, economic, and social performance. As noted by [Katsiolouides and Brodtkorb, 2007](#); [Vinke \(2009\)](#) the AA1000 is beneficial as it perpetuates the culture of attaining continuous development by way of stakeholder engagement and responsiveness. However, AA1000 suffers diverse limitations, including perpetuating non-compliance by SMEs for lack of resources to access external assurance providers, use of unfamiliar language by reporting entity making the SR procedure labor demanding, and failure to offer reporting entity accreditation upon compliance ([Accountability, 2008](#); [Sarraj, 2018](#); [Katsiolouides & Brodtkorb, 2007](#); [Vinke,](#)

2009).

3.4.6. Islamic Reporting Initiative (IRI)

The launch of IRI was propelled by the limitation of GRI framework (Buhr & Gray, 2012; Elasrag, 2018). The IRI was introduced in remedying the absence of Islamic-oriented principles in GRI framework on SR by corporations based in Islamic nations. According to Elasrag (2018) and Islamic Reporting Initiative (2018) the IRI standard guides Islamic-based organizations on integrated social responsibility reporting and corporate SR practices. The application of IRI standards during SR practices is guided by the values of responsibility and accountable for the free will *Ikhtiyar* on personal action, and the social justice towards the society as guided by Allah through the values of Zakat (charity) and Sadaqah or philanthropy (Buhr & Gray, 2012; IRI Foundation, 2019). Other vital Islamic values that inform IRI standards includes unity through moral respect and equality on others and the society, and the assuming Khalifah (vicegerent) role by representing Allah on earth through stewardship over nature and other resources in the environment (Elasrag, 2018; IRI Foundation, 2019). The notable paradigm shift from GRI framework and other SR frameworks is that the IRI standards promote SR by encouraging adoption of cultural and responsive dynamics amongst Islamic corporations.

4. Sustainability Reporting Motivations

4.1. Stakeholders

According to Clarkson (2012); Surroca, Tribó and Waddock (2010) stakeholders as the source of motivation for SR in a company can be traced to the ideals of Stakeholder Theory, whereby the organization focuses on satisfying the stakeholder interests by demonstrating through fiscal reporting the firm's financial or economic, environmental, and social performance. In support of this view, Buhr and Gray (2012); Clarkson (2012); Jose and Lee (2007) note that stakeholders such as shareholders and investors, customers, and business associates exert pressure for competitive advantage and value creation, thereby promoting organizations to priorities SR not just for compliance purposes only but also to enhance value, enjoy benefits of 'green goodwill', and gains from first-movers advantage. Additionally, organizations are pushed by the desired to create a sustainability image in the mindset of stakeholders, demonstrative responsive to environmental interests of the wider society, and therefore enhancing brand reputation. As stated by Buhr and Gray (2012); Jose and Lee (2007) the pressure exerted by majority of stakeholders have propelled firms to be more inclined towards adoption of voluntary SR practices.

4.2. Regulations

Jansson et al. (2015); Hörisch, Johnson and Schaltegger (2014) argue that modern organizations are partially motivated to undertake SR in complying with the

sustainable regulations. Existence of global SR compliance laws and local regulations has played a part in driving SR practices. However, the most significant motive for SR is the beliefs and values of an organization (Džupina & Mišún, 2014; Williams & Schaefer, 2012), and not compliance with laws on SR. Indeed, an organization that perpetuates the culture of social responsibility is not driven by compliance or external pressure in undertaking SR, but rather intrinsic values within the entity yield voluntary SR.

4.3. Rankings

Jones and Ratnatunga (2012); Rinaldi, Unerman and Tilt (2014); Jeffrey, Cohen and Simnett (2015) ranking organizations by compliant bodies on basis of commitment on SR and sustainable development, has significantly motivated organizations to SR practices for global recognition and reputational reasons. In their argument Jeffrey et al. (2015) and Peters and Romi (2015) established that modern organizations are motivated by value-enhancing proposition from ranking through global attention and accreditation. As concluded by Rinaldi et al. (2014); Zorio, Garcia-Benau and Sierra (2013) the ranking criterion involving quality assurance standards has motivated organizations to embark on voluntary SR in building their image and luring sustainably aware shareholders and investors in quest for raising capital and growth resources.

5. Previous Studies

5.1. Previous Studies in Developed Countries

As noted by Bhatia and Tuli (2018); Buhr et al. (2014); Uyar (2011) studies in developed countries have been increasing because of the sustainability awareness along with critical political and socio-economic factors that drive the adoption of environmental and social sustainability practices among organizations. Relevant studies have looked at factors driving SR practices in developed countries (Branco & Rodrigues, 2008; Giannarakis et al., 2014; Bhatia & Tuli, 2018). Buhr et al. (2014); Giannarakis et al. (2014); Naser and Hassan (2013); and Peters and Romi (2015) adopted longitudinal methodology in studying the motivations behind SR practices in developed economy, and ascertained that organizations stakeholder pressure, ranking interests, competitive edge, and industry regulations. The findings support previous studies by Dhaliwal et al., 2011; Uyar (2011) that ascertained that organizations in developed economies are driven by stakeholder pressure, compliance to laws, and desire to rank globally when undertaking SR practices. Even so, the results dissimilarities Branco and Rodrigues (2008); Surroca et al. (2010) argue that firms in developed economies are affected on their sustainability reporting by different components for instance corporations' size, the level of profitability, in addition to social impact in undertaking sustainability disclosures. The claims are in support of Dhaliwal et al. (2011) conclusions that SR practices in developed economies are driven by internal

factors such as profitability, existence of sustainability committee, industry type, and company size.

Furthermore, additional longitudinal academic papers authored by [Bhatia and Tuli \(2018\)](#); [Mousa and Hassan \(2015\)](#) on the perspective of developed economies have argued that SR practice is chiefly stand-alone practice and inclined to reflect correlated information on the organization's SR practices. In contrast, [Branco and Rodrigues \(2008\)](#) and [Giannarakis et al. \(2014\)](#) studied the effects of SR practices and ascertained that quality assurance from an independent third-party is highly prioritized in developed countries, as stakeholders demand more integrity, credibility and transparency in SR practices. In supporting the view [Buhr et al. \(2014\)](#) and [Dhaliwal et al. \(2011\)](#) ascertained that voluntary SR accompanied by independent third-party assurance has helped improve confidence of organization's SR practices among stakeholders in developed economies. However, [Mousa and Hassan \(2015\)](#) attribute the stakeholder confidence to adoption of GRI Standards in developed countries on integrity and credibility of firm's SR practices, rather than third-party quality assurance framework, as the latter cannot adequately ascertain the reporting firm's compliance issues.

5.2. Previous Studies in Developing Countries

The few available studies on SR practices in developing countries have ascertained diverse drivers of SR practices ([Ferri, 2017](#); [Belal & Cooper, 2011](#); [Gao, Heravi, & Xiao, 2005](#); [Islam, 2010](#); [Katsioloudes & Brodtkorb, 2007](#)). Interview-based research on SR practices in developing and emerging countries, [Ferri \(2017\)](#); [Gao et al. \(2005\)](#) established that SR practices is highly driven by institutional context including legal, political, religious, and cultural dynamics that defines value systems of an organization. However, [Islam \(2010\)](#); [Belal and Cooper \(2011\)](#) conducted longitudinal study based on quantitative content analysis and secondary data on SR in developing economies and concluded that organizations provide limited disclosure on environmental and social performance, and the resulting sustainable reports are inconsistent and inconclusive on SR practices determinants such as culture, composition, company size, ownership structure, performance, as well as industrial affiliation.

More relevant studies on developing countries have described the organizational and institutional context, rather than purely focusing on SR determinants and practice ([Belal & Owen, 2007](#); [Islam & Deegan, 2008](#); [Katsioloudes & Brodtkorb, 2007](#); [Momin & Parker, 2013](#)) establishing that SR practices in developing countries is highly influenced by low media pressure, social exploitation, poverty levels, access to foreign aid, lack of interest and awareness in SR practices, corruption, insufficient political will, and issues of inequalities. Similarly, [Belal and Cooper \(2011\)](#); [Gao, Heravi and Xiao \(2005\)](#); [Katsioloudes and Brodtkorb \(2007\)](#) attributed reported low SR practices in developing countries to low pressure from regulatory authorities and community groups, and inadequate legal requirements. On quality and assurance on SR practices in developing countries [Braam and](#)

Peeters (2018); Junior, Cotter and Best (2014) established low rate of assurance providers following low stakeholder goodwill, inadequate resources from firms to access assurance services, lack of assurance framework, and minimal compliance pressure.

5.3. Previous Studies in GCC Countries

There are few relevant studies on SR practices in GCC countries, such as Al-Janadi, Rahman and Omar (2013); Al-Khuwiter (2005); Alotaibi & Hussainey (2016); Sarraj (2018); and Vinke (2009). Al-Janadi et al. (2013) study examined the influence of external and internal corporate governance system on voluntary reporting on listed firms in Saudi Stock Market, established that government ownership, CEO quality, non-executive directors, board size, and audit quality impact on voluntary reporting. In studying adoption of SR practices among listed firms of Saudi Arabia, Al-Khuwiter (2005) established lack of awareness on SR, low management commitment on disclosure, and inadequate regulatory framework on disclosure. In studying materiality SR practices among GCC firms, Sarraj (2018) established that an increasing rate of materiality in SR practices, and that adopting GRI G4 standards has enhanced materiality disclosure among firms. Alotaibi and Hussainey (2016) explore factors of SR in Saudi Arabia establishing a link between audit committee size and board size on quality of disclosure, impacts on firm value from disclosure, and that the listed firms disclose higher quantity of information. Vinke (2009) established low level of SR among listed firms in UAE, and that cultural context exert influence on SR practice.

It is witnessed that global companies have faced increasing pressure to include environmental issues in their performance reporting. The mounting concerns for the safeguarding of the ecosystem have raised public awareness regarding the non-financial and financial performance of companies leading to comprehensive environmental disclosure (Chang et al., 2019). Sustainability reporting practices in developed economies entail mandatory reporting regulations and external assurance. In developing economies, the Global Reporting Initiative (GRI) is driving sustainability disclosure. There is limited literature about sustainability disclosure in the Arab States region or the Gulf Cooperation Council (GCC) countries (Alhaj, 2019). Sustainability disclosure practices in the GCC and developing economies remain a voluntary endeavor. In most sustainability disclosure studies, theoretical frameworks advance the comprehension of the idea of non-financial performance reporting. Sustainability reporting practices in developed, developing, and GCC economies demonstrate related determinants and factors on disclosure of environmental issues.

Bhatia and Makkar (2020) conclude that firms in developed economies adopt stakeholder theory to support their reporting practices by focusing on corporate social reporting activities to demonstrate responsible business practices to stakeholders such as nongovernmental organizations, investors, employees, consum-

ers, and shareholders. In developed economies such as the U.S., European Union, and the United Kingdom, the listed firms must report their sustainable practices to stakeholders. The drive behind sustainability disclosure practices includes mandatory regulation and stakeholder assurance demands. [Bhatia and Tuli \(2018\)](#) believe that listed firms in developed companies adopt mandatory sustainability disclosure practices to stakeholders owing to improved corporate governance structures, supporting public transparency through stand-alone sustainability reports. Besides, [Chang et al. \(2019\)](#) observe that industry type influences obligatory sustainability disclosure. In agreement with this perspective, [Laskar \(2018\)](#) posits that industry type determines a company's quality of disclosure owing to the nature of business, government interference, competition, and potential growth opportunities. However, [Bhalla \(2018\)](#) articulates that firm size influences the level of sustainability disclosure owing to high public visibility. In developed countries, larger firms face increasing pressure due to their resource capability to support stand-alone sustainability reporting to avert higher agency costs arising from information asymmetry between shareholders and the executive/managers ([Bhatia & Tuli, 2018](#)). Thus, sustainability disclosure practices of firms in developed economies yield to stakeholder and external assurance demands resulting in mandatory reporting.

[Alhaj \(2019\)](#); [Mahmood et al. \(2018\)](#) note that sustainability reporting practices across developing and GCC economies follow legitimacy and agency ideologies. In pursuit of legitimacy, a firm's sustainability reporting practices focus on meeting external stakeholders' demands regarding corporate activities. [Bhalla \(2018\)](#) believes that firm size and sustainability committee influences the pursuit of societal expectations on corporate activities. Larger firms in developing countries tend to divulge environmental information to legitimize their operations. Besides, [Moldavska and Welo \(2019\)](#) acknowledge that the sustainability committee in the firm's corporate governance structure helps improve sustainability reporting because the committees emphasize sustainability matters while promoting the firm's commitment to their stakeholders. In supporting this observation, [Masud, Nurunnabi, and Bae \(2018\)](#) conclude that the sustainability committee enhances the culture of voluntary triple-bottom-line sustainability reporting practices by focusing on people/social, planet/environmental, and profitability performances. Besides, firms in developing economies adopt an agency theoretical framework to support voluntary stand-alone sustainability reporting practices by disseminating value-relevant and non-financial information to interested external groups ([Dintimala & Amril, 2018](#); [Mahmood et al., 2018](#)). As [Arayssi, Jizi, and Tabaja \(2020\)](#); [Tauringana \(2021\)](#) noted, firms as agents of stakeholders and shareholders pursue voluntary disclosures to avert external pressures from the Global Reporting Initiative (GRI). Therefore, legitimacy and agency pressures support sustainability disclosure practices among firms in developing and GCC countries.

6. Future Studies

Firstly, relevant studies in the GCC context by Al-Janadi et al. (2013); Al-Khuwiter (2005); Alotaibi & Hussainey (2016); Sarraj (2018); and Vinke (2009) have made conclusions from short-term studies lasting less than five years. This gap forms the basis for the current study to be conducted over a longer period of time for more validity and credible outcomes. Secondly, relevant studies on determinants of SR in developing economies by Junior et al. (2014); Belal and Cooper (2011); Ferri (2017); Katsioloudes and Brodtkorb (2007); Gao et al. (2005) have failed to focus on Islamic context of disclosure. Therefore, the proposed study would seek to fill the gap by focusing on Islamic context in SR among GCC economies. Thirdly, the reviewed studies such as Bhatia and Tuli (2018); Branco and Rodrigues (2008); Buhr et al. (2014); Giannarakis et al. (2014); Naser and Hassan (2013); and Peters and Romi (2015) have inconclusively applied institutional theories to ascertain SR practices among listed firms. Based on these factors, the present paper tends to highlight the importance of theoretical framework in existing literature contribution.

7. Conclusion

This paper has documented at length the relevant literature on emergence of SR and on users of sustainability reports during disclosure. The GRI and non-GRI regulatory guidelines that govern SR practices have been reviewed along with challenges and benefits associated with GRI framework. Additionally, the SR motivations have been documented in establishing the impact of stakeholders, regulations, and rankings on SR practices of a company. A comparative literature review on SR practices is completed on developed, developing and GCC countries. Finally, the paper demonstrates that GCC countries have shown an augmented momentum toward SR reporting due to the uprising legitimacy concerns of different industries.

To sum up, sustainability reporting practices by firms in developed, developing, and GCC countries exhibit related determinants and factors on mandatory and voluntary disclosure of non-financial performance. The motivations behind firms' sustainability reporting tendencies include industry type, firm size, and sustainability committees. Companies in developed economies pursue stakeholder and external assurance demands resulting in mandatory and separate sustainability disclosure. Besides, legitimacy and agency demands promote sustainability disclosure practices among firms in developing and GCC countries.

Conflicts of Interest

The authors declare no conflicts of interest regarding the publication of this paper.

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