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ACCOUNTING STANDARDS AS A SUPPORT FOR QUALITY DECISION MAKING

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Abstract

Decision making should be based on high quality information relevant for guiding companies towards achieving sustainable goals and objectives. Accounting and sustainability standards as well as chosen accounting instruments have significant impact on quality of information and possibilities of their comparison (benchmarking). This paper will present the research results of achieved level of sustainability accounting reporting system in Croatian hotel industry, especially in the field in which internal results can be used for external purposes. Outcomes of this research have great implications on the improvement of sustainability reporting system in Croatian hotel industry that is based on successful implementation of USALI and IFRS 8 standards and best EU practice. The research results indicate that Croatia has tradition of more than 20 years of segment reporting implementation, according to USALI standards, compatible with IFRS 8 (adopted from 1st January, 2009). Highest number of Croatian hotel companies report information only on two segments (room, food & beverage) significantly lower than 10th edition framework of USALI standards offer. Sustainable development information is presented only in few companies in Croatia, in order to satisfy formality, other than present useful information, made in accordance with Global Reporting Initiative (GRI). The improvement in sustainability reporting system will enhance information transparency between companies and external users, and contribute to raising awareness of sustainability issues crucial for the development of the hotel itself and entire destination. For the purpose of enhancing quality sustainable reporting system for managers and external users (especially for nonfinancial information of sustainability), criteria of financial information presented according to standards USALI & IFRS 8 were applied. Contribution of this paper is in assessing the model of internal sustainability reporting, based on the hotel management information requirements and at the same time harmonized with the legal requirements and internationally accepted standards, with the possibility of international comparison.

Key words: *decision making, IFRS 8, USALI, segments reporting, responsible reporting*

1. INTRODUCTION

Decision making is the process which managers use to respond to opportunities and threats when analyzing options in order to accomplish goals and objectives and improve organizational performance. Managers must define problem for which decision is to be made, and use relevant information to decide what are the advantages and disadvantages of each alternative. Without this approach managers might repeat their mistakes. Qualitative characteristics of information are comparability, verifiability, timeliness and understandability. Accounting as a *language of business* offers qualitative characteristic of information and therefore is very important source of information used by managers in decision-making process. Mainly, the functions of accounting are to measure the activities of the company and communicate them to users, inside and outside of the company. The main role of financial accounting is to record business transactions, and communicate it to external users through financial statements. For decision making far more important information are those prepared by managerial accounting. The quality of financial information for internal users is higher when they are prepared on the basis of IFRS 8 and USALI standards. These are the standards which regulate segment reporting and allow comparison of internally generated results, with the similar results of other enterprises in the same industries or competition (benchmarking). The quality of presented information in the sustainability reports, prepared for internal and external users, is not unified as the financial information prepared by IFRS and USALI standard. The reason for this is because application of environmental and sustainability standards (ISO 14000ff, EMAS, GRI...) is not mandatory, and it lacks adequate regulations and experience in their application. However it is necessary to point out all the positive experiences in the sustainability reports prepared under GRI, in order to highlight the opportunities for improvement. Special emphasis will be placed on the opportunities to improving the quality of sustainability reporting system, through the provision of linking the possibility of IFRS 8 and USALI standards with the requirements of the environment and sustainable development, in order to ensure higher level of information for internal and external users.

2. LITERATURE REVIEW, PREVIOUS RESEARCH AND GOOD PRACTICE

Theoretical approach of accounting role in preparing information for segment reporting, as well as environmental and sustainability reporting, together with relevant provisions of some standards and principles are important for understanding and assessing the research results. This is considered in the light of requirements that are placed in front of managers, which should expand the scale of their business in hard times and forced from competitors to become increasingly profit and cost-conscious in an effort to improve the economic performance. Management accounting information is required to help managers to make decisions in four broad areas: developing long-term plans and strategies, performance evaluation and control, allocating resources and determining costs and benefits (Atrill & McLaney, 2007: 21)

2.1. Responsibility accounting and decision making

Responsibility accounting tools (as a part of managerial accounting) aid in the delegation of authority by permitting the levels of management within the enterprises to be responsible for decisions regarding the economic factors of a company sub-units that they can control (Garrison, Noreen, Brewer, 2004). Reporting system based on the responsibility accounting information allow to communicate operating results through the management hierarchy. The information needed for decision making falls within the domain of the segment reporting system, which has to be appropriately developed and organized in companies in accordance with unique characteristics due to the various activities and management decision needs.

The task of management accounting is to recognize and measure these specifics to be presented in segmental reports, including financial and nonfinancial information that help managers in decision making process to fulfill the goals of an organization (Horngren, Datar, Madhay 2012). According to several authors (Harris 1992; Pardal, Morais 2012; Pisano, Landriana 2012) in shaping reportable segments, specific activities and attributes of some industry as a fixed facilities, direct/indirect contact with a customer and changeable customer demand, level of

supply, diversifications, effective operational time, service and consumption, location, critical human factors, capital / labor intensity, cost structure and others should be recognized.

Nevertheless, the primary focus of segment reporting is to provide information about specific activities, processes, operating units, products and services for short time decision-making and control within the company. Segment reporting system is based on providing information for responsibility centers (units, departments, activities, processes...) within a company for whose performance a manager is held responsible (Drury, 2012: 36-38). The basic idea of segment reporting is that each manager's performance should be judged by how well they manage the items under their control, by looking at costs and revenues from a personal control standpoint.

Management attention can be directed to differences, thereby permitting managers to focus their efforts where they will do the most good. In attempting to control costs and to optimize output, managers have to make decisions. Each manager is assigned responsibility for the items of revenues and costs under their control, and for deviations between strategic goals, budgeted objectives and the actual results. Segment reporting system is primarily oriented to meet management information requirements for short-term decision making. However, responsibility accounting provides information for evaluating whether the strategic objectives are successfully implemented in the defined time unit.

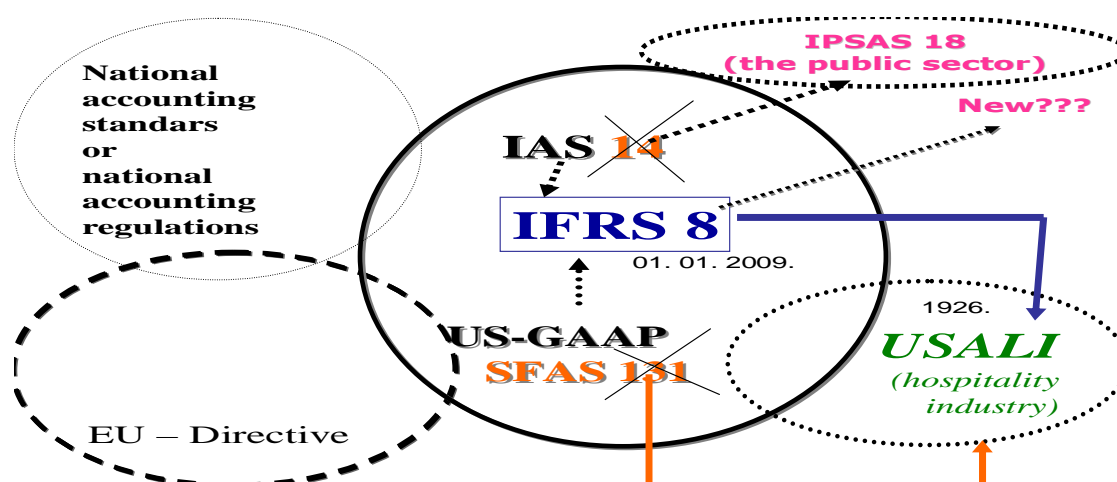
The task of responsibility accounting is to provide high-quality financial and non-financial information as an input of strategic decision making process. Information prepared by segments are very important as an input in the strategic decision making process, because together with other information provided from the environment and community, allow to assess the comparative advantages of the company (Downie 1997; Dent 1996; Govindarajan 1984; Simons 1990). It should be noted that in ever changing environment, managers use at greater extent information for short and long term decision making (Brander-Brown & Atkinson, 2001; Potter, Schmidgall 1999). In this way, decision making includes also customer needs for achieving strategic goals (Damonte, Rompf, Bahl, Domke, 1997), which means that information about customers' profitability and competitors' ability are very important part of company's long term stability in the market.

2.2. Global accounting standards as a framework for segment reporting

Segment reporting is a term defined by global accounting standard IFRS 8 (International Financial Reporting Standard 8), issued in 2006 by the International Accounting Standard Board and introduced for application (in EU as well as in Croatia) from the first of January 2009 (IFRS, 2009: 713 - 775). IFRS 8 provides the rules for identification and aggregation of different operating segments, to be determined as reportable segments for information disclosed and reported to the CODM (Chief Operating Decision Maker), the highest level of management (function, not a title), responsible for the entity's overall resource allocation and performance assessment by segments. Operating segments are components of an entity that engage in business activities for which separate financial information is available that is reviewed regularly by the CODM (IFRS, 2009: p.8.5)

IFRS 8 is a result of global harmonization process of accounting standards which started by signing the agreement between IASB (<http://www.ifrs.org>) and FASB (<http://www.fasb.org>). IFRS 8 replaced the previously valid US GAAP SFAS 131 (Generally Accepted Accounting Principles - Statement of Financial Accounting Standards 131) and IAS 14 (International Accounting Standard 14). In fact, for segment reporting companies that have their shares listed on the NYSE that were previously using US GAAP SFAS 131, and companies listed on the LSE that were obliged to use IAS 14, the inconsistency of those standards caused consolidation problem for companies operating in different countries on two or more continents. The following figure presents Genesis of the IFRS 8 evaluation and its relationship with similar segment reporting standards.

Figure 1: Relationship between segment reporting standards



Source: Prepared by authors based on IFRS 8, 2009, p. 713 - 775

As IFRS 8 took over more than 80% of the content of US GAAP SFAS 131, it provides higher degree of compliance with the USALI standards (Uniform System of Accounts for the Lodging Industry). The USALI standard exists since 1926, and currently its 10th edition is in use (USALI, 2006). Originally USALI offers standardized classification of accounts and framework for preparation and presentation of specific information on segment level (Popowich, Taylor, Sydor, 1997) that enables hotel managers to assess and evaluate departmental performance, costs and revenues within their level of control.

Level of development and positive experiences of USALI standards in the Croatian hospitality industry will be explored as well as the possibilities for wider application of segment reporting in other industries, based on the provisions of IFRS 8. The problem occurs in non-compliance between new global profit sector standard (IFRS 8) and public sector standard IPSAS 18. As IPSAS 18 is based on the former IAS 14, its concept, content and objective is not yet harmonized with the new IFRS 8 as well as USALI standards. In order to provide the consolidation of reported results by segments in profit and public sector, the need for changing conception of IPSAS 18 and to its adjustment to the conceptual framework of IFRS 8 is crucial (Peršić 2009; 2011).

Basic starting points for adjusting IPSAS 18 to the IFRS 8 are requirements that refer to the segment disclosure components of the entity level that management monitors in making decisions about operating matters. IFRS 8 differs from IAS 14 (which requires the disclosure of two sets of segments - business and geographical) in "management approach" which describes basic orientation to see an entity "through the eyes of management" connected with the requirement to disclose more qualitative elements, such the factors used to identify operating segments of entities. Even if an entity has only one reportable segment, IFRS 8 requires disclosure on the entity's products and services, geographical areas and major customers (IFRS, 2009: p.8BC6).

2.3. USALI as a reporting standards for hospitality industry

What global standard IFRS 8 in segment reporting means for all industries, USALI means for world-wide hotel industry. It offers thirteen schedules that create framework for reporting information on segments, which can be internally and externally compared (benchmarking). It offers standardized formats and mode of account classifications to guide individuals in the process of preparing segmental reports. The most important are activities that have market position and on which internal reporting organization of reporting and cost control has to be focused.

USALI presents information on the level of responsibility profit center (revenue, costs and internal results) of all accommodation activities (Schedule 1 - Rooms), food and beverage activities (Schedule 2 - Food and Beverage), sum of market-recognized other hotel services (Schedule 3 - Other Operated Departments) and other type of incomes (Schedule 4 - Rentals and Other Income) (USALI, 2006: 33 -129). It also presents nine (5 - 13) schedules for cost centers (Administrative and General; Sales and Marketing; Property Operation and Maintenance; Utilities; Management Fees; Rent, Property and Other Taxes and Insurance; House Laundry; Employee Cafeteria; Payroll Related Expenses) and enables comparison among hotels (USALI, 2006: 130 - 178).

Horwath Consulting Zagreb use USALI standard for monitoring market and financial hotel performances of Croatian hotels through the implementation of the benchmarking on the local, regional and international level. Periodically published research results highlight actual, budgeted, estimated and expected data, and financial information are disclosed in Kuna and €. Different common and segment specific information such as: RevPAR, average size of rooms, yearly based average room occupancy, average room rate, operating revenue per available room, average no of employees per room, average number of restaurants, bars, F&B outlets, congress & meeting facilities, swimming pools, fitness center, children's club, sports halls, tennis courts, golf courts, casinos, marina, garage und parking, departmental payroll expenses per employee, GOP and in % of operating revenue, EBITDA and in % of total revenue, variable and controllable costs structure by segments and others are presented in publication (Horwath 2010).

The authors have been conducting this research in the Croatian hospitality industry, systematically in the last 15 years, and conclude that USALI standards have been successfully implemented and report results improved (Ilić 1997; Turčić 2000; Peršić, Janković 2006; Peršić, Poldrugovac 2009, 2011; Peršić, Poldrugovac, Janković, 2012; Peruško-Stipić 2009; Zanini 2004, 2011). But at the same time a sufficient degree of harmonization between operating statement based on USALI standards and information disclosed in the notes to the financial statements have not been yet achieved. Thus, only a smaller number of Croatian hotel companies disclose information on their segments in the Notes to financial statements mostly for two segments (room, food & beverage) which is narrower than the possibility of USALI standard framework (CFA, 2013).

The research results generally indicate that Croatian hospitality industry has a long tradition (more than 20 years of experience) in the segment reporting according to USALI standards. It enables external comparison of internal results prepared by segments in the same way on which management meets their information requirements for making operating decision and in assessing performance. Thus, the research carried out in year 2000, on the sample of 42% hotels, indicated a high level of implementation USALI standards, because 68,6% of investigated hotels had partially or fully implemented segment reporting system (Peršić, Turčić 2001: 133-150).

Today the percentage of hotels which use USALI standard (in national and foreign ownership) is significantly higher, and in the last few years attempts from side of Ministry of tourism, Croatian hotel association and Faculty of tourism and hospitality management were made in order to give support to the IT technology for enabling benchmarking. The goal is to ensure comparison among hotels in Croatian hospitality industry, to assess the achieved level of competitiveness, based on the information presented in operating statements, prepared by USALI standards, which would have been supplemented with reports on customers and employees (Peršić, Janković 2010, 2011).

Article 18 of Croatian Accounting Act (OG 109/07; 54/13) requires disclosure of the "information about the environment", the conclusion is that these facilities should be reported by segment too, as well as information about customers and employees, which are already involved in the concept of benchmarking. Croatian tourism development strategy until 2020 (OG 55/13) follows the principles of sustainable development, and hotel managers as well as external users systematically indicate the need that this part of information would be officially included in reporting system for internal and external users (Janković, Peršić 2011; Janković, Peršić, Zanini-Gavranić 2011; Peršić, Poldrugovac 2011; Peršić, Janković, Vlašić, Vejzagić 2007; Peršić, Janković, Vejzagić 2010; Vejzagić, Peršić, Janković 2012; Vlašić, 2012).

It actually opens up the need that the USALI segment reporting system will be supplemented with the new type of reports which will contain relevant information on acquired level of environment care and achieved goals of sustainable development, based on the order of standards ISO 14000ff and Global Reporting Initiative (GRI 3.1.) etc.. Solving these problems is expected to be included in next 11th edition of the USALI standards. This would provide the starting point for decision making in the field of environmental protection and relations to the community, in a way to ensure uniform system of information from segment to the national level. This would enable the presentation of internally achieved results to external users, in accordance with standards, different requirements, national and regional regulations.

The information communicated in segment reporting is mostly financial, although non-financial information should be included as well (Ivankovič 2004; Kavčič, Ivankovič 2006). Changing needs of business stresses the importance of including non-financial measures in segment reporting process due to better assessing divisional performance (Atrill & McLaney, 2007: 374-376), which means the information of environmental and social responsibility should also be presented (Jianu, Jianu, Raileanu, 2011), following the goals of the companies' sustainable development.

Managers need this type of information to guide their actions towards achieving sustainable development goals, and these requirements, should adjust accounting information system as well as reporting system for internal and external users (Banker, Potter, Srinivasan, 2000; Brander Brown, 1995; Mia, Patiar, 2001; Philips 1999; Oavlatos, Paggios, 2009). In this way it is necessary to conduct specific research to indicate the connectivity of USALI and IFRS 8 standard with the management requirements as well as external users, necessary for the quality of business decisions making and to be able to evaluate the improvement in the relationship of the environment and community.

This approach pointed out the possibility of using proven accounting tools in order to present information for decision making, which besides economic views of development includes also the ethical way of thinking. In the process of business decision making environmental and sustainability information can no longer be ignored, because of their great importance in the long-term impact on business success. The quality of decisions made is as strong as the weakest element in the global company information system, which should be fully compliant with the requirements of internal (management) and external users (stakeholders) of information for which environmental conditions should be included in companies operations.

3. RESEARCH RESULTS - POSSIBILITY OF IMPLEMENTING ENVIRONMENTAL AND SUSTAINABILITY SEGMENT REPORTING

Provisions of Article 18 of the Croatian Accounting Act (OG - 109/07; 54/13) require information on environmental protection and sustainable development to be presented in all industries. Provisions of Article 13 of the same Accounting Act Listed companies require the application of IFRS, which means that companies need to prepare and present information on segments, according to IFRS 8. This means that all listed companies are obligated to present information on operating segments and thus provide the opportunity for better communication with shareholders. Segmental information disclosed in consolidated financial statements, allowing the CEO and external users to see business performances through the eyes of responsible segment's management. Therefore the state of segment reporting in listed companies in Croatia will be explored. Also, the possibilities of incorporating ecological and social information into the segment reporting system, based on the research results of Croatian Business Council for Sustainable development will be presented (HR BCSD, 2013).

3.1. Segment reporting in Croatian listed companies based on IFRS 8

The study was conducted during year 2012 in order to examine the presence of segment reporting in the Croatian listed companies. Emphasis was placed on assessing the quality of information presented in the consolidated financial statement to decide if the stakeholders can take the view of company business as well as segmental managers. Selected sample includes those

companies that listed their shares on the ZSE (Zagreb Stock Exchange) e.g. 25 different industries divided according to the national sector classification (table 1).

Table 1: Segment reporting present in the listed companies in Croatia

Industries according to the GICS and national sector classification	Examined listed companies	Companies which presented segmental	% (2) of (1)
0	1	2	3
74. Business services (legal, accounting, architecture, engineering, technical testing, analysis ...)	10	4	40,0
40. / 65. Finance & Insurance	33	12	36,4
55. Accommodation / Food & Beverage	41	13	31,7
30. Food, Beverages & Tobacco Products	22	5	22,7
31. / 32. Manufacture of electrical equipment	9	2	22,2
20. / 61. - 63. Transportation and storage	12	2	16,7
15. - 21./ 24 - 36. Production of wood and paper products; coke, and refined petroleum products; chemicals and chemical products; pharmaceutical products and preparations; computer, printer, electronic and optical products; textiles, apparel, leather; rubber, plastics products, non-metallic mineral product; metals products; machinery and transport equipment	30	5	16,7
42. Construction	10	1	10,0
All other activities	29	5	12,8
Total	206	49	23,8

Source: Analysis of information presented in the notes of financial statements from Croatian companies listed on the ZSE and classified by GICS Global Industry Classification Standard and National classification (OG 58/07)

Table 1 shows that only 23,8% of listed Croatian companies disclose information on segments in the Notes to financial statements. First position or largest number of companies that report segment information belongs to “Accommodation & Food and Beverage”. In this group 13 companies present segment information, which makes 31,7% and is more than the average (23,8%) but less than group of companies which offer legal, accounting, architecture, engineering, technical testing, analysis and similar business activities, in which segment reporting for external users is present in 40% of examined companies. Next position in frequency belongs to the group “Finance & Insurance” where 36,4% of companies present segmental information in their Notes to financial statements. In other groups of industries the percentage of segment reporting companies falls below the average, because only 10 of 206 listed companies, present information on the segment level. This suggests to the conclusion, that most of the listed companies do not apply the provisions of this part of the Accounting Act.

3.2. Reporting system of environment and social responsibility in Croatian companies

The research of assessing the environmental and social responsibility of Croatian companies was conducted in spring 2013, and is based on exploring the site of HR BCSD (The Croatian Business Council for Sustainable Development) founded in 1997 as an independent non-profit association. It includes 39 members in total, of which 19 from the industrial sector, 9 representatives of big service industries as tourism, banking and utilities, and others in small businesses, consulting agencies, expert institutions, environmental NGO, media, private business school and one institution from Slovenia (<http://www.hrpsor.hr>). But, as not all member companies publish information about sustainability and environmental care, only 23 presented reports of Croatian companies were analyzed.

It is indicative that only 59% of HR BCSD members present their reports for the public use (AGROKOR; Highway Rijeka-Zagreb; Banco Popolare Croatia; Carlsberg Croatia; Coca-Cola Beverages Croatia; DUKAT; Ericsson Nikola Tesla; Farnal; Hartmann Croatia; Hauska & Partner; HEP - Croatian Electric Power Industry; Holcim; Croatian Telecom; INA; Adriatic Galenical Laboratory; Stone Sirač; KONČAR; Končar - Institute of Electrical Engineering; PLIVA; PODRAVKA; T-HT group; The Bank of Zagreb; Zagreb Airport). These reports were prepared in the period from 2003 till 2011 and present current state of corporate social responsibility, following experiences and global key trends in environment, supply chain, human rights, engagement in the community, sustainable products and services and others (<http://www.hrpsor.hr>). This indicates that only a small number of Croatian companies follow trends and experiences of environmental and sustainability reporting, according to accepted standards and principles (GRI, UN Global Compact's requirements, ISO 14001, EMAS ...).

There is no regulation regarding reporting on corporate social responsibility and sustainable development in Croatia (CSR, 2010: 14). The research results indicate that this type of reports is not present in continuous nor in standardized way (form and content). Some companies present reports mainly every year (Pliva; Highway Rijeka-Zagreb), some every two years (Holcim), some in reports present information for two or more years (Agrokor; Zagreb Airport) and some make combinations between more possibilities (Coca-Cola Beverages Croatia; T-HT group). Some of the companies, which presented this type of reports on regular basis (since 2003), others have given up on reporting them (Ericsson Nikola Tesla; Hauska & Partner; INA; Stone Sirač; Podravka; The Bank of Zagreb...), and some have so far released only one or two reports (Agrokor; Banco Popolare Croatia; Dukat; Farnal; Hauska & Partner; HEP; Croatian Telecom; Adriatic Galenical Laboratory, Stone Sirač; The Bank of Zagreb; Zagreb Airport) in the last ten years.

Among 72 different reports presented by HR PSOR, the most commonly used term is "Report of Sustainable Development"(34,7%) followed by the term "Sustainability Report" (22,2%). Previous years the term "Environmental protection report" (15,3%) was used, and in recent years the terms "Report on socially responsible business"(9,7%) or "Corporate Social Responsibility" (6,9%) are becoming more popular. Significantly less in use appear terms "Social report (4,2%), "Annual Report" (4,2), "Sustainability and social responsibility report" (1,4%) or "Progress Report" (1,4%) (<http://www.hrpsor.hr>).

Regardless to the name of the report, special attention is paid to issues of environmental protection, often referring to ISO 14000ff certification standards, following the national environmental policy (waste, water, CO² emissions, gas emissions ..) and National Sustainable Development Strategy (SSDC 2009; OG 110/07). This information is also connected with the provisions of the Environmental Protection and Energy Efficiency Fund of the Republic of Croatia (OG 107/2003), structured as an extra-budgetary fund which finances projects and activities in three basic areas: environmental protection, energy efficiency, and the use of renewable energy sources.

The important part of reports' content is focused on labor and human rights, employee's satisfaction and education, community involvement and development, organizational governance, as well as communication with the consumers and suppliers in order to be provided with sustainable products and services. Human rights are very important issue in the sustainability and social responsibility report, and in the last years the problem of stress increase at work is highly considered. The companies are trying to be more and more engaged in local communities, by financially supporting local sports clubs, humanitarian projects and activities guided by NGOs or other stakeholders. Orientation on sustainable products and services is also presented in reports, following trends and orientation of the EU and specific needs of particular industries. The frequency and content of items in sustainability reports will be presented in table 2, according to the analysis 11 sustainability reports of Croatian companies, published in the last three years ((1) Agrokor; (2) Highway Rijeka-Zagreb; (3) Banco Popolare Croatia; (4) Carlsberg Croatia; (5) Dukat; (6) Hartman Croatia; (7) Holcim; (8) Telecom Croatia; (9) Adriatic Galenic Laboratory; (10) Končar and (11) Pliva - <http://www.hrpsor.hr>).

Table 2: Content and frequency of items disclosed in the sustainability reports of Croatian companies in the last three years based on the GRI 3.1.

GRI - SUSTAINABILITY PERFORMANCE INDICATORS	Companies in Croatia that disclose sustainability reports*										
	1	2	3	4	5	6	7	8	9	10	11
ECONOMIC PERFORMANCE INDICATORS											
ECONOMIC PERFORMANCE											
EC1 Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings and payments to capital	X	X	X			X	X	X	X		X
climate change	X	X				X	X			X	
EC3 Coverage of the organization's defined benefit plan obligations	X	X				X	X				
EC4 Significant financial assistance received from government	X	X				X	X				
MARKET PRESENCE											
EC5 Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation			X					X		X	
EC6 Policy, practices, and proportion of spending on locally-base suppliers at significant locations of operation	X	X				X	X				
EC7 Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation	X	X				X	X			X	
INDIRECT ECONOMIC IMPACTS											
EC8 Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind or pro bono engagement			X			X	X				
EC9 Understanding and describing significant indirect economic impacts, including the extent of impacts			X			X	X				
ENVIRONMENTAL PERFORMANCE INDICATORS											
MATERIALS											
EN1 Materials used by weight or volume	X	X				X	X				
EN2 Percentage of materials used that are recycled input materials	X	X				X	X	X			
ENERGY											
EN3 Direct energy consumption by primary energy source	X	X	X	X	X	X	X	X	X		X
EN4 Indirect energy consumption by primary source	X	X	X			X	X				X
EN5 Energy saved due to conservation and efficiency improvements			X			X	X				
EN6 Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives			X			X	X			X	
EN7 Initiatives to reduce indirect energy consumption and reductions achieved			X			X	X				

WATER														
EN ⁶ Total water withdrawal by source	X		X	X	X	X	X	X	X	X				X
EN ⁹ Water sources significantly affected by withdrawal of water			X				X		X					X
EN ¹⁰ Percentage and total volume of water recycled and reused							X		X					
BIODIVERSITY														
EN ¹¹ Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	X	X					X		X				X	
EN ¹² Description of significant impacts of activities products and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	X	X					X		X				X	
EN ¹³ Habitats protected or restored		X					X		X					
EN ¹⁴ Strategies, current actions, and future plans for managing impacts on biodiversity		X					X	X	X					
EN ¹⁵ Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk		X					X		X					
EMISSIONS, EFFLUENTS, WASTE														
EN ¹⁶ Total direct and indirect greenhouse gas emissions by weight	X			X			X	X	X					X
EN ¹⁷ Other relevant indirect greenhouse gas emissions by weight	X							X	X					X
EN ¹⁸ Initiatives to reduce greenhouse gas emissions and reductions achieved							X	X	X	X				
EN ¹⁹ Emissions of ozone-depleting substances by weight	X							X	X					
EN ²⁰ NO ₂ , SO ₂ and other significant air emissions by type and weight	X						X	X	X	X				X
EN ²¹ Total water discharge by quality and destination	X						X	X	X	X				X
EN ²² Total weight of waste by type and disposal method	X	X	X	X	X	X	X	X	X	X	X			X
EN ²³ Total number and volume of significant spills	X							X	X					
EN ²⁴ Weight of transported, imported, exported or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III and VIII, and percentage of transported waste shipped internationally											X	X		X
EN ²⁵ Identity, size, protected status and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water und runoff									X	X				
PRODUCTS & SERVICES														
EN ²⁶ Initiatives to mitigate environmental impacts of products and services, and extant of impact mitigation	X	X		X			X		X	X	X	X	X	X
EN ²⁷ Percentage of products sold in their packaging materials that are reclaimed by category	X							X	X				X	
COMPLIANCE														
EN ²⁸ Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	X	X					X	X		X			X	
TRANSPORT														
EN ²⁹ Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce	X							X	X					
OVERALL								X						
EN ³⁰ Total environmental protection expenditures and investments by type	X	X								X	X			X
SOCIAL PERFORMANCE INDICATORS														
LABOR PRACTICES AND DECENT WORK PERFORMANCE INDICATORS														
EMPLOYMENT														
LA ¹ Total workforce by employment type, employment contract, and region	X	X	X					X	X	X	X			X
LA ² Total number and rate of employee turnover by age group, gender and region	X	X	X					X	X	X	X	X	X	X
LA ³ Benefits provided to full-time employees that are not provided to temporary or par-time employees,	X		X					X	X					X
LABOR / MANAGEMENT RELATIONS														
LA ⁴ Percentage of employees covered by collective bargaining agreements	X							X	X				X	
collective agreements								X	X					
OCCUPATIONAL HEALTH AND SAFETY														
LA ⁶ Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs								X	X					X
fatalities by region	X	X	X					X	X	X	X			X
LA ⁸ Education, training, counselling, prevention and risk-control programs in place to assist workforce members, their families or community members regarding serious diseases	X	X	X					X	X				X	X
LA ⁹ Health and safety topics covered in formal agreements with trade unions	X	X		X				X	X				X	

TRAINING AND EDUCATION										
LA10 Average hours of training per year per employee by employee category	X	X	X			X	X	X	X	X
LA11 Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings			X	X		X		X	X	X
LA12 Percentage of employees receiving regular performance and career development reviews						X		X	X	
DIVERSITY AND EQUAL OPPORTUNITY										
LA13 Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership and other indicators of diversity	X	X	X			X	X	X	X	X
LA14 Ratio of basic salary of men to women by employee category	X					X		X		X
HUMAN RIGHTS PERFORMANCE INDICATORS										
INVESTMENT AND PROCUREMENT PRACTICES										
HR1 Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening and actions taken						X		X		
HR3 Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained						X	X	X		
NON DISCRIMINATION										
HR4 Total number of incidents of discrimination and actions taken			X			X	X	X		X
FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING										
HR5 Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights	X		X			X	X	X		X
CHILD LABOR										
HR6 Operations identified as having significant risk for incidents of child labour and measures taken to contribute to the elimination of child labour			X			X	X	X		X
FORCED AND COMPULSORY LABOR										
HR7 Operations identified as having significant risk for incidents of forced or compulsory labour and measures to contribute to the elimination of forced or compulsory labour			X			X	X	X		X
SECURITY PRACTICES										
HR8 Percentage of security personnel trained in the organization's policies or procedure concerning aspects of human rights that are relevant to operations								X		
INDIGENOUS RIGHTS										
HR9 Total number of incidents of violations involving rights of indigenous people and actions taken impact assessments								X		
HR 11 number of grievances related to human rights filed, addressed and resolved through formal								X		
SOCIETY PERFORMANCE INDICATORS										
COMMUNITY										
SO1 Nature, scope and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating and existing				X		X	X	X		X
CORRUPTION										
SO2 Percentage and total number of business units analysed for risks related to corruption	X					X		X		X
SO3 Percentage of employees trained in organization's anti-corruption policies and procedures						X		X		X
SO4 ACTIONS TAKEN IN RESPONSE TO INCIDENTS OF CORRUPTION						X		X		X
PUBLIC POLICY										
SO5 Public policy positions and participation in public policy development and lobbying	X					X		X		X
SO6 Total value of financial and in-kind contributions to political parties, politicians and related institutions by country						X		X		X
ANTI-COMPETITIVE BEHAVIOUR										
SO7 Total number of legal actions for anti-competitive behaviour, anti-trust and monopoly practices and their outcomes						X		X		
COMPLIANCE										
SO8 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	X	X				X		X		

TRANSPORT									
EN29 Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce	X				X	X			
OVERALL					X				
EN30 Total environmental protection expenditures and investments by type	X	X				X	X		X
SOCIAL PERFORMANCE INDICATORS									
LABOR PRACTICES AND DECENT WORK PERFORMANCE INDICATORS									
EMPLOYMENT									
LA1 Total workforce by employment type, employment contract, and region	X	X	X		X	X	X	X	X
LA2 Total number and rate of employee turnover by age group, gender and region	X	X	X		X	X	X	X	X
LA3 Benefits provided to full-time employees that are not provided to temporary or part-time employees.	X		X		X	X			X
LABOR / MANAGEMENT RELATIONS									
LA4 Percentage of employees covered by collective bargaining agreements	X				X	X			X
collective agreements					X	X			
OCCUPATIONAL HEALTH AND SAFETY									
LA6 Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs					X	X			X
fatalities by region	X	X	X		X	X	X	X	X
LA8 Education, training, counselling, prevention and risk-control programs in place to assist workforce members, their families or community members regarding serious diseases	X	X	X		X	X			X
LA9 Health and safety topics covered in formal agreements with trade unions	X	X	X		X	X			X
TRAINING AND EDUCATION									
LA10 Average hours of training per year per employee by employee category	X	X	X		X	X	X	X	X
LA11 Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings			X	X	X	X	X		X
LA12 Percentage of employees receiving regular performance and career development reviews					X	X	X		
DIVERSITY AND EQUAL OPPORTUNITY									
LA13 Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership and other indicators of diversity	X	X	X		X	X	X	X	X
LA14 Ratio of basic salary of men to women by employee category	X				X	X			X
HUMAN RIGHTS PERFORMANCE INDICATORS									
INVESTMENT AND PROCUREMENT PRACTICES									
HR1 Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening and actions taken					X	X			
HR3 Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained					X	X	X		
NON DISCRIMINATION									
HR4 Total number of incidents of discrimination and actions taken			X		X	X	X		X
FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING									
HR5 Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights	X		X		X	X	X		X
CHILD LABOR									
HR6 Operations identified as having significant risk for incidents of child labour and measures taken to contribute to the elimination of child labour			X		X	X	X		X
FORCED AND COMPULSORY LABOR									
HR7 Operations identified as having significant risk for incidents of forced or compulsory labour and measures to contribute to the elimination of forced or compulsory labour			X		X	X	X		X
SECURITY PRACTICES									
HR8 Percentage of security personnel trained in the organization's policies or procedure concerning aspects of human rights that are relevant to operations							X		
INDIGENOUS RIGHTS									
HR9 Total number of incidents of violations involving rights of indigenous people and actions taken							X		
HR10 Percentage and total number of operations that been subject to human rights reviews and/or impact assessments							X		
HR 11 number of grievances related to human rights filed, addressed and resolved through formal							X		

SOCIETY PERFORMANCE INDICATORS										
COMMUNITY										
SO ₁ Nature, scope and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating and existing										
				X		X	X	X		X
CORRUPTION										
SO ₂ Percentage and total number of business units analysed for risks related to corruption										
	X					X	X		X	
SO ₃ Percentage of employees trained in organization's anti-corruption policies and procedures							X	X		X
SO ₄ ACTIONS TAKEN IN RESPONSE TO INCIDENTS OF CORRUPTION							X	X		X
PUBLIC POLICY										
SO ₅ Public policy positions and participation in public policy development and lobbying										
	X						X	X		X X
SO ₆ Total value of financial and in-kind contributions to political parties, politicians and related institutions by country										
							X	X		X
ANTI-COMPETITIVE BEHAVIOUR										
SO ₇ Total number of legal actions for anti-competitive behaviour, anti-trust and monopoly practices and their outcomes										
							X	X		
COMPLIANCE										
SO ₈ Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations										
	X	X					X	X		
PRODUCTS RESPONSIBILITY PERFORMANCE INDICATORS										
CUSTOMER HEALTH AND SAFETY										
PR ₁ Life cycle stages in which health and safety impacts of products and services are assessed for improvement and percentage of significant products and services categories subject to such procedures										
	X	X					X	X	X	X
PR ₂ Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle by type of outcomes										
	X						X	X		
PRODUCT AND SERVICE LABELING										
PR ₃ Type of product and service information required by procedures and percentage of significant products and services subject to such information requirements										
	X	X					X	X	X	X
PR ₄ Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling by type of outcomes										
	X	X					X	X		
PR ₅ Practices related to customer satisfaction including results of surveys measuring customer										
	X	X					X	X	X	
MARKETING COMMUNICATIONS										
PR ₆ Program for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion and sponsorship										
	X	X	X				X	X		X
PR ₇ Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion and sponsorship by type of outcomes										
	X	X					X	X		
CUSTOMER PRIVACY										
PR ₈ Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data										
							X	X	X	
COMPLIANCE										
PR ₉ Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services										
							X		X	

LEGEND*: (1) AGROKOR; (2) HIGHWAY RIJEKA-ZAGREB; (3) BANCO POPOLARE CRATIA; (4) CARLSBERG CROATIA; (5) DUKAT; (6) HARTMAN CROATIA; (7) HOLCIM; (8) TELECOM CROATIA; (9) ADRIATIC GALENIC LABORATORY; (10) KONČAR (11) PLIVA

Source: Prepared by authors on the basis of GRI 3.1., and content of sustainability reports presented on <http://www.hrpsor.hr/hrpsor/indeks-php/hr/izvjestavanje/popis-izvjesca>; (access 14.5.2013.)

It should be noted that for last three years only about 5% of listed companies in Croatia (11 of 206 - table 1) disclose their sustainability report for public use on the web pages of HRPSOR (<http://www.hrpsor.hr>). Volume, manner and character of presented information is not a quality basis for comparison, as this was the case in which IFRS and USALI standards ensured in the area of financial reporting for internal and external users. It can be concluded that this type of information is primarily oriented to satisfy formality, and not to be really involved in process of achieving the goals of sustainable development presented in National Sustainable Development Strategy. Some activities of The Croatian Business Council for Sustainable Development indicate that improvements can be expected especially through the use of CSR Index to rank companies based on their non-financial impacts and provide input to the environmental legislation throughout the business sector.

4. DISCUSSION AND KEY FINDINGS

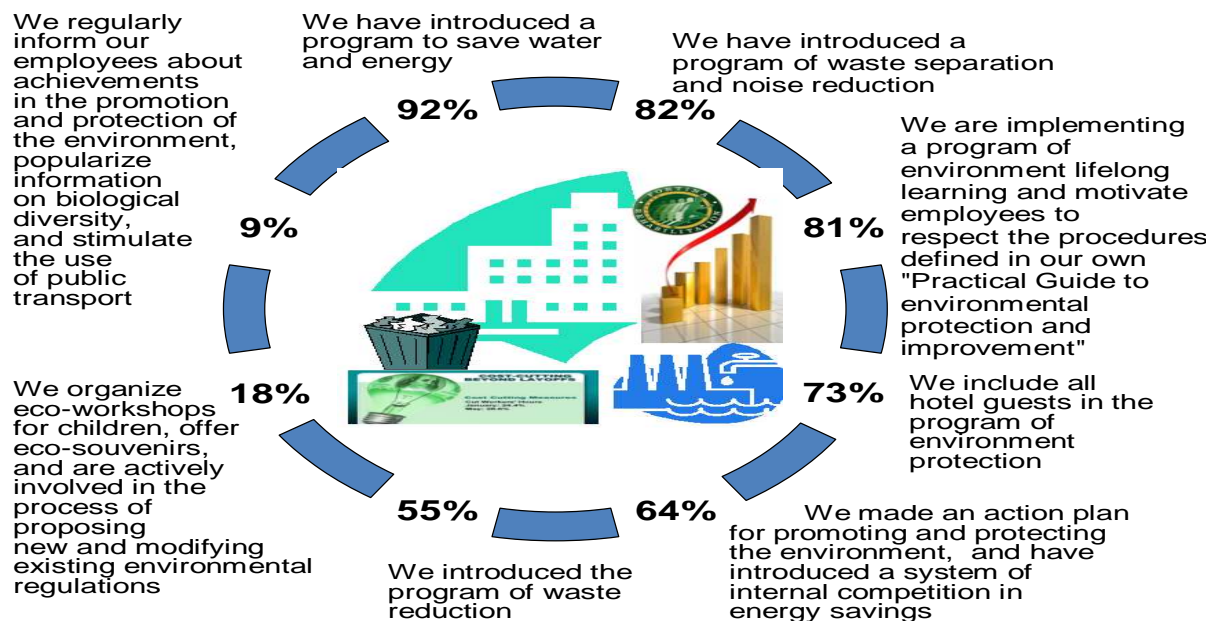
In order to make externally presented information on sustainability objective and useful for users, internal (segments) reporting system should be introduced together with the provisions of the IFRS 8 as well as the USALI standards. Separate reports that contain information on financial effects of economic, environmental, social and governance performance resulting from management decision making should be established. In this way internal sustainable reporting system should be established similarly to the external financial reporting system. This approach could provide the preconditions for standardization of sustainability reports, their form and content, rules and metrics for their disclosure, which would also ensure background for comparison of internally and externally presented data.

The set of internal sustainability reports should be established following the provisions of Global Reporting Initiative (GRI)'s Sustainability Reporting Framework and Guidelines together with the requirements of IFRS 8 and USALI. This would lead to unification of published companies' sustainability reports, first in hospitality industry and then in other sectors, in a way to make all internally and externally presented data and information on sustainability comparable, which is similar to the financial information made under the provisions of IFRS. Namely, GRI works to make sustainability reporting a mainstream activity because GRI's guidance is designed to be used by all companies and organizations in process of presenting information to external users.

At the same time, setting up sustainability reports for internal users, based on provisions of IFRS 8 and USALI standards, would create preconditions for the short and long time decision making on the level of segments and strategic business units (SBU) and enable comparison of results among companies within the same industries. Such an integrated approach to the establishment of system for internal and external sustainability reporting can play a major role in ensuring high quality data and information of all companies sustainability reports that in this way can become comparable in the future. To achieve this, it would be necessary to ensure legal and organizational conditions for the implementation of these requirements, which would undoubtedly increase number of companies and organizations that want to make operations sustainable and compare their achieved results prepared by the same criteria (benchmarking).

Analyzed research results confirm that in the Croatian hotel companies prerequisites to achieve these goals exist. The USALI standard is longer in use than IFRS 8 and consequently the gained positive experience from them can successfully be implemented in other industries. Implementing the experience of these standards can greatly improve sustainability reporting system for internal and external users. The research conducted on the sample of 199 four- and five-stars hotels that belong to Croatian largest hotel companies identified main dimensions of environmental data and information, as an important part of sustainability information (Janković, Peršić, Zanini-Gavranić, 2012: 121-136). It investigated the way managers are involved in the process of improvement and protection of the environment and the significance of quality and environmental costs in decision making process. The research results are presented in the figure 2.

Figure 2: Significance of environmental information in the Croatian hospitality industry



Source: Author's research results presented in Jankovic, Persic, Zanini-Gavranič, 2012: 121-136

Environmental information significance depends on the achieved level of activity and success of individual eco-programs. The best results are recorded in water and energy savings (92%), waste separation and noise reduction (82%), employees environmental lifelong learning (LLL) and in respecting the procedure defined in internal environmental care practical guide (81%). More and more emphasis is placed on the inclusion of hotel guests in the environmental protection program (73%), but also in motivating everyone to be included in energy saving through interlinked competition (64%) as well as in the waste reduction (55%). Those programs which can successfully be implemented only in close cooperation with other subjects in tourist destination and nearby communities are less present. The offer still lacks larger number of eco-souvenirs (18%), proper environmental regulations (18%), there is little attention paid to the introduction of environmentally friendly public transport (9%) as well as to the other aspects of sustainable development (9%).

Research results also show that managers in the Croatian hospitality industry are very much interested in adjusting their own relationship to the environment, depending on the customer needs and wishes (92%) and to stimulating employees to achieve higher levels of quality in environmental protection, ensuring continuous improvement, locating and eliminating the causes of constraints (82%). It is very important to emphasize that this approach pursued creating preconditions for managing business according to the principles of sustainable development and raising competitiveness on the target market (73%) and for establishing the criteria for evaluating the quality of management decision-making process (55%).

Managers in the Croatian hospitality industry show less interest in operating in the area of providing guidance for legislation compliance (36%), and for compliance with quality and eco-standards as HACCP, ISO 9001, ISO 14001...(27%). The above mentioned focuses on short- and medium- term decision making, so greater emphasis should be placed on the provisions of information to assessing the strategies and their implementation (18%). Very little was done for improving accounting reporting systems in order to make preconditions for evaluating the success of TQEM-a and eco-business programs, to identify and punish those who are responsible for poor eco-quality, and act contrary to the principles of sustainable development (18%). Only in trace amounts are recognized in preparation of eco-balance (LCA - Life Cycle Assessment), i.e. hotel

companies do not provide the real preconditions for all stages of the processes in the entire product life cycle (9%).

The authors are also investigating the achieved level of sustainable reporting in Croatian hotel companies (Peršić, M. Janković, S., Bakija, K., Poldrugovac, K. 2013 : 319-334). The research results are based on relevant data from the seven largest Croatian hotel companies (47 hotels), listed on the Zagreb Stock Exchange and represent 10% of the overall number of 3-5 star hotels in Croatia. Only 28% of them prepare sustainability reports, among which only 33% are published annually (the rest if is necessary). The main reason for applying the principles of sustainable development is to increase their reputation in the eyes of their business partners (100%), to increase the loyalty of employees (85%) or to provide a competitive advantage to attract investors (67%). Only some respondents believe that adopting sustainability principles can contribute significantly to sales growth and increased market share, as well as to an increase in the level of productivity (33%).

The starting points for preparing sustainability reports are principles of the “Global Compact” or “CSR Index”, although not a single hotel company uses the GRI framework. This suggests the deviations of the way on which sustainability reports in other industries (table 2) where sustainability reports primarily refer to the GRI framework are prepared. Namely, GRI’s framework has become (de facto) standard in sustainability reporting, because it offers the credibility, consistency and comparability of data and information included in the internal and external sustainability reporting system.

GRI framework provides to all companies the unique approach in the process of collecting, registering and presenting data and information, which allows examination of the achieved level of goals and objective in the field of sustainable development. It also includes the possibility of perceiving the benefits of the implementation of the principle of sustainable development of companies and its stakeholders. It should also be kept in mind that sustainability is a journey, and along the way, companies need to set goals, measure performance, and integrate a sustainability strategy into their core planning. Since the sustainable reports should include data on the economic, environmental and social components, an upgrade to previous research in form of new research results about sustainable development of hotel companies should be presented.

The economic components are mostly oriented to the evaluation of market presence indicators (100%), somewhat less on the overall economic performance (67%), and at last on the indirect economic impact, which corresponds to the previously presented results of sustainability reports of all industries (table 2). Economic and environmental components are included in the determination of costs and benefits, connecting to the quality and environmental policies of hotel companies. To report this kind of information, it is necessary to provide the relevant sources. Table 3 shows possible sources of information, which can be used in Croatian hotel companies as a basis for establishing sustainable reporting system for internal and external users.

Table 3: Sources of information for sustainable reporting in Croatian hotel companies

Tools and sources of environmental costs assessment	Accommodation (lodging service)	Food and beverage preparation service	Food and beverage sales service	Other hotel services	Non-commercial and administrative services
	%	%	%	%	%
Questionnaire	73	73	64	27	9
Hotel journal	64	-	-	-	-
Budget	73	73	64	27	9
Surveys conducted by travel agencies	73	-	-	-	-
Statistics	36	73	64	64	9
Reports / statements	73	73	64	64	9
Research of suppliers	-	36	-	-	-
Check list of the different departments	69	73	64	27	9

Procedures (room service, mini bar..)	-	-	73	18	9
Service-express	18	27	18	18	9
Eco - use of bed linens	73	-	-	-	-
Environmental protection program	73	73	27	55	9
Records of waste separation	64	82	64	-	-
Waste grease disposal program	-	73	-	-	-
Information of safety	-	45	64	-	-
Procedures for hotel operations	-	-	-	-	-
Programs for guests (animation...)	-	-	-	36	9
	-	-	55	-	-

Source: Author's research results presented in Jankovic, Persic, Zanini-Gavranić, 2012: 121-136

Table 3 presents potential sources and frequency of departmental / functional approach of sustainable information. It can be seen that environmental information and possibility of their economic evaluation is emphasized. It is also suggested that the tools used allow collecting and presenting relevant information about eco-efficiency of different functional groups or departments (accommodation, food and beverage, etc.), which can also be treated as reportable segments and form basis for preparing sustainable reports for internal users. The most commonly used sources of information are questionnaire, budget, checklist, department reports, external sources (agencies, statistic...).

The third part of the “triple bottom line” in sustainable reports of hotel companies present the relationship with the community (social component), and GRI offers the possibility of approach in many different ways. All reports of hotel companies (100%) present information on the employment (number, structure, education, training and reward system, etc.) as well as health and safety at work (number of accidents and sickness caused by working conditions, etc.). This is followed by the information on investments in the community and on improvements in relations with suppliers (67%). Some reports present information on participation of hotel companies in public (destination) policies and consequences of unfair market competition, corruption and monopolism, as well as on non-compliance with ethical and moral principles. Very little number of reports show information on violations of human rights, as well as their protection, or information related to child labor and discrimination on the basis of age, gender, race or other factors.

The preparation of sustainability reports in investigated hotel companies is not based on manual or any written rules. Their content is defined according to their needs and by using the relevant internal and external data sources. Only a small part of the surveyed hotel companies have clearly defined the basic KPIs as indicators for assessing the achieved level of sustainable development, while the other choice of indicators reflects the ongoing reporting system and management or external user needs. All hotel companies included in this research have placed special emphasis on the market share assessment and customer satisfaction monitoring, and they are also making use of the opportunities of social networks. It can be concluded that generally only facts, without any deeper analysis or causal relationships to possible opportunities are presented. This certainly requires significant improvements in sustainability reporting of hotel companies to be closer to GRI framework requirements.

The main consequence in the process of sustainability reporting is that there is no real obligation to apply certain rules and standards. One of the main reasons for preparing sustainability reports are compliance with regulations and standards and long term business success, followed by the relationship with employees, customers & business partners, new market opportunities and raising quality. The less likely reasons for preparing such reports are the implementation of environmental policies and improving the relationship with stakeholders. Research results of Croatian hotel companies differ significantly from related research results carried out on the global level (KPMG, 2011:17), where particular emphasis on energy efficiency, improving relationship with the environment, reducing the footprint, emissions and pollution as well as enhancing the impact on local communities is made.

In addition, it is necessary to ensure compliance of internal and external sustainability reporting systems in order to provide benefits for both reporting organizations and report users by promoting a standardized approach that potentially minimizes ambiguity and rhetoric messages (Huang, Pepper, Bowrey, 2011: 4). In this context the importance of Global Reporting Initiative (GRI) as sustainability reporting guidelines should be pointed out, especially those of the supplements for the financial service sector, which share the most similarities with the hotel industry, when compared with other sector supplements. If we want to provide some kind of benchmarking between the presented information in sustainability reports from different hotel companies, the content of the reports and reports disclosure should be made according to the GRI framework respectively.

As already mentioned, Croatian hotel companies included in research do not apply GRI frameworks yet and their management only pointed out the links with the “Global Compact” and “CSR Index”, which primarily offer rules for sustainability reporting linked to the external user needs. The research results show that there is a gap between disclosed issues in sustainability reports of Croatian companies which do not provide any possibility to compare the presented data. Therefore, the introduction of internal reporting system by segments, based on IFRS 8 standards can provide relevant information primarily for internal users, which is also the high quality input into the external sustainable reporting system.

Establishing a sustainability reporting process based on IFRS 8 and USALI standards would ensure the companies to set goals, measure performance and manage change as well as for communicating positive and negative sustainability impacts. Sustainable development reporting can be improved through promotion and comprehensive application of GRI framework with respect to provisions of ISO standard 26000 (Social responsibility). It is very important to organize and promote different types of education for improving reporting system in a way to provide information necessary to assess the achieved level of goals of sustainable development. Significant support in this process can be provided by Croatia HR BCSD (The Croatian Business Council for Sustainable Development), both for their members and wider, to encourage implementation philosophy of sustainable development and following reporting system oriented to internal and external users.

5. CONCLUSION

Despite the fact that the companies are being under pressure that emphasize the principles of sustainable development by their stakeholders, sustainability reporting is not sufficiently present in Croatian companies, and these reports are not sufficiently transparent, nor are presented data enough relevant as a basis for comparison (benchmarking) among similar members of industries. This indicates the need for improving the quality of presented data in sustainable reports for internal and external users, using the tools of responsibility and strategic accounting, in the way similar to the financial reporting system which is based on provisions of International Financial Reporting Standards.

To produce a regular sustainability reporting system, companies are obliged to set up a reporting cycle, which include program of data collection, communication and responses. This means that their sustainability performance is monitored as an ongoing basis. Data can be provided regularly to senior decision makers to shape company strategy and policy all directed towards improving the performance of sustainability. Sustainability reporting is therefore a vital step for managing change in some company, towards a sustainable global economy. Sustainability reporting system helps in achieving the goals which would in the best way create and accomplish balance between long term profitability, social justice and environmental care.

The research on the global level shows that nearly 80% of the world’s largest companies issue some type of responsibility report (KPMG, 2008:4). This shows the necessity of creating better conditions (regulations, incentives, promotions, different benefits) in order to encourage companies in Croatia for increasing sustainable development reporting as well as benchmarking, to encourage competition in achieving goals of sustainable development. It is also necessary to systematically improve the quality of presented data in sustainability reports and increase the comparability of disclosed information. Companies that already have introduced sustainability

reporting system based on GRI framework can additionally establish internal sustainability reporting system by segments, based on IFRS 8 and USALI standards.

Sustainability reporting system leads to some benefits for internal and external users. It provides understanding of risks and opportunities as a result of implementation of sustainable development policy, as well as helping to promptly detect and avoid some environmental, social and governance failures. This information is necessary in the preparation of sustainable strategy and in evaluating achieved results, whether and to what extent companies follow the principles of sustainable development. With the establishment of sustainable KPIs it is possible to evaluate financial and non-financial performance systematically, so as to streamline processes, reducing costs, improving efficiency.

Creating standardized reports opens possibility for comparison (benchmarking), and evaluate sustainability performance in accordance with respect to laws, norms, codes, standards and voluntary initiatives (internally, between companies and industries sectors). This undoubtedly leads to improving reputation of some companies as motives for increasing brand loyalty and to enabling external stakeholders to understand company's true value. All this certainly leads to business and financial success of those companies which base their activities on the principles of sustainable development.

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