Analysis of CSR Reporting Practices of the Largest Companies Domiciled in the Czech Republic

Petr Petera, Jaroslav Wagner, Markéta Boučková

Abstract: In this paper we analyze external corporate social responsibility (CSR) reporting by companies falling among the 50 largest (by sales volume) corporations domiciled in the Czech Republic and belonging to the selected industrial sectors. The findings show that only 7 of these 50 companies published a standalone CSR report with indicators computed primarily for their operations within the Czech Republic. Because we already published analysis of these standalone reports, in this paper we extend our analysis to the annual reports. The amount of CSR-relevant information provided in annual reports varies greatly. We found reports that do not contain nearly any CSR-relevant information as well as reports, which provide really comprehensive information. Nevertheless vast majority of annual reports does not provide much numeric CSR-relevant information as can be seen from our analysis of numeric indicators. The situation in the area of disclosure of non-numeric (narrative) information about sustainability issues in annual reports is much better - companies report about their initiatives in the areas of environment, social responsibility, and human resources management practices and also about received certificates, awards and codes of conduct.

Key words: Corporate Social Responsibility Reporting · Corporate Sustainability Reporting · Environmental Accounting · Environmental Reporting · Global Reporting Initiative (GRI)

JEL Classification: M41

1 Introduction

Numerous authors nowadays claim that corporate social responsibility is increasing in importance, see e.g. (Roca & Searcy, 2012, p. 103) or (Roper & Parker, 2013, p. 2262). The appropriate corporate social responsibility (CSR) reporting (in this paper used interchangeably with term “corporate sustainability reporting”), which may be understood as a specific form of communication with stakeholders about the approach to the relevant issues, is often understood as one of the possible ways by which companies may improve their image and relationships with stakeholders by disclosing activities related to the sustainability issues.

Companies can publish their CSR reports as standalone reports, within annual reports, on web pages etc. Nowadays are of a high importance also trends toward “integrated reporting”, see e.g. in (Ballou, Casey, Grenier & Heitger, 2012). We propose that the integrative approach to the reporting may be useful because it enables to address both financial and non-financial issues including intangible assets (Siska, 2013) in their interconnections and thus better describe their impact on a company’s performance.

In this paper are shortly introduced three phases of our research project and consequently are in detail described the results of the project’s first phase, which dealt with analysis of CSR external reporting practices of selected companies.

2 Literature review

2.1 Reporting on corporate social responsibility

Despite the fact that the standardization in the area of CSR reporting is in progress, there is neither a generally accepted definition of the term “CSR report”, nor agreement about the content and extent of the information that should be disclosed in these reports.

A comprehensive review of literature on CSR reporting can be found e.g. in Fifka (2013) or in Roca & Searcy (2012). Trends in corporate sustainability reporting were analyzed in (Daizy, Sen & Das, 2013) as well as in (Patten & Zhao, 2014).
2.2 Global Reporting Initiative Guidelines

Growing importance of reporting on corporate social responsibility goes hand in hand with increasing need for standardization of the content of CSR reports. The most comprehensive and widely accepted set of guidelines on CSR reporting is nowadays represented by the GRI (Global Reporting Initiative) Guidelines.2

The first draft of the GRI Guidelines was presented in 1997 and first guidelines (G1) were launched in June 2000 (Brown, Jong & Lessidrenska, 2009, p. 184). Since then GRI Guidelines achieved a great success and were adopted by numerous organizations. The GRI Guidelines are currently at version 4, which was released in May 2013, see (Global Reporting Initiative, 2013a) and (Global Reporting Initiative, 2013b). We propose that the important feature of these guidelines is their ability to develop and integrate with other sustainability approaches like various ISO standards, EMAS etc.

We conducted a bibliometric analysis of the literature dealing with GRI using ISI Web of Knowledge (WoK) to identify key articles, authors and topics. It is beyond the scope of this paper to present result of this analysis. Nevertheless it is possible to conclude that GRI success was reflected also by the attention that was given to the GRI in academic literature. In Web of Knowledge we in total we found 146 relevant papers published from 2003 to 2014. While in 2003 only two papers were published, in 2013 it was already 22 papers and in 2012 even 33 papers.

2.3 Global codes of business conduct

Corporations often refer to the utilization of various codes of business conduct. An overview of important global codes of business conduct can be found e.g. in (Cavanagh, 2004), nevertheless companies often develop their own codes.

2.4 ISO standards, EMAS and other CSR-relevant standards and certification systems

The most relevant ISO standard families from the viewpoint of sustainability are ISO 14000 – environmental management, ISO 26000 – social responsibility and ISO 20121 – sustainable events. Nevertheless important fact is that these standards are not “reporting standards”, i.e. external CSR reporting according these standards is not obligatory.

EMAS (Eco-Management and Audit Scheme) can be seen as an extension of ISO 14000 because ISO 14001 requirements are an integral part of EMAS;3 from the viewpoint of reporting is EMAS more demanding than ISO 14000– external reporting on environmental issues is obligatory under this standard.

Another standard that is relevant from the viewpoint of increasing the quality in the area of social, environmental and economic performance is AA1000, which was released by the organization AccountAbility.4 Standard SA8000 is aimed specifically at decent workplaces. Both these standards are addressed e.g. in (Beschorner & Muller, 2007).

OHSAS 180015 is an international occupational health and safety management system specification.

Last but not least, important certification system for sustainability and greenhouse gas emissions is also ISCC (International Sustainability and Carbon Certification).6

3 Methods

The research project “CSR Reporting in Central and Eastern European Countries” was prepared by the International Performance Research Institute (a non-profit research association founded in 2002 by Professor Péter Horváth) and we participate in this project by conducting research and providing data from the Czech Republic. The project is divided into 3 phases and its central objective is to determine the degree of development of CSR reporting in the selected countries. Methodologically are utilized both quantitative and qualitative and mixed research methods, specifically content analysis in the first phase, interview research in the second phase and finally a questionnaire in the third phase.

In the first phase of this project we conducted an analysis of published external reports. The main method used in this phase was content analysis.

In the second phase we performed interviews with two selected companies (one without external CSR reporting and the other one with high-quality external CSR reporting). The interviews strive to find out how companies understand sustainability, what is their motivation for dealing with sustainability and social responsibility, how they address these issues in the present and which changes are expected in the future.

2 https://www.globalreporting.org
3 http://ec.europa.eu/environment/emas/about/summary_en.htm
4 http://www.accountability.org
6 http://www.iscc-system.org/en/iscc-system/about-iscc/
The third phase will be realized via questionnaire (empirical survey), which will strive to find additional information about issues related to CSR reporting.

In this paper are addressed only results of the first phase and we especially aim to determine in what form (annual report, standalone sustainability report, information on web pages) organizations publish information about sustainability issues, as well as the extent of such disclosures, and their thematic focus.

First, we shortly recapitulate our findings regarding standalone CSR reports. Second, we extend our content analysis to the annual reports of the 50 largest companies domiciled in the Czech Republic. Examined were companies from the industries classified in NACE Rev. 2 under C – manufacturing, D - Electricity, gas, steam and air conditioning supply, F - Construction, G - Wholesale and retail trade; repair of motor vehicles and motorcycles and J - Information and communication.

4 Research results

4.1 Collection of data and types of published reports

We utilized a ranking of the 100 largest companies domiciled in the Czech Republic “Czech top 100” (year 2012), which is available from (http://www.czechtop100.cz). From this database we obtained a basic information (number of employees, sales volume etc.) about the 50 largest companies, which fall under one of the industrial groups defined in chapter 3. Consequently we conducted a preliminary analysis of annual reports (year 2012), standalone CSR reports (the newest disposable report) and web pages of these companies to find CSR-relevant information, see Table 1.

Table 1 Location of CSR-relevant information

<table>
<thead>
<tr>
<th>Characteristic</th>
<th>Number of companies</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual report (or financial statements and notes) with at least minimal information on CSR topics</td>
<td>50</td>
<td>100</td>
</tr>
<tr>
<td>Annual report contains only minimal CSR-relevant information</td>
<td>15</td>
<td>30</td>
</tr>
<tr>
<td>Annual report contains CSR-relevant information over and above legal requirements</td>
<td>35</td>
<td>70</td>
</tr>
<tr>
<td>Standalone CSR report is available</td>
<td>8</td>
<td>16</td>
</tr>
<tr>
<td>Standalone CSR report with numeric indicators primarily for the Czech Republic is available</td>
<td>7</td>
<td>14</td>
</tr>
<tr>
<td>Information on CSR-relevant topics can be found on web pages</td>
<td>41</td>
<td>82</td>
</tr>
</tbody>
</table>

Source: own research

Consequently we compared basic characteristics of the whole sample (n=50) and of companies with standalone CSR report with numeric indicators primarily for the Czech Republic (n=7) and results can be found in Table 2.

Table 2 Comparison of the whole sample and its subset comprised of companies with standalone CSR report including indicators primarily for the Czech Republic (year = 2012)

<table>
<thead>
<tr>
<th>Statistics</th>
<th>Characteristics of the whole sample (n=50)</th>
<th>Characteristics of companies with standalone CSR report (n=7)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales (thousands of CZK)</td>
<td>Number of full-time employees</td>
<td>Sales (thousands of CZK)</td>
</tr>
<tr>
<td>Minimum</td>
<td>8,845,874</td>
<td>43</td>
</tr>
<tr>
<td>Maximum</td>
<td>262,649,000</td>
<td>31,359</td>
</tr>
<tr>
<td>Average</td>
<td>38,464,844</td>
<td>3,710</td>
</tr>
<tr>
<td>Standard deviation</td>
<td>51,797,588</td>
<td>5,959</td>
</tr>
<tr>
<td>Median</td>
<td>17,377,854</td>
<td>1,800</td>
</tr>
<tr>
<td>Skewness</td>
<td>2.9564</td>
<td>3.5562</td>
</tr>
<tr>
<td>Kurtosis</td>
<td>9.0357</td>
<td>13.9062</td>
</tr>
</tbody>
</table>

Source: <http://www.czechtop100.cz>, own calculations

4.2 A concise analysis of standalone CSR reports

In Table 1 we can see that only eight (i.e. 16%) of the companies provided standalone CSR report, which is quite low portion. For example Patten and Zhao (2014, p. 134) reported that the percentage of the largest 250 companies in the world issuing standalone CSR reports grew from 35% in 1999 to nearly 80% by 2008.

From Table 2 it is obvious that companies with the standalone CSR reports are on the average “larger” both from the viewpoint of sales volume and also from the viewpoint of the number of full-time employees.
Analysis of length of standalone CSR reports showed that the number of pages of these reports varies from 23 to 111 with an average of 61.14 pages and standard deviation 28.76. The median length of these reports is 50 pages. Two reports were in accordance with GRI Guidelines (RWE Česká republika a.s., ŠKODA AUTO a.s.), nevertheless report of RWE Česká republika a.s. was prepared at the level of a parent company and contained only two GRI performance indicators specifically calculated for the Czech Republic. Last, we analyzed the content of the standalone CSR reports to identify which indicators are reported; into account were taken only highlighted indicators (placed into tables or in figures). According to GRI Guidelines, 91 disclosed indicators belonged to the “environmental” category, 61 indicators belonged to the “economic” category, 40 indicators belonged to the category “labor practices and decent work”, two indicators were from the category “society” and one indicator belonged to the category “human rights”. For more detailed analysis of these standalone CSR reports see (Petera, Wagner, & Bouckova, 2014).

4.3 Characteristics of annual reports

Three companies published only financial statements and notes (comprising a summary of significant accounting policies and other explanatory information) and 47 companies published annual reports. In this paper we denote all 50 reports as “annual reports”; all these reports were audited.

Basic characteristics are reflected in the boxplot in Figure 1. An average number of pages of annual report (cover to cover) is 79.62, median amounts to 61.50, std. deviation is 63.48514, minimum is 16, maximum is 326, interquartile range is 58, first quartile is 37.50, third quartile is 95.50. Five reports were bilingual, their length was divided by two. Five outliers represent reports of exceptional length (ČEZ, a.s. – 326 pages, RWE Česká republika a.s. – 238 pages, Telefónica Czech Republic, a.s. – 236 pages, UNIPETROL, a.s. – 205 pages and ŠKODA AUTO a.s. – 184 pages).

Figure 1 Length-related characteristics of annual reports

Source: annual reports (n=50, year = 2012), own processing

4.4 Content analysis of annual reports

Content analysis was applied on all parts of annual reports excluding financial statements. First, we were looking for letter from CEO (or a similar document) and if the letter was included in the annual report, we evaluated whether in this letter are at least mentioned some CSR topics. Our analysis showed that the letter was included in 31 annual reports and CSR topics were mentioned in 20 of these letters. Second, we conducted an analysis of disclosed numeric indicators and used GRI G4 as a framework for their classification into GRI categories. Aggregated results can be found in Table 3.

From Table 3 it is obvious that at least one of the indicators belonging to the “EC - Economic” category was reported by all 50 companies. This is an expected result, because in annual report have to be at least indicators “EC1 - direct economic value generated and distributed”. At least one of the indicators belonging to the “EN - environmental” category was reported by 11 companies, that is 22% of companies. Seemingly, a lot companies (49) reported indicators from category “LA – labor practices and decent work”, but it is only because of indicator G4-10, which relates to the total number of employees (for purposes of this study placed under labor indicators) and was (at least partially) reported by 49 companies. If we excluded this indicator, only 10 reports would include indicators from the category “LA”. Specifically, indicator “LA 6 - Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total
number of work related fatalities, by region and by gender” was disclosed in seven annual reports and indicator “LA 9 -
Average hours of training per year per employee by gender, and by employee category” was disclosed in six annual
reports. Finally, indicators from category “SO – Society” were reported only in 3 annual reports.

Table 3 Reported numeric indicators (classification according to GRI G4)

<table>
<thead>
<tr>
<th>Category of indicator</th>
<th>Number of annual reports in which is included given type of indicator</th>
</tr>
</thead>
<tbody>
<tr>
<td>EC – Economic</td>
<td>50</td>
</tr>
<tr>
<td>EN – Environmental</td>
<td>11</td>
</tr>
<tr>
<td>Social</td>
<td></td>
</tr>
<tr>
<td>LA – Labor practices and decent work</td>
<td>49</td>
</tr>
<tr>
<td>HR – Human rights</td>
<td>0</td>
</tr>
<tr>
<td>SO – Society</td>
<td>3</td>
</tr>
<tr>
<td>PR – Product responsibility</td>
<td>0</td>
</tr>
</tbody>
</table>

Source: annual reports (n=50, year = 2012), own research

Third, we released our demands regarding numeric data and aimed our attention at the disclosure of any CSR-
relevant information. An overview of results can be found in Table 4. Encouraging is high degree of cooperation with
universities and other educational organizations (mainly in areas of research and preparation of possible employees).
Seven companies mentioned also “educational” activities in the area of their business activities. For example AHOHLD
Czech Republic, a.s. provided some education in the area of “healthy lifestyle” and Telefónica Czech Republic, a.s.
introduced initiative for safer internet.

Table 4 Main CSR-relevant topics discussed in annual reports

<table>
<thead>
<tr>
<th>Topic</th>
<th>Number of reports in which is topic discussed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environment</td>
<td>31</td>
</tr>
<tr>
<td>Health and safety</td>
<td>18</td>
</tr>
<tr>
<td>Education and training of employees</td>
<td>25</td>
</tr>
<tr>
<td>Social responsibility, specifically</td>
<td>28</td>
</tr>
<tr>
<td>Education</td>
<td>7</td>
</tr>
<tr>
<td>Charity, donations etc.</td>
<td>21</td>
</tr>
<tr>
<td>Voluntary work</td>
<td>6</td>
</tr>
<tr>
<td>Cooperation with universities and other schools</td>
<td>19</td>
</tr>
</tbody>
</table>

Source: annual reports (n=50, year = 2012), own research

Fourth, we aimed our attention at ISO and other sustainability-relevant standards and in Table 5 can be found infor-
mation about number of reports that mention these standards.

Table 5 Standards mentioned in three or more annual reports

<table>
<thead>
<tr>
<th>Standard (family of standards)</th>
<th>Number of companies that mention standard in their annual report</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>ISO 14000</td>
<td>27</td>
<td>environmental management</td>
</tr>
<tr>
<td>ISO 9001</td>
<td>14</td>
<td>quality management</td>
</tr>
<tr>
<td>OHSAS 18001</td>
<td>12</td>
<td>occupational health and safety management system</td>
</tr>
<tr>
<td>EMAS</td>
<td>3</td>
<td>extension of ISO 14000</td>
</tr>
</tbody>
</table>

Source: annual reports (n=50, year = 2012), own research

In addition to the standards depicted in Table 5 were also mentioned (in less than 3 reports) standards SA 8000, ISO
TS 16949, ISO 27000, Responsible Care (RC), REACH, ČSN EN 16001:1010 and ISCC – International Sustainability and Carbon Certification.

As for management approaches, next to risk management and quality management were often mentioned some more
specific approaches, especially lean management (mentioned in 6 annual reports).
From the viewpoint of CSR is important utilization of various codices. With regard to global codes of business conduct, we found that the UN Global Compact was mentioned in two annual reports. In one report were mentioned also ICC Anti-corruption Clause Corporate governance codex and CoST (Construction Sector Transparency Initiative). Once mentioned was also Electronic Industry Code of Conduct. Company-based codices were under different names ("ethical codex", "Our Business Principles" etc.) mentioned in nine reports. In eight reports was mentioned utilization of "corporate governance codex".

Last but not least, membership in CSR-relevant organizations was mentioned in three annual reports - membership in Czech Donor Forum (AHOLD Czech Republic, a.s.), Business Leaders Forum (Skanska a.s.) and Coalition for Transparent Business (O2 Czech Republic a.s.).

5 Discussion and conclusions

In this paper we introduced three phases of our research project, which is aimed at analysis of quality and quantity of corporate sustainability reporting among the largest companies domiciled in the Czech Republic. Consequently we presented results of the first phase, which consisted mainly of the content analysis of annual and standalone reports.

With regard to standalone CSR reports, our research showed that they were published by eight companies in our sample. Two of these reports contain only few indicators relevant for the Czech Republic (one of these reports does not contain any such indicator and the other one contains two indicators). From the remaining six reports is in accordance with GRI Guidelines only one report (ŠKODA AUTO a.s.). It seems to us that the major imperfection of the published standalone CSR reports is their incompleteness, i.e. selective disclosure of indicators, which is in contrast with requirements of GRI guidelines (Global Reporting Initiative, 2013a, p.16-18) on the application of the principles of sustainability context, materiality, completeness, balance, comparability, accuracy, timeliness, clarity and reliability.

In regard to annual reports, our research showed that both their length and the amount of CSR-relevant information in these reports varies greatly. There are three reports, which could be labeled as “integrated reports” (i.e. annual reports by ŠKODA AUTO a.s., ČEZ, a.s. and RWE Česká republika a.s.; moreover these companies publish also standalone CSR reports). On the other hand, 15 companies published annual reports which include only minimal CSR-relevant information. It is fair to notice that majority (i.e. 11) of these 15 companies provide CSR-relevant information at least on their web pages. The remaining 32 annual reports provides at least some information about sustainability issues.

Content analysis of these 50 annual reports revealed that in regard to CSR reporting is disclosed mainly narrative information. Especially often are discussed topics of environmental responsibility, health and safety, education of employees and social responsibility. In the area of social responsibility companies most often report about charity, donations, philanthropy etc. Less often are described kinds of interaction with stakeholders, which require higher involvement of company’s employees and managers. Voluntary work (e.g. for non-profit organizations) is mentioned only in six reports and educational activities in seven reports. On the other hand, we were surprised by high degree of reported interaction with universities and other educational organizations. Numeric information about economic issues is obligatory in annual reports and therefore it is not surprising that this information is included in all analyzed reports. Disclosure and standardization of numerical indicators from areas of environment and social responsibility is relatively weak. Investigation into reasons why companies do not strive to improve their CSR reporting in the area of standardization of disclosure of CSR-relevant information is possible topic for the further investigation.

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References


