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Assessment of Sustainable Development Aspects in Transport Companies Activities



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ABSTRACT

Managing a company's sustainable development has an impact not only on internal processes, but also on interaction with suppliers and improvement of the system of responsible supply chain management. In this regard, it becomes necessary for transport companies as providers of logistics services to pay attention to compliance with sustainability criteria so that cooperation with them has a positive effect on the reputation and positions in customer sustainability rankings. This paper examines the criteria for evaluating the maturity of practices implemented by

a logistics service provider for large manufacturing companies in relation to their environmental and social impact. The relevance of the work lies in the need to create tools for assessing the level of sustainable development of companies in the transport industry and develop recommendations for industry-wide standards.

The results of the study might be of interest to managers and specialists of logistics companies and employees of transport universities in view of special importance of high-quality education for achieving sustainable development goals.

Keywords: transport industry, transport companies, logistics, sustainable development, ESG factors, sustainable development goals, environmental aspects, management.

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INTRODUCTION

Literature Review

The fundamental definition of sustainable development is «development that meets the needs of the present without compromising the ability of future generations to meet their own needs»¹. The concept of sustainable development provides for three interrelated vectors of development: environmental, social, and economic².

Issues of the impact of organisations on the environment, social sphere and economy (ESG-factors) are becoming an integral part of government policy and business standards. The term «ESG-factors» (Environmental, Social and Governance) appeared in 2004 in the United Nations report entitled «Who Cares Wins». Each of the directions cannot be considered in isolation from the other two, thus, the sustainable development model is three-dimensional and assumes that the world system must simultaneously develop in all three directions.

Various areas of sustainable development are considered in scientific papers: the impact of innovations [1], the transition to a circular economy [2], ESG-transformation of companies in various sectors of the economy [3–5]. The sustainable development of transport companies is also in the focus of attention of researchers [6], while this topic can be considered also considering national specifics.

RESULTS OF THE STUDY

At the end of 2022, the topic of sustainable development remained in the focus of Russian companies. According to experts, currently, there is a change in the priorities of sustainable development: while the environment is kept on the main agenda, the role of social aspects is increasing³.

¹ The 17 goals. Sustainable Development. [Electronic resource]: <https://sdgs.un.org/goals>. Last accessed 06.01.2023.

² GRI 101: Foundation 2016. [Electronic resource]: <https://www.globalreporting.org/media/wwwkhynd/gri-standards-consolidated-2020.pdf?g=419257b1-08c5-497a-a7ad-fc7b8e7445d3#page=4&zoom=100,0,0>. Last accessed 06.01.2023.

³ «A temporary rollback is possible»: how the «balance of letters» has changed in ESG [*Vosmozhno vremennyy otkat: kak izmenilsya ballans bukv v ESG*]. RBC. 2022. 24 October. [Electronic resource]: https://www.rbc.ru/business/24/10/2022/6352e2649a7947086a3bca20?utm_medium=share&utm_source=app_ios_reader&utm_campaign. Last accessed 11.12.2022.

The main guidelines for Russian companies in matters of sustainable development are international standards, state regulation and expert estimates of consulting companies. Let's take a closer look at each source.

International Standards

Several large Russian companies are already successfully integrating sustainable development goals into their strategies. The awareness of the importance of sustainable development by Russian businesses was underlined by a 2019 PwC study, according to which 66 % of the surveyed members of the Boards of Directors of Russian companies believed that the overall strategy of the company should be aligned with sustainable development goals⁴. The national network of the UN Global Compact Network, the UN's international business initiative, brings together more than 50 Russian companies and institutions operating in almost all regions of the country, including such major global players as Rosneft, Lukoil, RUSAL, Severstal, Norilsk Nickel, Polymetal, RusHydro, AFK Sistema, JSC Russian Railways, and others⁵. For example, JSC Russian Railways contributes to achievement of 13 of the 17 UN Sustainable Development Goals (Pic. 1).

To achieve sustainable development goals, it is also important to focus on evaluation criteria. They are formed by ranking agencies based on information disclosure standards. The most significant sustainable development rankings are conducted by Sustainalytics, MSCI, ISS, etc. In their assessments, they are based on international reporting standards, for example, the Global Reporting Initiative (GRI). The key document of GRI – «Guidelines for reporting in the field of sustainable development» is structured in such a way that it is harmoniously combined with other guidelines in the field of sustainable development – the «OECD Guidelines for Transnational Enterprises», ISO 26000 and the UN Global Compact.

In relation to the transport industry, international standards can serve as guidelines and set vectors since development of more

⁴ Sustainable development in the focus of attention of boards of directors. Survey of members of the boards of directors of Russian companies, 2019. [Electronic resource]: <https://www.b-soc.ru/wp-content/uploads/2019/11/polnyj-tekst-issledovaniya.pdf>. Last accessed 06.01.2023.

⁵ Global Compact Network in Russia. [Electronic resource]: <https://media.rspp.ru/document/1/5/c/5c0d3154c8f293ed0931583268b1ad5a.pdf>. Last accessed 06.01.2023.





Pic. 1. Contribution of JSC Russian Railways to achievement of the UN Sustainable Development Goals based on the annual report of JSC Russian Railways for 2021 (Annual report of JSC Russian Railways for 2021. [Electronic resource]: https://ar2021.rzd.ru/download/full-reports/ar_ru_annual-report_spreads_rzd_2021.pdf. Last accessed 06.01.2023).

precise industry-specific criteria for transport is not included in the immediate plans of the global reporting initiative. Their focus is primarily on the most carbon-intensive industries. So, in 2021, an industry standard for oil and gas companies was developed. The following standards have been developed for the coal mining industry, agriculture, and fisheries. Currently, work is underway on an industry standard for mining companies (Table 1).

With regard to general standards, it is possible to distinguish environmental and social aspects in relation to a logistics company.

Environmental aspects include:

- Sources of energy consumed by the organisation.

- Water consumption.
- Biodiversity.
- Greenhouse gas emissions.
- Discharges and wastes.
- Compliance with legislation in the field of environmental protection.

At the same time, aspects such as materials and transport are not applicable to logistics companies.

The assessment of social aspects can be divided into three main groups of indicators:

- Labour protection and safety.
- Personnel management, implementation of workforce diversity and inclusion programs.
- Corporate social responsibility and observance of human rights.

Table 1

Schedule for development of draft GRI industry standards*

Name of sector standard	Status	Project start	Standard release
Standard for oil and gas	Completed	Q2 2019	2 nd half 2021
Standard for coal	Completed	Q2 2019	1 st half 2022
Standard for agriculture, aquaculture, and fishing	Completed	Q4 2019	1 st half 2022
Standard for mining	In progress	Q1 2022	Q3 2023 (expected)
Standard for food and beverages	In progress	To be started	To be determined
Standard for textiles and apparel	In progress	Q1 2023 (expected)	Q1 2025 (expected)
Standard for financial services, banking, insurance, and capital markets	To be started	Q2 2023 (expected)	Q3 2025 (expected)

* GRI – Schedule of Standards projects. [Electronic resource]: <https://www.globalreporting.org/standards/standards-development/schedule-of-standards-projects/>. Last accessed 06.01.2023.

State Regulation

Today, Russia already has its own standards and methods of information disclosure, although no documents have yet been adopted at the state level obliging Russian companies to publish non-financial reports in the field of sustainable development.

In 2021, the Central Bank of the Russian Federation published a letter with detailed recommendations on disclosure of non-financial information by public joint-stock companies. The Ministry of Economic Development plans to prepare a draft law on the publication of non-financial reporting by Russian companies, and before its release, the main guidelines for Russian companies are the recommendations of the Central Bank.

The recommendations of the Central Bank of Russia on consideration by the board of directors of a public joint stock company of ESG factors, as well as sustainable development issues, state that «taking into account ESG factors in the Company's activities, the Company's participation in achieving sustainable development goals is a complex task that requires a systematic, consistent and coordinated approach to its solution. The solution of such a task is not limited to the allocation (appointment) of a separate structural unit (official) in the organisation responsible for issues related to ESG factors and sustainable development but requires active participation from all management bodies of the Companies within their competence»⁶. In practice, this means that in addition to the dedicated structure for coordinating sustainable development activities, sustainable development management includes departments dealing with ecology and environmental protection, a social and personnel divisional block, and departments responsible for corporate governance, anti-corruption, and risk management.

The guidelines for the disclosure of non-financial information by public joint-stock companies formulate the principles of disclosure⁷. The principles address the content and context of the report and describe quality assurance requirements.

To comply with the principle «Future and strategic orientation of non-financial information disclosure», it is recommended to provide information about the mission, business model, strategy, and goals. To properly assess the company's contribution to sustainable development, it is necessary to understand in what context the company considers sustainable development issues, what goals it sets for itself at the local, regional, national, and global levels. It is also recommended to disclose information about risks and factors that may affect future activities.

In accordance with the «Stakeholder oriented disclosure of non-financial information» principle, a company must identify stakeholders and explain in the report how their reasonable expectations and interests were considered when preparing the report. These are customers, shareholders, the state, suppliers, all those who are related to the company's activities. But also, these are parties that are not related to the company, but its activities significantly affect their lives (vulnerable segments of society, civil activists).

The principle «Objective, balanced and easy to understand presentation of information» determines that both positive and negative aspects of the company's activities should be shown, this will allow a reasonable assessment of the results (comparison of positive and negative impacts). It is not possible to present a sustainability report as a collection of achievements for the year. The information contained in the report should be presented to stakeholders in an understandable and accessible form.

The report should contain «necessary and sufficient disclosures». The company should include in the report only those data that show a significant impact of the company on the environment, social environment, economy. The information presented in the report must be accurate and detailed enough to enable stakeholders to evaluate performance of the company.

And finally, in accordance with the principle of «Consistency and Comparability of Disclosures», reports are published based on a regular just-in-time schedule, so that stakeholders can be guided by deadlines and make timely decisions based on the data contained in the report. To compare the

⁶ Information letter of the Bank of Russia dated 16.12.2021 No. IN-06-28/96. [Electronic resource]: <http://www.cbr.ru/crosscut/lawacts/file/5757>. Last accessed 06.01.2023.

⁷ Information letter dated of the Bank of Russia dated 12.07.2021 No. IN-06-28/49. [Electronic resource]: https://www.cbr.ru/StaticHtml/File/117620/20210712_in-06-28_49.pdf. Last accessed 06.01.2023.



company's performance in different reporting periods (to see the dynamics of changes), as well as to compare it with the performance of other companies, the presentation of information in the report should be uniform.

Expert Estimates of Consulting Companies

In the field of activity of consulting companies involved in assessment and consulting on sustainability issues, two groups can be distinguished. The first includes large international companies or their successors in the Russian Federation that separated in 2022. The second group is represented by niche regional companies. And if the first group of companies are typically using model international standards with their necessary adjustment to the requirements of national legislation, then the second group is of greater interest due to the author's developments and methods. Let's consider the example of a method for diagnosing sustainable development from a TSQ Consulting company⁸. As part of the methodology, it is proposed to assess 25 aspects in seven areas:

1. Goals and values.
2. Management and leadership.
3. People and culture.
4. Production processes.
5. Experience in customer service and marketing.
6. Business ecosystem (transparency and openness of interaction with the external contour of the organisation).
7. Monitoring and reporting.

The evaluation is carried out separately for each of seven impact areas to highlight areas that are not yet sufficiently developed to be used as opportunities to strengthen the resilience of the organisation.

As a result, diagnostics allows assessing the level of stability of the company. Low sustainability means that sustainable development in the company is only in its infancy. At this stage, it is important to clearly define a goal, form a strategy and then draw up a roadmap. Average stability shows that the company is on the right track to implement sustainable development approaches in all

business processes of the organisation. At this stage, it is very important to work in two directions – with processes and with people, building a special corporate culture. It is important to create a system in which employees cannot act otherwise than in an environmentally and socially responsible manner. High sustainability means that the company is a leader in sustainable development. At this stage, the company can be a role model and influence dissemination of sustainable development practices among partners, contractors, and suppliers as well as in subsidiaries.

Particular attention should be paid to the fact that in the proposed methodology, a separate emphasis is placed on the company's personnel. This approach will be especially relevant for transport companies that are the largest employers since successful implementation of sustainable development goals will depend on involvement of personnel in this process.

Recommendations Based on the Results of the Study

For the purposes of sustainable development not only of individual companies, but of the entire transport industry, the following recommendations can be proposed.

Firstly, to increase transparency in the issue of greenhouse gas emissions for customers, it is necessary to develop a single standard for calculating the carbon footprint of transportation for various modes of transport. This information can be presented in the form of an environmental calculator on the website of logistics companies, and when you enter the start and end points of the route, it will allow you to calculate emissions from transportation.

Secondly, it is necessary to develop a single standard for the sustainable development management system. For Russian companies, international standards can be taken as an example, but with mandatory adaptation. A single standard will allow systematising and streamlining all the processes of sustainable development of companies in the transport industry, and not just the preparation of reports.

Thirdly, to ensure the sustainable development of companies, it is necessary to use modern technologies to achieve the goals of sustainable development. As an example, we can cite technologies using alternative

⁸ How to assess the sustainability of a company? [*Kak otsenit' ustoichivost' kompanii?*]. TSQ Sustainability. [Electronic resource]: https://tsqconsulting.ru/sustainability/level_sustainability_otsenka. Last accessed 06.01.2023.

energy sources [7], digital twins [8], advanced learning methods [9], etc.

Fourthly, when disclosing non-financial statements, it can be recommended for transport companies to conduct a survey of stakeholders, including public organisations and the public, on topical topics for disclosure. This approach will make it possible to build systematic work on the social aspects of sustainable development.

CONCLUSIONS

Thus, to assess sustainable development of a logistics company, several key conditions must be met. First, fixing the company's goals and priorities for sustainable development in strategic documents (for example, policies and concepts of sustainable development). Secondly, implementation of tools to achieve sustainable development goals should take place in accordance with the selected priorities. Thirdly, annual public reporting should be formed with enough disclosed information that meets the requirements of relevance, balance, accuracy, consistency, and comparability.

Based on this, three levels of company sustainability can be distinguished: low, medium and high.

It is also necessary to conduct research in the field of developing uniform requirements for assessing sustainability of companies in the transport industry, because this area of activity has its own technical, environmental, managerial, and social characteristics. It is necessary to develop criteria that are significant for ranking the state of sustainable development of a company in the transport industry, with their subsequent verification, including expert assessments.

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