



## Educational Institutions' Disclosure of Financial Report in the Form of Sustainability Report

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### Abstract

Disclosure of information accompanying financial report, especially information that represents the educational institutions' sustainability for stakeholders and users of financial reports to have confidence in the educational institution's learning management and its quality. Therefore, it is imperative that education administrators understand, respond to and meet the expectations and needs of stakeholders by disclosing financial reports information in accordance with sustainability reporting guidelines. Furthermore, the report can be served as an assessment tool when evaluating the institution's performance. Other than financial report, stakeholders and related parties can also access to other needed information. The report's important areas comprise of Environmental Dimension which applies to the impact of the organization have on living and non-living things, including ecosystems, soil, air and water; Social Dimension refers to the impact on social system caused by the organization's operation, and Governance and Economic Dimensions are the impact of the organization has on the overall economic system of stakeholders at the local, national and global levels.

### Introduction

General financial report presents business information and industry overviews. It is relevant to the measurement of the value of business activities and is also used in business planning and decision making. Furthermore, the organization also displays additional information and other important information in addition to those already specified by various agencies. The disclosure of additional information is essential in terms of providing clarity and explanation related to fundamentals of business, operations, management, financial reporting figures, including information that displays social and environmental responsibility.

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For the administration of educational institutions, both government's educational institutions and agencies and private sector's institutions, the National Education Act of 1999 (Ministry of Education, 2003) has put strong emphasis on education reform by way of learners-centric and reforming the system by mobilizing resources for education benefits resulting in participation of stakeholders with educational institutions. Therefore, the disclosure of financial report, especially the sustainability of the educational institution to stakeholders and financial report's end-users in reflecting the quality and

confidence in the learning management of educational institutions. Hence, it is vital that school administrators understand and respond to the expectations and needs of stakeholders, which is comprehensively explained in the content of this article.

### Sustainability reporting

Sustainability Reporting is a report that reflects the operational performance of the organization. Its operations could positively or negatively have an effect on the economy, society and environment. As well, technically, such reporting discloses our responsibilities towards customers, partners, employees and other related stakeholders relevant to the organization. Currently, the trend of sustainability reporting in various organizations has continued to increase. Consequently, such reports can have a direct impact on organization's image and reputation aspects, PR enhancement, confidence and competitiveness of the organization.

In Thailand, sustainability reporting is often known as Corporate Social Responsibility (CSR), which means conducting activities that benefit and contribute to society, the poor or the disadvantaged in meaningful ways.

The Global Reporting Initiative (GRI) has defined sustainability reporting as a method for evaluating, disclosure and enable to explain business performance that aims to foresee scenarios and future goals of the organization that would be sustainable to stakeholders, both inside and outside of the organization (Global Reporting Initiative, 2013) in accordance with The Commission of the European Communities (2001), which states that: sustainability reporting is a business concept that taken into account the integration of social and environmental facets, including voluntary and willingly respond to stakeholders' needs.

Based on the definition of sustainability reporting, which pinpointed and reflected the responsibility of a business organization has on the economy, society, community and environment, including relevant stakeholders of both inside and outside of the organization of which could have been affected by the production of goods and services in negative ways caused by the actions of such business, therefore, could potentially affect the achievement of the organization's goals. The components of the sustainability report can be summarized as shown in Figure 1 as follows:

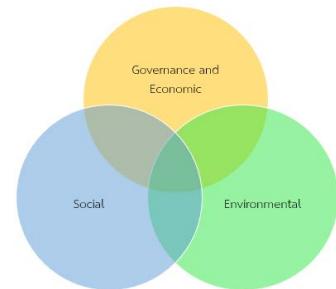


Figure 1 The components of sustainability report

Figure 1 shows the components of sustainability report consists of 3 key dimensions: (1) economic (2) social, and (3) environment. The aforementioned elements were initiated by International Institute of Sustainable Development (IISD), which provides fundamentals pertaining to corporate sustainability report on profitability, humans being, and the earth. Elkington (1998) had developed the concept and eventually become the Triple Bottom Line report, which includes a focus on the environment, society and relevant stakeholders by preparing a sustainability report consisting of the details from each dimension as described below:

1. Environmental dimension relates to organizational impact on living and non-living things in nature, including ecosystems, soil, air and water.
2. Social dimension relates to organizational impact on human society from the operation of the organization.
3. Governance and economic dimensions are organizational impact on the economic system of concerned stakeholders on the local, national and global levels.

By disclosing additional information in all 3 dimensions of the financial report, this would enable users to picture a wider view of the organization's operations beyond solely financial facet.

### Reasons for performing Sustainability Reports

In Thailand, it is not compulsory by law to mandate business entities to perform the report as there are no regulations or rules specifically written for it. However, with the growing trend and demand of society that requires organizations to demonstrate their social responsibility and be accountable for their actions to community and environment. In addition, there are also external organizations, such as the UN, OECD, EU, etc., have begun to play a greater role and

put focus on good self-regulation i.e., corporate governance. Correspondingly, SET (The Stock Exchange of Thailand) annually produces its sustainability report which reflected and disclosed the institution's strong self-regulation, transparency and accountability to the public at large as a leading model. It is important to note that the value of sustainability reporting lies in its process creation rather than as a mere project with the aim to fulfil documentation obligation purposes. Given the report's significance, its benefits to the organization are listed as follow:

1. To strengthen the image pertaining to the quality of the organization's performance and transparency.

Sustainability reporting is an essential tool to inform the public regarding an entity's operations as well as to build understanding of the impact of an organization, which potentially could affect to the economy, society and environment. It is, by far the most effective and reliable channel for communication to the public on the social and environmental impact of an entity's operations, particularly the activity or the project which society and concerned stakeholders pay close attention to. Sustainability reporting also benefits the organization in terms of image building as well as credibility.

2. To develop stakeholders' participation and engagement.

The report represents a mechanism that demonstrates the response to stakeholders' expectations regarding sustainable development of an organization. Other key involvement includes stakeholders' input in setting guidelines for management on the customers' facet, procurement and loyalty building notion. Additionally, choosing the right strategy to develop can have a positive impact on related stakeholders, such as employees and investors in the long term. It is noteworthy that the aforementioned parties are the key people whom the organization needs to pay close attention to and build relationships in order to obtain their buy-ins for strategy setting, operation, auditing and evaluating the performance of the organization.

3. To increase opportunities for work quality and human resources development.

In order to have a sustainably productive report, compiling data and information

tracking and filing of organized activities and financial transactions for the entire year are of the essence. Such process requires advanced planning and to put into place a system for storing and recording data. Therefore, personnel responsible for the said activities need to have strong planning skills as well as systems setting and able to present information efficiently. Besides, all personnel within the organization are urged to be engaged in the planning and participated in activities related to society and the environment. This corresponds to Waddock and Graves (1997) who stressed the importance of sustainable development in line with social and environmental activities as an opportunity to change the organization both in terms of structure, overall process and initiation of developing employees to make quality products and safety concern.

4. To increase organization's competitive advantages.

Sustainability development activities offers an opportunity for the organization to explore while operational risks awareness is also developed as its immunity. The procedure includes risk management to reduce negative impact which may occur from the operation. Moreover, the report's preparation process also helps compare business performance, both internally and externally preventing loss of market share, supports funding access and maintaining relationships between raw material suppliers, customers and relevant third parties in accordance with Wagner (2007) who stated that integrating social and environmental activities into the core operations could potentially result in cost reductions, foster new product development, increase market share, and eventually result in the increase of profits.

5. To increase opportunities for organizational development.

Opportunities arise for organizational development through interest in and action plans to carry out activities in accordance with the sustainable development approach in which guidelines for operations are required to be benchmarked in line with the law, measures and principles of other external agencies in the ecosystem. Apart from the mentioned, organizations need to consider organizational risks that may affect society and

the environment. Thus, having awareness of such impacts would positively promote the development of innovations and new ways of working, and learning management within the organization. Correspondingly, Wagner (2007) emphasized that the strategy integration between organizational goals, social and environmental management is vital in influencing management quality for the agency, resulting in cost reduction, new product development, increasing market share, and consequently, increase in profit as well as improvement of overall work process whilst development of workplace accident and illnesses reduction are instilled.

### **Sustainability Reporting Standard Disclosures**

Guidelines on sustainability reporting standards compliance involve: the content, quality and scope in promoting the quality of reporting, which also benefit the organizers users of information (The Stock Exchange of Thailand, 2022) are as follows:

#### **Sustainability Reporting Principles**

1. Materials/information to be disclosed: It is recommended that organizations disclose information on sustainability issues in accordance with corporate strategy and stakeholders' needs. The context should be concise, straight to the point, easily understood, and contains sufficient details to allow stakeholders to assess the performance of the organization.

2. Timely manners: The to-be-announced information should be current and up-to-date, and should indicate operational sustainability continuation.

3. Reliable: the information/data must be accurate, complete, without bias, and is verified and accepted in terms of quality and credibility.

4. Comparable: In the area of quantitative aspect and standards, data and information should be consistent and comparable i.e., changes from the past to the present and able to compare with other organizations in general.

#### **Principles for Defining the content of the Report**

There are 4 key elements regarding the format of the content in which organizations should put emphasis on (Global Reporting Initiative, 2013).

1. Stakeholders' inclusiveness: The agency's ability to clearly describe and underpin

the roles of stakeholders, and how it is able to reasonably meet their expectations and fulfill their interests.

2. Context sustainability: The final report should demonstrate the organization's performance, particularly in key economic and environmental aspects, society and the environment in the abstract of sustainability.

3. Materiality: It consists of 2 perspectives, (1) the agency's response to the economic impact, society and the environment, or (2) how sustainability can have an influence on the assessment, decision-making and thinking process of stakeholders

4. Completeness: The content presented must be substantial and must serve purposes (Materiality) and respect boundaries. Besides, it needs to be comprehensive in relation to the organization's impact to economy, society and environment. Plus, its content significance allows and enables stakeholders to evaluate the organization's performance.

A key point to keep in mind means having in depth understanding of the report's standard disclosures that enables educational institutions to use them as a central guideline/blue print for disclosing information which reflects the quality of consolidated information in the content.

#### **Material Sustainability topics for Academic Institutions**

Disclosure of information accompanying the financial report according to the report guidelines for educational institutions and the fundamental elements of disclosure include environmental related matters and issues, society and good governance as described and recommended below:

1. Environmental (E): Educational institutions are advised to disclose information on environmental policy and compliance standards, energy, waste and water management, as well as greenhouse gas and carbon emissions management.

Furthermore, information disclosure related to the education institutions 'environment, such as environmental arrangements and building improvements to reduce electricity consumption as well as reducing unpleasant noises which may interfere with students learning and personnel's well-being in addition to choosing environmentally friendly electrical appliances, surrounding arrangements for green areas to use as a park/rest area

and a source of and a venue for learning for students.

Reporting and disclosing the information on greenhouse gas emissions resulting from the use of refrigerants from air conditioners, use of cooking gas by educational institutions is considered essential. Equally important, organizations are urged to conduct learning activities that encourage students to realize the value of the environment, conservation and development of the environment, waste separation, and use of energy and resources appreciatively and efficiently. The mentioned key areas related to the environment should be disclosed publicly.

2. Social (S): It is advisable that educational institutions reveal information on human rights, fair labor practices, responsibility to students, parents and communities. Moreover, financial reports concerning social issues e.g., respect for human rights in regard to ones' dignity; maintaining an environment that is safe for students, parents and education personnel's lives and properties. Also, training and skills development for personnel are needed whilst educating parents, supporting health care and medical welfare, especially during the COVID-19 pandemic time, encouraging people to work from home for the benefit of their health. As well, providing services and participating in community activities and carrying out activities for the public benefits with the community.

In addition to the aforementioned, providing a safe and conducive learning environment for students, promoting and supporting the development of students with special needs and those with cultural differences; set up measures to protect them from violence and harassment.

3. Governance and Economic (G): Regarding governance and economic disclosure, educational institutions are urged to reveal the following areas namely policy, structure and governance system, sustainability policy, strategy, risk management, innovation development and anti-corruption policy. Regarding governance and economic issues, it is important that institutions apply good corporate governance approach to the operation by taking into account the quality of learning management, human resources development, and leveraging a balance between business profits and social contributions. Additionally, comprehensive and useful information on governance and economic issues, such as policies and guidelines for operating in accordance with ethical principles, integrity and transparency of the

organization should also be made known. As well, manual on ethics; communication channels with stakeholders; legal compliance; anti-corruption policy, and principles of participation with parents, community and stakeholders. Plus, giving parents the opportunity to express their opinions, share their perspective, propose guidelines for educational institutes' development, development of internal control measures/checks-and-balances system, and implement internal audit control to prevent fraud; setting up proper channels for complaints and responses.

For the disclosure of information based on the basic elements of information disclosure, in the event educational institutions have already established educational quality indicators related to environmental issues, society and governance, disclosure of such evaluation results mentioned are to ready to release and should be announced, consequently allowing partners access to additional information other than financial reports.

### Summary

Sustainability report relates to evaluation method, disclosure, and also thoroughly describes the business performance with an aim to shed light on organization's sustainability's future goals to both internal and external stakeholders. It consists of several key areas, for instance, paying attention to the environment, society and people involved. Importantly, the report also needs to include the environmental dimension, which is related to the impact the organization has on living and non-living things, including ecosystems, soil, air and water. In addition, environmental policy and compliance standards, energy management, waste, water management, and greenhouse gas management, all need to be publicly revealed.

Last but not least, social dimension demonstrates the impact of the organization on the social system caused by the organization's operations. To correspond, human rights, fair labor practices, responsibility to students, parents and communities, and good governance, all these are necessary to be disclosed. As for the economic dimension aspect, it should represent the organizational effect on the economic system of stakeholders at the local national and global level. Therefore, policy, structure and governance system, sustainability policy and strategy, risk management, innovation development and anti-corruption policy, all are essential to be revealed.

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