

# ESG Disclosures and Learning Organisations- A case study of Shell plc

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## Abstract

Companies are pledging to improve their environmental and social performance to a huge extent. They have made sustainability their goal or adopted to use the “triple bottom line” term which is a harmony between their financial, social, and environmental performance. Nowadays, Environmental, social, and governance (ESG) factors are one such category of information that is becoming more and more well-known and considered by mainstream investors around the world. Learning organizations are organizations that can learn at a remarkable rate and improve their performance. This paper focuses on the congruence of sustainability and learning organization. Thus, using dimensions of learning organizations and disclosures of a chosen company this paper inspects whether an organization that fulfills the requirements of a learning organization has elaborated ESG disclosures. The chosen company is Shell plc. ESG data covers a wide range of topics, such as accounting for a company’s carbon footprint, its labor and human rights practices, and its corporate governance frameworks. ESG aspects are being emphasized by policymakers, asset owners, and the general public to support sustainable business practices and goods. It can be said that an organization that can be termed as one that learns will have a sustainability element. The phrase “sustainability-focused organizational learning” (SFOL) be used to represent the early experiences of businesses that are seeking to pursue sustainability or the triple bottom line while making significant changes to their organizational cultures.

## Introduction

Over the past three decades, academics have concentrated their efforts on debating how businesses might address pertinent

social and environmental challenges. As a result, the presumption that businesses will acknowledge their social obligations to their stakeholders and society calls for new managerial and communication tools to

handle these obligations. In order to offer concreteness to the institutional function of corporate social responsibility (CSR), several studies have concentrated on the characteristics and objectives of sustainability disclosure within voluntary and mandatory reporting schemes. In fact, the lines between voluntary and required disclosure in such areas are currently being shaped by several sustainability guiding groups and new standard-setters.

There exists a plethora of literature on sustainability, right from Elkington's Triple Bottom Line to the recent buzz of ESG. Given that ESG disclosures have become necessary in corporate disclosure practice, the question arises whether these result in organizational betterment. Several research studies in the last two decades have tried to gauge every aspect of sustainability, reporting practices, firm performance, etc. But do organizations that have better sustainability disclosures the ones which pace other organizations in terms of organizational learning?

A learning organization is one which continuously learns and adapts itself to the environment changes. They have high-value methods and frameworks that help them learn and achieve an edge over other companies. Such organizations consistently increase the ability to produce outcomes they genuinely desire and expand their ways of thinking. In order to continually improve the whole organization and its settings, a learning organization should actively and intentionally encourage individual learning. The capacity to adapt to the environment, learn from their people, and contribute to the larger community or context of which they are a part are all part of a learning organization. An organization that has sufficient sustainability knowledge, acts accordingly and can be viewed as a

role model in terms of preventing, eliminating, and/or reducing the environmental and occupational risks related to its operations while enhancing and strengthening its profitability.

The Brundtland Report, published over 25 years ago, states that sustainable development is a process of change where in the exploitation of resources, the direction of investments, the orientation of technological development and institutional change are made consistent with future as well as present needs. The World Commission in 1987 also stated that sustainability must meet the needs and aspirations of the present without compromising the needs of future generations.

Several studies have established a link between sustainability and other organizational attributes. SFOL or sustainability-focused organizational learning (Molnar & Mulvihill, Nathan, 2018; Senge et al., 1999). But with recent developments in ESG and related concepts and environmental disclosures becoming prominent in corporate disclosures there does exist a gap in the literature as to whether an organization that is more inclined towards learning or more adaptable to the changing circumstances in the environment that it operates in has better sustainability disclosures and vice versa. This research paper intends to bridge this gap. Thus, this research aims towards addressing a basic question. Does an organization that qualifies and fulfills requirements for it to be considered as a learning organization have better environmental or sustainability disclosures? The methodology adopted to address this question is a content analysis of sustainability reports study of a chosen company. This paper is structured as follows Section 1.1 Literature review, Section 1.2 Methodology and choice of sample, Section 1.3 Analysis

results and Discussion, and Section 1.4 Findings conclusion and scope for future research.

## Section 1.1 Literature Review

Sustainability and related concepts (TBL, ESG)

Corporate stakeholders are becoming more engaged with social issues. From mainstream investors to endowment managers for religious and educational organizations, investors have begun to push corporations to pay more attention to non-financial risks (Weber et al., 2006). Sustainability and related concepts have evolved right from Elkington's Triple Bottom Line. Investor interest is vital to the survival of a company because by making investments, they are funding the activities of the company. While making investment decisions, if investors could perhaps consider not only economic aspects but also environmental and/or social factors, it would improve the accuracy of their analysis. The so-called triple bottom line (TBL) approach takes this stance. TBL was first introduced by (Elkington, 1997, 1998) and also explained by other authors such as (Cubas-díaz et al., 2017; Timothy F. Slaper, ; Weber et al., 2006). The triple bottom line is a business concept that posits firms should commit to measuring their social and environmental impact—in addition to their financial performance—rather than solely focusing on generating profit, or the standard “bottom line.” It can be broken down into “three Ps”: profit, people, and the planet.

After TBL, CSR became the next sustainability buzzword which was replaced by ESG in 2010 as investment managers began to emphasize the significance of ESG indicators that demonstrate the long-term

performance of the companies in which they invest financial resources, Investors have become more and more persuaded that including ESG in their investment process will maximize their long-term interests and that sustainability and strong corporate governance will help to increase long-term value for shareholders.(Kocmanová & Dočekalová, 2012). Several research studies have been undertaken on ESG in the last decade.

(Cormier et al., 2011) have tried to find out if social disclosure and environmental disclosure have a substituting or a complementing effect in reducing information asymmetry between managers and stock market participants. The findings stated social disclosure and environmental disclosure substitute each other in reducing stock market asymmetry.(Kocmanová & Dočekalová, 2012) focused on economic performance in relation to environmental, social and corporate governance indicators. (Sariannidis, 2014) in their research work This study investigates the extent of ESG disclosure and treats the Environmental, Social and Governance disclosure, separately. Financial, governance and environmental variables are investigated to determine whether they have any relationship with the extent of different types of CSR disclosure. (Tamimi & Sebastianelli, 2017) explored the state of S&P 500 companies' transparency by analyzing their Bloomberg ESG (Environmental-Social-Governance) disclosure scores. Additionally, the effects of industry sector, firm size, and governance practices on transparency were examined. Findings of the same stated that highest level of transparency is found on Governance and the lowest on Environmental disclosures. (Bodhanwala, 2018) social and governance studied 58 Indian firms that are consistently a part of Thomson Reuters

Asset 4 ESG database. They developed an empirical multivariate panel data model to analyse the impact of sustainability (environmental, social and governance) on firm profitability. Findings stated a significant positive relationship between sustainability and firm performance measures (return on invested capital, return on equity, return on assets and earnings per share). (De Miguel De Blas, 2021) investigated the impact of corporate environmentalism on corporate environmental reputation. Corporate environmentalism comprises both environmental performance and environmental policy, thus distinguishing a firm's actual environmental performance from the intent of its environmental policy. Results showed a link between environmental policy and corporate environmental reputation, but not between environmental performance and corporate environmental reputation. Additionally, results reveal the moderating effect of advertising to be negative, suggesting that advertising contributes only marginally toward improving corporate environmental reputation. (Zopounidis et al., 2020) in their research work introduced a Multi-Criteria Decision Aid (MCDA) tool with the use of the PROMETHEE II method to formulate an alternative aggregate ESG quality approach. They conduct comparisons in a sectorial and regional based perspective during different exam periods before and after the implementation of International Financial Reporting.

### **Learning Organizations**

(Argyris, 1997) created the concept of a learning organization in the framework of management theory, and Peter Senge (PETER SENGE 'S LEARNING ORGANIZATION: A CRITICAL VIEW AND THE ADDITION OF SOME NEW

CONCEPTS TO ACTUALIZE THEORY AND, 2015) . Different authors have given different definitions of learning organizations. A learning organization is one whose "implementation is crucial to the survival and development of our enterprises and our civil society," according to (Kaseorg, 2017). A learning organization, according to (Kareem, 2016)'real learning gets to the heart of what it is to be human. We become able to recreate ourselves. This applies to both individuals and organizations. Thus, for a learning organization, it is not enough to survive, but to enhance capacity to create'. Educational leaders are individuals in schools, colleges, universities and educational institutions that have responsibilities and a decision-making role. These people are responsible for the successes and failures of their institutions. This paper discusses the potential of leadership styles in influencing a learning organization. It first explores the leadership styles most frequently engaged in schools and secondly identifies the dimensions of leadership style that influence a learning organization. The study was conducted across 80 schools in the city of Bangalore. Two tools were used in this study, namely, Learning Organization Profile (LOP, is a location or context where the participants engaged learn and get new information that is essential to their personal transformation. According to (Watkins & Golembiewski, 1995) a learning organization "involves creating systems that put long-term capacities to capture knowledge, support creation, and empower continuous transformation." The ability or procedures inside an organization to maintain or enhance performance based on experience are also connected to the Learning Organization, according to Nevis et al. According to (Goh, 2003), a continuous learning company is one

in which staff members are continually encouraged to expand their knowledge, try out new ways to issues, get feedback, and pick up new habits through experimentation. It may be concluded from the descriptions given above of learning organization's that their core components are vision, creativity, experimentation, knowledge acquisition and transfer, encouragement of action research, empowerment, and leadership commitment.

## Section 1.2 Methodology and choice of sample

As stated previously this research aims at unearthing the occurrence of learning organisation having better and updated sustainability disclosures. The methodology adopted for the same is case study method. Thus, to check if an organisation that qualifies as learning has better and evolving sustainability disclosures the company chosen is Shell Plc. Reason for choosing this company lies in the fact that in the TBL works published by John Elkington in 'Accounting for the Triple Bottomline (Elkington, 1997) this company's published report is mentioned (1998, Shell.) is quoted as "how we, the people, companies and businesses that make up the Royal Dutch/Shell Group, are striving to live up to our responsibilities - financial, social and environmental". Thus, Shell Ltd. Is one of the first companies to publish such report which had environmental disclosures. Since then, this company has evolved and adapted to latest sustainability disclosure guidelines.

Sustainability Reports for two years 2021 and 2022 are chosen to check the accuracy of sustainability reporting and if disclosure requirements are updated as per change in standards. Shell uses GRI guidelines/standards for its sustainability disclosures.

Global Reporting Framework or GRI states has stated a format comprising of three series of Standards

1. **The GRI Universal Standards-** The GRI Universal Standards apply to all organizations, and consist of the following:
    - GRI 1: Foundation 2021 (GRI 1) outlines the purpose of the GRI Standards, clarifies critical concepts, and explains how to use the Standards
    - GRI 2: General Disclosures 2021 (GRI 2) contains disclosures relating to details about an organization's structure and reporting practices; activities and workers; governance; strategy; policies; practices; and stakeholder engagement.
    - GRI 3: Material Topics 2021 (GRI 3) explains the steps by which an organization can determine the topics most relevant to its impacts, its material topics, and describes how the Sector Standards are used in this process.
  2. **The GRI Sector Standards:** The Standards list topics that are likely to be material for most organizations in each sector, and indicate relevant disclosures to report on these topics. If an applicable Sector Standard is available, an organization is obliged ('required') to use it when reporting with the GRI Standards.
  3. **The GRI Topic Standards:** The GRI Topic Standards contain disclosures for providing information on topics. Examples include Standards on waste, occupational health and safety, and tax. Each Standard incorporates an overview of the topic and disclosures specific to the topic and how an organization manages its associated impacts. An organization selects those Topic Standards that correspond to the material topics it has determined and uses them for reporting.
- Source: A Short Introduction To the GRI Standards (GRI, 2021)

### Section 1.3 Analysis results and Discussion

Sustainability Reports are taken from the website of Shell Plc. for 2021 and 2022. Specific content of these reports is chosen to analyse and compare using content analysis.

Comparison of the two reports is stated in Table 1 above states the difference in the

**TABLE 1**

**Comparison of GRI Index of Shell Sustainability Report for 2021 and 2022**

Sustainability Report 2021	Sustainability Report 2022
ORGANISATIONAL PROFILE	THE ORGANIZATION AND ITS REPORTING PRACTICES
STRATEGY	ACTIVITIES AND WORKERS
ETHICS AND INTEGRITY	GOVERNANCE
GOVERNANCE	STRATEGY, POLICIES, AND PRACTICES
STAKEHOLDER ENGAGEMENT	STAKEHOLDER ENGAGEMENT
REPORTING PRACTICE	MANAGEMENT OF MATERIAL TOPICS
ECONOMIC	ENVIRONMENTAL
>Market presence	>GHG emissions
>Economic performance	>Climate adaptation, resilience, and transition
>Indirect economic impacts	>Air emissions
>Procurement practices	>Biodiversity
>Anti-corruption	>Waste
>Anti-competitive behavior	>Water and effluents
	>Closure and rehabilitation
	>Asset integrity and critical incident management
ENVIRONMENTAL	SOCIAL
>Energy (consumption)	>Occupational health and safety
>Water and effluents	>Employment practices
>Biodiversity	>Non-discrimination and equal opportunity
>Emissions	>Forced labor and modern slavery
>GRI 306: Effluents and Waste 2016	>Freedom of association and collective bargaining
>Environmental Compliance	>Economic impacts
>Supplier environmental assessment	>Local communities
	>Land and resource rights
	>Rights of Indigenous peoples
	>Conflict and security
	>Anti-competitive behavior
	>Anti-corruption
	>Payments to governments
	>Public Policy

way reporting on GRI guidelines is done. Shell has incorporated the latest GRI standards/guidelines in year 2022. A core component (such as Economic, Environmental) and the sub components under the core components are stated with reporting framework adopted for each year.

[A] Training days metric excludes the employees in portfolio companies, which maintain their own HR systems.

SOCIAL: LABOR PRACTICES AND DECENT WORK

- >Employment
- >Labour/management relations
- >Occupational health and safety
- >Training and education
- >Diversity and equal opportunity

SOCIAL: HUMAN RIGHTS

- >Child labor
- >Forced or compulsory labor
- >Security practices
- >Rights of Indigenous peoples
- >Human rights assessment

SOCIAL: SOCIETY

- >Local communities
- >Supplier social assessment
- >Public policy
- >Customer health and safety
- >Socioeconomic compliance

Source: Sustainability Report downloaded from <https://www.shell.com/> (Sustainability Report, 2021) (Sustainability Report, 2022)

**TABLE 2**

Shell plc Sustainability Report 2022 (<https://www.shell.com/>)  
 Training and courses undertaken by employees

	2022	2021	2020	2019	2018
Training days for employees and joint-venture partners (thousand) [A]	266	271	234	373	315
No of employees completed courses on various topics, including hydrogen production, carbon capture and storage, and energy management (thousand)	4000	_____	_____	_____	_____

Personal mastery is practiced in businesses that have exceptionally high commitment towards sustainability. Businesses that have made progress towards sustainability recognize the need to challenge their human capital and invest in their mental, physical and spiritual potential. Shell has continuously focused on net zero emissions and has been the biggest producer of renewable natural gas made from agricultural, industrial and household waste. For this Shell provided training and learning

opportunities to help their human capital learn new skills. Team learning focuses on getting all employees to participate in sustainability issues. This allows groups of employees to grasp an understanding of sustainability and focus on specific problems.(Song et al., 2014) suggested that team performance in learning organizations has a positive relationship with employee engagement activities. Shell has provided numerous employee engagement initiatives for their employees to engage with senior

leaders, team meetings and virtual connects. This helps them to maintain a constructive environment. When a firm uses systems thinking, its overall operation and all of its relationships are the main emphasis rather than its individual components. It makes it easier to conduct a more thorough life cycle study of effects and, as a result, to adopt a more comprehensive perspective on sustainability. The company has incorporated a balance scorecard as their performance indicator. Balance scorecard also enables performance evaluation by providing outcomes compared to a predetermined aim. The four areas of focus of balance scorecard are internal process, financial, learning and growth and customers.

### Section 1.4 Findings conclusion and scope for future research.

A learning organisation is the one which continuously learns to adapt and evolve itself for better performance and sustainability in the business environment. With the recent developments in sustainability disclosure practices, it is quite evident that an organisation escalated inclination towards adapting itself to the changing circumstances, striving for betterment would have a smooth transition in adhering to the ever-evolving reporting guidelines. This research mainly tried to gauge the gap by establishing a link between learning organizations and sustainability reporting. Using case study method this research tried to establish the fact that an organization more inclined to learning, adapting will have better disclosures. With the content analysis done for chosen sustainability report it could be concluded that the chosen company Shell Plc. is a learning organization and does change its reporting framework

and format based on the changes in adopted guidelines (GRI).

The concept of Sustainable learning organizations Learning organization (SFOL) that is mentioned in the introduction part of this research paper refers to an ideal form of organization where several processes take place for learning. There have been instances wherein this concept was challenged for instance by Grieves Sustainable learning organizations who suggested the idea of abandoning the learning organization concept. Thus, this allows scope for further research as to the concept of SFOL, whether it stands true to its definition.

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