Challenges Faced in the Implementation of Sustainability Reporting: Empirical Evidence from Listed Companies in Sri Lanka

Sandali, W.A.P.L.
Sri Lanka Institute of Information Technology, Sri Lanka
limalkasandali@gmail.com

Gunathilake, W.K.N.C.
Sri Lanka Institute of Information Technology,Sri Lanka
nisal.chandula@gmail.com

Deshapriya, M.G.C.D.
Sri Lanka Institute of Information Technology, Sri Lanka
chathudeshapriyacommnet@gmail.com

Nirman, M.A.C.
Sri Lanka Institute of Information Technology, Sri Lanka
chathushka.nirman@gmail.com

Lokeshwara, A.A.
Sri Lanka Institute of Information Technology, Sri Lanka
anuja.l@sliit.lk

Weerarathna, R.S.
Sri Lanka Institute of Information Technology, Sri Lanka
ranitha.w@sliit.lk

Abstract

Sustainability reporting is a voluntary endeavor that involves publishing reports for reflecting the economic, social and environmental performance of an organization (Isenmann and Kim, 2006). When reporting sustainability practices, corporations encounter many challenges. The objective of the study was to discover the challenges faced by public listed companies in the implementation of sustainability reporting practices. Qualitative approach has been applied in gathering data and structured interviews were conducted among public listed companies who make sustainability disclosures aligning with the Global Reporting Initiative (GRI) framework. The study has been undertaken selected sectors in Colombo Stock Exchange (CSE) who reports sustainability against GRI framework. Researchers have conducted twelve (12) interviews with the responsible personal for sustainability reporting in each company. The data were analyzed utilizing Word Cloud software named as 'Word It Out'. The findings revealed that gathering information on sustainability practices is a key challenge for most of the companies. Mainly, it was identified that additional resources and costs have to incur in facilitating the reporting purposes. Furthermore, identifying material topics, data accuracy, setting the optimal sustainability goals and measuring sustainability disclosures were

also recognized as challenges faced by companies with regard to sustainability reporting. An independent assurance for sustainable reporting by an external auditor is the key overcoming method identified by the researchers as per the interviews. The main limitation was that we were unable to conduct interviews with all the sectors, which would not be adequate for giving an overall representation of sectors in the CSE. Therefore, it is recommended for the future researchers to take a bigger sample who make sustainability reporting according to the existing frameworks.

Keywords: Sustainability Reporting, Global Reporting Initiative (GRI), Challenges

INTRODUCTION

In the contemporary corporate world, Sustainability Reporting (SR) is an essential subject matter and is considered as one of the important challenges across the world. SR can be referred as a voluntary endeavor which involves publishing accounts that reflects the economic, environment, and social performance of an organization (Isenmann & Kim, 2006). Companies need to realize business actions affect people, planet and profits from their businesses. Sustainability as a contemporary topic associated with the conservation of scarce resources, while upgrading the standard of living of the current generation, has raised a significant global concern (James, 2015).

Most of the developed countries tend to disclose their sustainability practices (Dissanayake, Tilt and Xydias-lobo, 2016; Laskar, 2018). However, in developing countries a deficiency in reporting sustainability is evident. This is a particular concern, since the majority of the world's population is predominately from developing countries and they are facing the social and environmental problems of their own (United Nations, 2013) However, SR is not a compulsory requirement in Sri Lanka although it has an increasing trend (Peiris and Anise, 2019). Same authors have mentioned that SR has not received much attention in Sri Lanka, while many developed countries researched about SR with various determinations. In the local context, SR has received very less consideration compared to other countries (Peiris & Anise, 2019).

SR enhances the business value creation in many ways such as gaining investors in the long run, corporate profitability and overall performances. In addition, companies engage in sustainability as an employee involvement within the firm to maintain its reputation, image benefits (Orlitzky and Swanson, 2012), motivation improvement (Becchetti, et al., 2008) and cost reduction. Therefore, most of the companies tend to comply with international sustainability standards to get competitive advantage (Frooman and Murrell, 1999). As mentioned in the GRI website, organizations can get benefits internally and externally both by adopting to sustainable practices. These benefits are an increase in the understanding of risks and opportunities, an emphasis on the link between financial

and non-financial performance, reduction of costs, an improvement in efficiency, mitigation of risks, an improvement in reputation, brand loyalty and enable the stakeholders to understand the company's true value. While getting benefits after reporting sustainability practices, companies are facing certain challenges when implementing SR practices. The current study provides an overview of the challenges faced by listed companies in CSE during the implementation of SR.

Various types of frameworks have been presented by companies to report sustainability through which mainly shareholders and other parties will benefit. Some of them are Carroll's Pyramid Model, Triple Bottom Line (TBL), Sustainability Key Performance Indicators (KPI), Sustainability Balanced Scorecard, GRI and United Nations Sustainable Development Goals (UNSDG). However, most of the companies were preparing SR through GRI guidelines. It helps companies to move from either social or environmental based perspective on sustainability to a progressively integrated view. In addition, it promotes clarity, accuracy, usefulness and comparability when reporting sustainability (Dissanayake,Tilt and Xydias-Labbo, 2016). For the study, we have selected the companies who adhered to GRI guidelines when preparing sustainability reports. Limited numbers of studies have been conducted in the Sri Lankan context considering the challenges faced by companies in implementation of SR based on GRI framework. When it comes to SR, there are different challenges. A research undertaken by Smith and Sharicz (2011) finds that the absence of a consistent and reliable description of sustainability contributes to inconsistent directions and monitoring activities. This imprecision in reporting standards will contribute to SR problems. In addition, a study conducted by Puritt (2012) discussed the various challenges faced by businesses as being more competitive and reporting on sustainability, such as additional costs, staff participation and the dedication of senior management to SR, and the recognition of sustainability activities. Furthermore, various researchers have identified several challenges in implementing SR in global context as well. But in Sri Lankan context hardly any studies have been identified with regard to challenges faced by listed companies in SR. In order to fill the research gap researchers have carried out this study in order to identified potential challenges. Therefore, researchers carried out this study with the main objective of identifying the challenges faced by listed companies in implementation of SR.

LITERATURE REVIEW

Sustainability Reporting

The concept of SR comprises with three dimensions which are Economic disclosure, Environmental disclosure and Social disclosure. Therefore, SR can be referred as a voluntary endeavor which involves publishing accounts that reflects the economic, environment, and social performance of an organization (Isenmann & Kim, 2006) SR is the main platform of communicating the company's sustainability practices and its impact to stakeholders. SR reflects organizations' overall sustainability performances focusing on financial stability, eco-efficiency and socio-efficiency of the organization (Cohen, et al., 2012).

Most of the developed countries across the globe are encouraging SR by enforcing laws and regulations and making sustainability disclosures mandatary. Through SR, companies create a platform to communicate their sustainability performances and its impact. This will enable companies to expose the opportunities and risks about their sustainability practices. Sustainability performances were improved due to the implementation and reinforcement of sustainability principles for the reporting purpose by the companies into planning and decision-making process. Therefore, sustainability disclosures influence the firm performance and enhance their efficiency and effectiveness (Adams and McNicholas, 2007).

Environmental Disclosure

Organizations tend to focus on environmental aspects for the competitive advantage. Although, previous researchers have identified, environmental reporting was not into the acceptable standards among industries. But it is changing nowadays and most of the institutions are concerned about the principles on environmental responsibility and adopting them to their businesses (Jankovic & Krivacic, 2014). Countries such as Spain and France are more interested in environmental identity (KPMG International, 2016).

Most of researches have been carried out for environmental performance with the indicators including energy efficiency, physical efficiency, waste, water, emissions and biodiversity (Mazzi Mason and Scipioni, 2012: Dragomir, 2012). Businesses can be encouraged to be more profitable due to the competitive benefits gained through environmental efficiency. Increasing production can lead to increase absolute consumption of materials and energy and rise in waste production (Anria & Zyl, 2013) These are the findings of stated studies on environmental performance indicators to help business organizations in order to minimize their environmental impact, influences and assists in making decisions and communicating to stakeholders.

Social Disclosure

Reporting social indicators show an expanding pattern among developing and developed countries worldwide (Roca and Searcy, 2012). During the period of 1990 to 2005, KPIs of social dimension are mainly focused on the FP (Cuthill, 2010). According to a study undertaken by KPMG (2016), most of the corporations deemed to be socially accountable and this led to an increase in the reporting on social dimension by doubling the reporting since 2013.

Being a socially responsible business means fulfilling the legal obligations of the sector, human investment capital, stakeholder relations, fair trade and local rights (Cuthill, 2010). It is becoming increasingly important for companies to take responsibility for their resources including their supply chain practices, human rights and labour conditions undertaken by Daudin & Kadjar (2010 cited in Anria and Zyl, 2013 pp.29).

Economic Disclosure

Economic disclosure of the sustainability measures the degree to which local and global economic systems are affected by the firm activities (Zobi & Dhaimesh, 2019). Economic presence, market performance, indirect economic impact and procurement practices are the four major aspects of the economic dimensions (GRI, 2015).

The economic disclosure information is related to the possible competitive capital resources, low level risk of the stakeholders and the aspects of these disclosures. According to Anria and Zyl (2013) measuring economic impact by the nature of a successful business operation also states that, successful companies seek to increase their market share. This match will definitely be positive and this can affect competitors and threaten the stability of small companies and affect employees, communities and supply chains. The economic disclosures directed advance of the company FP by improving the investors' confidence (Caesaria and Basuki, 2016: Aggarwal, 2013).

Global Reporting Initiative

The use of standard framework for reporting is essential when considering corporate sustainability disclosures. There are numerous guidelines available all over the world developed to investigate the SR. The quality of reporting is varied from country to country because of the different legislations on non-financial disclosures in different countries. Since the quality of information is important to make decisions about the organization, stakeholders wanted a globally accepted framework which is used to report sustainability disclosures. The capacity of an organization to keep on working over and extensive stretch of time relies upon the sustainability of its stakeholder relationships. Therefore, organizations need suitable framework to maintain their attitudes to evaluate whether they are

considering about stakeholders in a powerful manner and to impart the outcomes accomplish by targeting, checking and following from subjective and quantitative perspective the corporate achievements in the stakeholder framework.

GRI is one of the most commonly adopted and globally accepted framework on SR. GRI is the most popular system for voluntary reporting on environmental and social execution by business and different associations around the world (Brown, Jong and Levy, 2009). The GRI framework allows to report sustainability in three aspects: Economic aspect, Environmental aspect, and Social aspect. Sustainability report is a detailed report which includes economic, environmental and social impacts published by an organization. It can help the firms to measure and find out about these three aspects and governance performance (Brown, Jong and Levy, 2009). In order to be an accepted organization of GRI, certain criteria proposed by GRI should be met by the organization The specific goals of the GRI offers arrangements of report to represent sustainability, to help the organizations in introducing a fair image of their association to stakeholders, to advance the affinity of corporate sustainability reports, to invigorate benchmarking and the obvious evaluation of sustainability execution and to encourage stakeholder commitment (Hartman and Painter, 2007).

Challenges of Sustainability Reporting

Study conducted in Swiss has categorized major practical challenges in SR according to existing modules which are Value Chain, Stakeholder Orientation, Materiality and Target Group Orientation (Brand, et al., 2018). When it comes to SR, it consists of different challenges. A study conducted by Smith and Sharicz (2011) has identified that lack of clear and precise definition of sustainability lead to unclear guidelines and reporting practices. This impreciseness of reporting practices will lead to challenges of SR. Another study conducted by Puritt (2012) has discussed various challenges companies faced when becoming more sustainable and reporting sustainability disclosures such as additional costs, employee engagement, and engagement of top management into SR and the determination of what sustainability practices to report in the reports. Furthermore, lack of common initiatives and frameworks for SR assurance will lead to difficulties in relying on the measured performances of sustainability practices. This will eventually lead to sustainability reports being impossible to be compared with one another (Deyliick & Muff, 2015).

A study conducted by Kumar and Devi (2015) stated that many organizations do not prioritize sustainable reporting and some parties oppose regulation. Companies have seen the importance of sustainable information by an increase in bureaucracy. Therefore, the administrative burden and

direct costs will be increased. But most companies give less importance for the cost in their SR than their spending on financial reporting, advertising or public relations. Also, the cost of issuing will create a change with the relationship of sustainability. Many aspects of the reporting process can contribute to its cost management. It is time for the senior management and other staff to discuss the contents of the report, development and implementation of collection data collection systems, prepare a report on internal resources such as time, capacity enhancement and potential external resources such as consulting, writing, editing, layout and printing.

A Study conducted by Grossman (2014) has revealed that, sustainability practitioners have been facing challenges with the availability of various reporting frameworks for SR. He identified that, even though the various frameworks deemed to be similar, it was actually different.

This result has also further highlighted that SR which recognizes the importance of SR framework improving the quality contextual information regarding sustainability practices to various stakeholders. These various frameworks have different purposes and that appeared to be conflicting and confusing when comparing the sustainability reports of different companies.

Furthermore, sustainability practitioners are challenged by difficulty in providing information which covers wide range of sustainability practices which spans form climate change to human rights and other sustainability disclosures which covers a large geographic area (BSR, 2018).

A study conducted by Mugwira and Nissim (2018) have identified different challenges faced by companies in Nordic region. According to the findings of the study, collecting and validating relevant information on sustainability practices from many regions is a challenging task. Also, sustainability practitioners have to allocate reasonable resources, time and effort thorough out the SR process. Further, cost attributable to SR process is another key challenge faced by corporates. Another challenge identified from the study is that, developing clear sustainability KPIs related to suitability goals. Since stakeholders hesitate to read long sustainability reports, preparing sustainability reports as short as possible is another challenging task faced by companies. Moreover, changing report standards, number of different frameworks, identifying material issues and balancing different stakeholders are some other challenges faced by corporates. Therefore, by imposing SR, stakeholders will be satisfied about the company. When it comes to sustainability issues, companies have recognized SR will be a provocation for stakeholders in the corporate world. As a cause of that, companies tend to disclose their sustainability practices. Considering the past literature around the world, different challenges have been identified. The second sub objective of this study is to identify the challenges faced by listed companies in CSE by the implementation of SR. The aim of this study

is to identify the challenges faced by listed companies in listed companies in Sri Lanka with regard to the implementation of SR.

DATA AND METHODOLOGY

The objective of the study was to discover the challenges faced by listed companies in CSE when implementing the sustainability reporting. Researchers have considered the entire set of companies which are listed in CSE under twenty (20) sectors, with the total population of 87 companies that follows GRI framework for sustainability reporting on their annual report. By using purposive sampling method, authors have considered twelve (12) companies in four (4) sectors to conduct the study.

In order to accomplish the objective, in- depth structured interviews were conducted consist with listed companies in CSE who disclose their sustainability practices align with GRI. Selected companies have been interviewed through online platforms and face to face with responsible persons in SR. These interviews generally cover the duration of 30 to 45 minutes.

In depth structured interviews have been conducted in order to imply the challenges faced by listed companies in CSE. As the most common method of data collection, interviews were carried out by the researchers as a qualitative approach of data collection. In-depth interviews where the respondents have to answer the open-ended questions and utilized extensively as interviewing format possibly with and individual or group who are responsible for sustainability reporting. The emphasis in qualitative analysis is reviewing text data from interview transcript through observation of interview participants. One of the techniques for analyzing data is 'Word Cloud' as an inductive technique of interpreting recorded data. In this current study, researchers examine the raw textual data to identify the certain challenges faced by the listed companies in CSE when implementing SR.

RESULTS AND DISCUSSIONS

In order to accomplish the objective of the study, in-depth structured interviews have been conducted as a qualitative approach. The emphasis in qualitative analysis is reviewing text data from interview transcript through observation of interview participants. One of the techniques used to analyze the gathered primary data is Content Analysis; an inductive technique of interpreting recorded data which can be used to build social phenomenon theories. From the word cloud, researchers can quickly break down text from an interviews transcript and it equally allow to see which words are used more or less frequently. The larger word size in the cloud means the more frequently it used. Creating word cloud helps to engage, educate and quickly capture researchers key challenges. The results gathered from

the interviews were analyzed using Word Cloud software named as 'Word It Out'. Most repetitive words were recognized in the Word Cloud software in order to identify the challenges faced by listed companies in Sri Lanka when implementing SR. The results of the Word Cloud analysis stated below.

Figure 1: Word Cloud Results of Challenges Faced by Listed Companies When Implementing SR

Source: Word Cloud result

Below stated challenges are the key challenges identified according to the qualitative analysis carried out through the Word Cloud.

- Data gathering

- Additional resources

- Cost

- Accuracy

- Measuring sustainability indicators

- Certification

- Goals

These challenges were highlighted from the Word Cloud as the frequency of them is high and words were repetitively used in the structured interviews. High frequency words are identified as the key challenges faced by listed entities in CSE when implementing SR. Each identified challenge will be further described below;

Data Gathering

According to the Word Cloud results, 'data gathering' was highlighted since practically every interviewed company has stated that gathering relevant data is challenging when reporting sustainability practices. The challenges related to data gathering comprised collection of data, validation of data, quality of the data and convert relevant data into information. Grossman (2014) also supported the argument that gathering credible data in SR might be problematic especially for companies which are operating in different industries and countries.

Gathering relevant data for sustainability reporting is critical when it comes to group of companies. Due to that, parent company has to gather the relevant data across all the subsidiaries and prepare a compilation of report for the group. Furthermore, it has a huge process of collecting data and need to filter raw data like what is absolutely required through annual reports.

"One of the main challenges we are facing is gathering relevant data when it comes to sustainability reporting. Since respondent 11 is a diversified conglomerate gathering all the set of data across the subsidiaries is a challenging task. We have operations in sixteen (16) different industries and getting the relevant data across each company in different sectors is one of the biggest challenges". – Respondent 11

Another responder seeks out the reason for the gathering data is a challenge because they did not have any prior experience in sustainability reporting. Due to that reason, filter the raw data was a biggest issue they had faced according to GRI guideline and capturing non- financial data.

"The biggest issue we faced was sustainability reporting was not done in the past. So, we have to make sure that data collection procedure captures all the relevant data in sustainability reporting. Most of the company's non-financial data is very hard to capture. Because GRI doesn't ask what exactly we do in term of things. GRI asked about what is the impact of the things we are doing. In such case we have to create certain reporting mechanisms to make sure that data is available for sustainability reporting". – Respondent 10

Due to the lack of experience in SR, companies tend to face challenges when it comes to data gathering and therefore, they are hesitant to report sustainability practices. This hesitancy due to lack of experience is also evident in the global context and a study has revealed that, based on experience level sustainability practices could differ between companies (Mugwira & Nissim, 2018). In order to overcome the experience issue in the process of reporting sustainability especially on data gathering, companies deemed to provide training sessions for responsible personals in SR. Furthermore, with

the use of Environmental, Social and Governance (ESG) reporting, companies tend to receive guidelines for reporting sustainability practices from the CSE.

Data gathering relevant to sustainability disclosures is a challenging task for service industry when it is comparing with manufacturing industry. Certain indicators will not be applicable for service industry, since that will be more applicable to manufacturing industry.

"We are in the service industry. Most of the guidelines in the GRI framework are applicable for manufacturing. Therefore, most of the guidelines are not applicable 100% for the service industry. Because of that identifying data, gathering data and preparing annual reports in the service industry could not be able to perform as the manufacturing industry". – Respondent 7

According to Peiris and Anise (2019) most of the companies in Sri Lanka, do not disclose their sustainability practices. Due to that they have lack of knowledge in terms of non-financial information disclosures. This was further evidenced by the statement of the resource personal of the respondent 1.

"I would say the main challenge we are facing in the sustainability reporting is collecting information. Financial data was gathered from our systems. When it comes to sustainability reporting, a lot of non-financial information are required. We don't have any defined system in gathered those data. So, collecting relevant information is a challenging task for us". – Respondent 1

In order to overcome the stated challenges, material topics have been identified by each subsidiary and based on their sector classification. Then sustainability practices carried out for each material topic have been disclosed from an online management platforms or systematic templates. Other than that, different data collection tools and procedures have been used by companies by their preferences such as Excel, Enablon and other internal tools. Companies who did not report sustainability in past stated that they overcome their gathering data challenge like talked to relevant departments and asked them to send relevant data according to the GRI guideline.

Additional Resources

Furthermore, according to the interviews conducted with the listed entities in CSE for the sustainability practices and reporting, additional resources are considered as another key challenge. Almost every company has stated that, they have to allocate additional resources such specialist knowledge and additional time.

"Another challenge is that; sustainability reporting requires a lot of resources. We have to involve additional people in sustainability reporting. Smaller hotels don't have that that kind of availability. So, for them it might cause a problem because GRI reporting requires a lot of work. You need specialized people on that area. So, I think only industry top players are doing sustainability reporting." - Respondent 8

In stakeholder theory, it has mentioned SR requires additional resources as well as it is a vital tool for communicating with both internal and external stakeholders (Nissim, 2018). Since the primary objective of companies is to maximize the profitability of their shareholders, some of the companies not much focused on sustainability practices. Therefore, the resource utilization for such of activities might be not given a priority.

"As a company we have optimized our resource utilization. When it comes to integrated reporting, we need additional resources and additional time. In the financial accounting we have our own set of tasks and optimal set of resources. Therefore, due to resource constraints, we are we are unable to be level of sustainability reporting". – Respondent 5

Furthermore, companies need additional learning processes to understand the requirements given by each version of GRI. Therefore, companies have to allocate additional people to get this updated knowledge and enhance the continuous learning process.

"Behind the GRI, a continuous learning process needs to be executed to understand the requirements of the reporting frameworks. For example, we started SR a line with GRI way back around 2006 where the G3 version was in practice. After that, we moved on to G3.1, then G4 and finally where we see our self-adhering to GRI standards. So that time we came from GRI G3 to GRI standards, it is a continuous learning process for us and each version of the GRI we required additional resources to enhance our SR practices". – Respondent 11

By providing training to the staff who engaged in SR, the stated challenge can be overcome. Furthermore, CSE is now providing guidelines for listed companies in line with the United Nations Sustainability Stock Exchanges (SSE) initiatives to provide guidance to stock exchangers on ESG reporting. Mugwira and Nissim (2014) also supported the finding that when the framework changes over time, companies have to allocate additional time to learn the new guidelines and cope with the changes.

Therefore, researchers have identified the theme additional resources as a key challenge faced by public listed companies when implementing sustainability reporting. Furthermore, past literatures

have also identified that, reporting sustainable practices require additional resources that companies recognize it as a challenging factor in SR (Mugwira & Nissim, 2018).

Cost

In the Word Cloud analysis, 'cost' was another word that was prominent. Sustainability practices and reporting bear additional cost to companies and some have stated that when carried out cost-benefit analysis, benefits deemed to be arisen because of the cost attributable to sustainability reporting.

"Other than cost attributable to sustainability activities, the reporting has also borne a huge cost. Because we have to document all the relevant data align with GRI. Cost attributable to design the report, printing cost, information gathering are the main costs that comes with sustainability reporting aspect. Other than that, we have appointed separate sustainability officers in order to coordinate sustainability practices. It also bears high costs as well. But I would like to say that, we are also enjoying financial benefits as well. Because some of these sustainability practices, we reduce our operating cost to a certain level as well" – Respondent 2

Although, some of the companies stated that cost is not a big challenge because it was included in their scope of work it was mentioned that sometimes it is necessary to spend some cost for the activities related to SR.

"Basically, our sustainability reporting is included in our scope of work. Engineers they have to record indicators of SR as scope of their work. So additional cost we don't see, but when we come to the measuring discharge about the quality and all, then we have to make an additional cost such as we have to pay for the laboratories to get the data and the test reports done". – Respondent 8

In the present corporate world, in order to overcome these kinds of challenges, companies tend to prepare sustainability budgets into their corporate budgeting and planning. By adapting to a sustainability budget, companies can design their sustainability plan in advance with the respective cost items. Then any variation between the budgeted and the actuals can be further evaluated.

Furthermore, some companies stated that, there is a cost involved in SR, but they believe that it is more beneficial to the company rather than the cost.

"Because these are a bit costly goals set for ourselves. But in the organization people believe in the sustainability reporting. Even though a cost involves in the sustainability repointing it is a beneficial to the company". – Respondent 3

Above statements depict that most of the companies have to spend some cost for the SR. Therefore, the researchers have identified cost is another key challenge faced by the public listed companies.

ROA is an indicator of how profitable a company is relative to its assets on control. Due to the increment of operating cost on SR, return will be reduced which leads to a decrease in ROA. Even though costs increase on SR, companies will be benefited in other factors such as corporate image, high recognition and stakeholders' perception as a result of SR. Past literatures have also supported the argument that, when the cost of operating decreases it will lead to increase in ROA and vice versa (Liu, Wu, Zhong, & Liu, 2020).

Certification

Other than reporting sustainability disclosures, companies have born a huge cost to get the certification for sustainability reports as well. Those certifications obtained for sustainability reports are deemed to be an important procedure, because companies are not hesitated to spend a huge cost on certifications. This was further evidenced by the statement of resource personal of Respondent 11.

"Yes, there is a cost involve in reporting. Like I said, there is a whole process to follow such as train employees and gather relevant data. We have an online management platform. Huge technological investment has to make adapting to sustainability practices and reporting them. And also, huge cost is involved when it comes to certification of annual reports. Here one of the main challenges is we don't have the level required expertise in Sri Lanka. Assurance on social and environmental procedures in reporting, we have to bring the required expertise from countries such as India and Singapore. All the cost attributable to expertise knowledge, transportation and accommodation cost comes as a consequence of reporting. This cost is rather important because from this we could be the difference among other companies by adapting to certification comparing with non-certified companies." – Respondent 11

The above statement further described the importance given for the certification of sustainability reporting by companies. From the Word Cloud analysis, 'Certification' was highlighted since the certification process of sustainability reporting is considered as a challenge by many companies. Certification for sustainability reporting enables the companies to improve and enhance the quality of their sustainability reports. As researchers previously mentioned companies have stated that, cost attributable to sustainability reporting is a challenge for them. Moreover, one respondent stated that cost attributable is not a challenge for them.

"Yes, even though there is a cost relating to sustainability reporting I don't see the cost as a challenge. Because we don't not have any specific cost since we report sustainability practices as a

part of our annual report. Comparing with the cost, benefit of the sustainability reporting is at a much greater level for our company." – Respondent 3

The above statements of the respondents depict that certification is another key challenge for the companies when implementing SR. A study conducted by Mugwira and Nissim (2018) have also identified that, certification on SR as a challenging factor. Most of the companies tend to get external assurance to overcome the challenge of certification and the companies have to spend some amount to get the assurance and certification. Furthermore, the companies doing external assurance for sustainability have more experience regarding these issues. Therefore, a lot of companies tend to get support from external companies to overcome these challenges.

Measuring Sustainability Indicators

Furthermore, gathering relevant data in sustainability practices are required measuring certain indicators such as water consumption, energy consumption, carbon footprint, etc. Measure those indicators across the organization and captured that information was a challenging task for companies.

"Within our organization, there are times when gathering the relevant data on time is challenging such as water consumption and energy consumption. Especially with the impact of Covid'19, getting the relevant data on time in that period is challenging". –Respondent 3

In order to overcome the data gathering through indicator measurement, companies have undertaken specialist knowledge on sustainability measurement.

"We have coordinate with the [state university in Sri Lanka] to measure the carbon footprint and other necessary measurements. And, we hire sustainability degree holders and take inputs from them regarding sustainability measurements and other initiatives". – Respondent 2

Furthermore, some companies tend to make some tools and software to identify which indicator should be reported on their annual report.

"We have been trying to implement a system which tracks GRI indicators and measure them. Which specify these are the indicators we have to follow. We are maintaining a system which helps us to measure relevant environmental indicators. But the thing is we have to incur an initial cost which is relatively deemed to be expensive". – Respondent 7

Therefore, according to the content analysis, researchers have identified measuring sustainability indicators as a key challenge when implementing sustainability practices. Furthermore, companies are facing challenges when measuring indicators, such as water footprint, emissions and carbon

footprint. To overcome this challenge companies are getting support from some measuring tools and external parties.

Accuracy

It could be seen that, 'accuracy' of the data is another concern which the companies are facing according to the outcome of the Word Cloud. Most of the companies are evaluating the accuracy of the information gathered through each department and respective subsidiaries.

"We have to really concern about the accuracy because we are dealing with large volume of data. We are talking about eight (8) resorts in Sri Lanka and four (4) resorts in Maldives. So, when we are dealing with that kind of large volume of data, we always need to critically evaluate the accuracy". – Respondent 8

Most of the time companies display concern about the accuracy of data due to transparency and since how these indicators were managed needs to be reported in the annual reports.

"Basically, we want to be more accountable and transparent to our stakeholders about what we have done in social, economic and environmental aspect. Therefore, we keenly consider about the accuracy of the information we presented to our stakeholders". – Respondent 8

In order to overcome this challenge, internal and external assurances have been carried out by the companies.

"In order to make sure that reports are ultimately accurate, we have carried out both internal and external assurance for sustainability reporting". – Respondent 8

These statements have illustrated that, in order to improve the accountability and the transparency, companies keenly evaluate the accuracy of the data in SR. Furthermore, in order to overcome this challenge, internal and external assurances have been carried out by the companies. Moreover, findings of Mugwira and Nissim (2018) have also identified that, in order to ensure the sustainability reports are trustworthy, external assurance was recognized as one of the most prominent methods.

Sustainability Goals

Another challenge is high level of 'sustainability goals' set by companies. They see their sustainability goals as challenges by it. Those sustainability goals drive the company to healthy sustainable position by adopting and believing in sustainability practices.

"By 2025, within the organization we have three large goals we are currently working towards in sustainability. We have to ensure 50% of our water consumption is reduced, zero waste to land fields and 50% reduction in our energy consumption. Coming up with innovative ways to achieve those goals has been a bit challenging task, but it is a learning process for us". – Respondent 3

Furthermore, the researchers have identified that; the most prominent overcoming method of stated challenges were the 'Independent assurance for Sustainability Reporting from external auditors.

Most of the companies have carried out an independent assurance for their sustainability reporting by an external auditor. The interviewed companies have stated that, by assuring the sustainability reports from an external auditor, they have overcome certain challenges faced when implementing sustainability reporting.

"For overcome the above challenges we carried out both internal, group and external audits. Internal audit is done by us. And the external audit is done by external audit company. So, each indicator is measured at three different points". – Respondent 8

"We get the independent assurance for our sustainability reports by an external auditor. We always get instructions from them about how to improve our sustainability reporting". – Respondent 8

Past literatures have also supported the finding that, from the external assurance of SR, companies tend to overcome many challenges they face in the process of sustainability reporting. The findings of the Mugwira and Nissim (2018) also supported the argument that external assurance assisted to overcome challenges of reporting sustainability practices.

According to the GRI, getting an external assurance for sustainability reporting is not mandatory. But they have advised to carry out an external assurance. If any external assurance is taken place, assurance report should disclose the basis, used assurance standards, level of assurance obtained and any other limitation is the assurance process.

According to the study carried out to examine the challenges faced by public listed companies when implementing SR practice, data gathering was identified as the most prominent challenge across almost every company. Especially, for companies who are operating in different industries, data gathering was a key challenge. Moreover, additional resources which utilized for SR was identified as another key challenge faced by companies. They must allocate additional resources such as specialist knowledge and additional time. Some of the companies have stated that, cost attributable to SR is another key concern for them and deemed to be a challenging factor. But they are seeing benefits from SR rather seeing cost as a challenge. After the cost, researchers have identified that;

certification is another key challenge for companies when it comes to SR. Measuring relevant sustainability indicators is another key challenge faced by companies. In order to overcome the stated challenges, companies tend to get independent assurance for their sustainability reports by an external auditor.

CONCLUSION

Overviews of this current study, researchers have examined the challenges faced by listed companies when implementing sustainability reporting. Data were gathered through in-depth structured interviews according to the qualitative analysis. In this study, the qualitative analysis has been measured through Word Cloud software.

Even though, sustainability is a trending topic around the world, companies in the global context are facing certain challenges when it comes to SR and it was proven by the past literatures. Companies in the Sri Lankan context also faced challenges when reporting sustainability practices. The key challenges were recognized as 'data gathering, additional resources, cost, accuracy, measuring sustainability indicator, reporting certification and sustainability goals' which was highlighted by the analysis carried out to be taken care of during the implementation of sustainability reporting. Even though, highlighted challenges can be focuses to overcome the challenges who is newly join to report sustainability. Independent assurance for SR by an external auditor was identified as the key overcoming method of stated challenges.

The present study highlights several problematic situations prevailing in the listed companies of Sri Lanka with regarding GRI. Since, GRI is not a mandatory requirement and the lack proper regulatory frameworks to influence corporations have caused SR to be considered as an optional matter. Furthermore, previous researchers also have argued that, SR is no longer considered as a voluntary practice, but it is rather considered as an integral part of financial reporting where both financial and non-financial disclosures are disclosed for decision making purposes. Therefore, the researchers have recommended making SR for corporations a mandatory reporting requirement. Hence, the governing bodies of the country should enforce the requisite policies to establish specific guidelines for corporations to perform better in the field of SR and allow these companies to be part of the country's sustainable economic growth.

LIMITATIONS AND DIRECTIONS TO FUTURE RESEARCHERS

Although the study has undertaken to be an extensive investigation on challenges faced by listed companies in Sri Lanka, several limitations were remained to be addressed by the future researchers.

One of the main limitations is that companies covering only four sectors were taken for the structured interviews to identify the challenge faced by companies which would not be adequate to give an overall representation of the entire sectors in CSE. Therefore, it is recommended for future researchers to consider the all sectors of CSE for the study. Furthermore, it would be further advisable to undertake the study based on different frameworks of SR in order to identify the framework specific challenges when implementing SR.

REFERENCES

Adams, A. and McNicholas, P. (2007), Making a difference: Sustainability reporting, accountability and organisational change. *Accounting, Auditing & Accountability Journal,* V.20(3), pp. 382-402.

Becchetti, L., Giacomo, D. & Pinnacchio, D. (2008), Corporate Social Responsibility and corporate performance: evidence from a panel of US listed companies. *Applied Economics,* V.40(5), pp. 541-567.

Brand, S., Berger, V., & Hetze, K. (2018), Overcoming current practical challenges in sustainability and integrated reporting: insights from a Swiss field study... *Nachhaltigkeits Management Forum,* V.26, pp. 35-46.

BSR, 2018. *BSR.* [Online]

Available at:

http://www.bsr.org/reports/BSR_A_Practitioners_View_of_Sustainability_Reporting_Challenges_and_Solutions.pdf

[Accessed]: 29th August 2020

Cohen, A., Ross, L., Nachman, I., & Bar-Nun, S. (2012), Aggregation of PolyQ Proteins Is Increased upon Yeast Aging and Affected by Sir2 and Hsf1: Novel Quantitative Biochemical and Microscopic Assays. *Plos One.*

Deyliick, T.& Muff, K. (2015), Clarifying the Meaning of Sustainable Business: Introducing a Typology From Business-as-Usual to True Business Sustainabilit. *organization and environment,* V.29, pp. 156-174.

Farisa, A. & Basuki, B., (2016) The Study of Sustainability Report Disclosure aspects and their impact on the Companies' Performance. V.2.

Frooman, J. (1999) Stakeholder Influence Strategies. The Academy of Management Review, 24(2), pp. 191-205.

GRI, (2015) Global reporting initiative [online]

Available at : https://www.globalreporting.org/Pages/FR-CLP-2016-final.aspx

[Accessed: 7th july 2020]

Isenmann, R. & Kim, K. (2006), Interacting Sustainabilty Reporting. *Eco-Efficiency in Industry and Science*, V.21.

James, M., (2015), The benefits of sustainability and integrated reporting: An investigation of accounting majors' perceptions. *Journal of Legal, Ethical and Regulatory Issues,* V.18.

Jankovic, S., & Krivacic, D. (2014), Environmental accounting as perspective for hotel sustainabilty. Tourism and Hospitality Management, V.20, pp. 18.

Jong, M., Joss, S., Schraven, D., Zhan, C.and Weijnen, M. (2015), Sustainable–smart–resilient–low carbon–eco–knowledge cities; making sense of a multitude of concepts promoting sustainable urbanization, *Journal of Cleaner production*, V.109, pp.25-38.

KPMG International (2016), The KPMG Survey of Corporate Responsibility Reporting 2013 [online] Available at: https://assets.kpmg/content/dam/kpmg/pdf/2013/12/corporate-responsibility-reporting-survey-2013.pdf

[Accessed: 18th February 2020]

Liu, H., Wu, S., Zhong, C. and Liu, Y. (2020) The Sustainable Effect of Operational Performance on Financial Benefits: Evidence from Chinese Quality Awards Winners. *Sustainability,* V.12 (5), pp. 1966.

Nissim, M. A., (2018), Sustainability Reporting and the related challenges of the United Nations Global compact signatures.

Mugwira and Nissim (2018) *Sustainability reporting and the related challenges of the United Nations Global Compact signatorie*s.

Orlitzky, M.& Swanson, D, (2012), Assessing Stakeholder Satisfaction: Toward a Supplemental Measure of Corporate Social Performance As Reputation. *Corporate Reputation Review.*

Peiris, N. and Anise, R. (2019), Corporate Sustainability Reporting: An Empirical Study on Social & Environmental Reporting among Sri Lankan Public Listed Companies in the Hotel and Travel Industry. *Colombo Journal of Advanced Research*, V.1 (1) pp.35.

Roca, R., and Searcy, L. (2012), An analysis of indicators disclosed in corporate sustainability reports. *Journal of Cleaner Production*, V.20 (1), pp. 103-118.

Zobi, O. & Dhaimesh, K., (2019), The effect of sustainability accounting disclosures on financial performance: an empirical study on the Jordanian banking sector.