

E. Nikolov,
*PhD (Economics), Assistant Prof.,
 D. A. Tsenov Academy of Economics,
 Svishtov, Bulgaria*

GLOBAL REPORTING INITIATIVE AND ITS IMPLEMENTATION IN BULGARIAN AND UKRAINIAN ENTERPRISES

Introduction

Throughout the last years we have been observing a sustainable trend towards an increase in the number of enterprises which integrate new values in their strategic objectives and adopt a responsible policy regarding the development of society and preservation of the environment. The thesis that such behavior has a negative impact on the financial results of the enterprise has evolved in its diametrical opposition and currently there dominates the opinion that the benefits of corporate social responsibility (CSR) outweigh the accompanying expenses. Today, CSR has turned into a strategic business model leading to numerous positive effects, the most important of which is the increase of the innovation, sustainability and competitiveness of the enterprise. A key element of the whole CSR concept is the reporting of social responsibility, which has found expression in the development and announcement of the so called corporate social reports, also known as sustainable development reports, corporate society reports or simply social reports. In contrast to financial reports, social reports do not have a normatively regulated structure; therefore, organizations decide by themselves what information to include in them. Nevertheless, more organizations abandon this “freedom” and report their social responsibility through the regulated structure of the Global Reporting Initiative – GRI. In this respect, this article will aim to investigate the spread of GRI’s reporting structure in enterprises in Bulgaria and Ukraine, and based on this, to outline the principal problem areas as well as the existing differences.

1. Global Reporting Initiative

The global reporting initiative (GRI) is a non-profit organization established in Boston (USA) in 1997. Currently, its headquarters are in Amsterdam (Holland). The mission of the organization is to turn the reporting of sustainable development into a standard practice by providing advice and support to reporting organizations. For this purpose, in 1998 GRI establishes executive committee whose responsibility is to develop a guideline for global reporting initiative. However, during their term, the executive committee members are also required to develop more than a guideline for reporting the impact of organizations on the environment. For this reason, the range is expanded and the reporting comprises not only environmental, but also social, economic

and managerial issues. This has resulted in the development of a structure for reporting sustainable development with guidelines for the reporting of its base. GRI’s structure is intended to serve as a standard for reporting the economic, environmental and social performance of organizations. It is directed towards all organizations regardless of their characteristics – size, industry or location.

The most important element of the structure for reporting sustainable development is the guidelines for reporting. It comprises reporting principles, standard indicators for reporting and directions for preparing reports for sustainable development. The guidelines are not static; they are improved periodically in order to respond to the challenges and changes of the environment (see fig. 1).

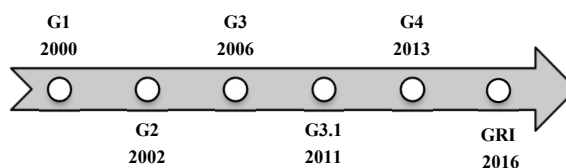


Fig. 1. Development of GRI’s reporting guidelines

The first version of the guidelines is called G1 and is completed in 2000. After G1, the second generation of reporting guidelines appears; it is known as G2. It is presented during the World Meeting for Sustainable Development in Johannesburg. The spread of the Global Reporting Initiative is stimulated by the start of the third generation of guidelines – G3 in 2006. Over 3,000 experts of the business, civil society and workers’ organizations participate in its development. Sector-oriented guidelines for sustainable development reporting have also been developed in order to report the characteristics of individual industries. In 2011, GRI expands the G3 guidelines by including the performance of organizations in terms of social and human rights. Thus G3.1 comes to being. In May 2013, GRI launches the fourth generation of its guidelines, called G4, which, since 2016 has been compulsory for all GRI reports, i.e., G3.1 is terminated. G4 comprises two major sections, namely, reporting principles and standard reporting. The first section comprises two groups of principles – for determining the content (inclusion of involved parties, context of sustainable development, materiality and

completeness) and for securing the quality of the report (balance sheet, comparability, accuracy, punctuality, clarity and reliability). The second section comprises 149 reporting indicators divided into two groups – general reporting (58 indicators) and specific reporting (91 indicators divided into three directions – economy, ecology and society) [1; 2]. In October 2016, the GRI G4 Guidelines have transitioned to GRI Sustainability Reporting Standards (GRI Standards). They incorporate the key concepts and disclosures from the G4 Guidelines (no new topics have been added, and key concepts and most disclosures from G4 carry through), but with a new and improved modular structure and format. The set of GRI Standards includes three universal standards applicable to all organizations (GRI 101, GRI 102 and GRI 103) and thirty-three topic-specific Standards, organized into Economic, Environmental, and Social series. Organizations select and use only the relevant topic-specific Standards, based on their material topics [3].

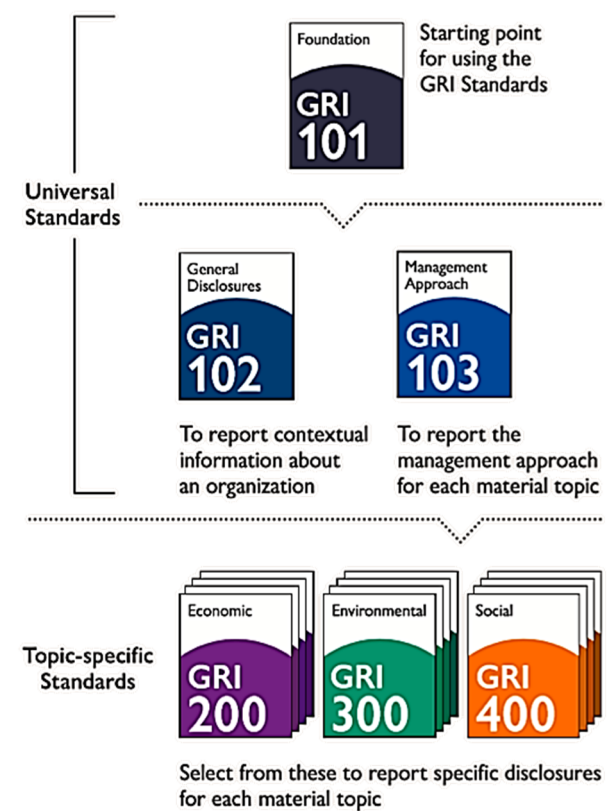


Fig. 2. Structural model of GRI Standards

Source: Global Reporting Initiative

The development of a corporate social report in compliance with GRI's reporting structure is not an easy task. When this is done for the first time, it usually requires consultancy support, as well as the development of procedures for generating and collecting the necessary data, i.e., the introduction of social accounting in the organization because most of the necessary data is

not available within the traditional financial and accounting reporting. In order to facilitate the reporting process, GRI has introduced two reporting levels – full and partial, as the latter comprises fewer reporting indicators and is recommended to organizations which report for the first time.

The advantages of the structure of GRI reporting and its constant development transform it into a global standard for reporting corporate social responsibility, widely used by large, small and medium-sized organizations. As of the date of the current research (December 2016), the GRI's global database has 10,138 organizations which have published their social reports; these are leading enterprises from almost all industries, for example Adidas, Airbus, Boeing, BASF, Bayer, Pfizer, Daimler, Toyota, General Motors, Danone, Johnson & Johnson, Unilever, Allianz, HSBC, IKEA, LEGO, McDonald's, Nestlé, Kraft Foods, Philips, Royal Dutch Shell, Gazprom, Lukoil, Apple, Dell, Coca Cola, Pepsi Co, Hewlett Packard, IBM, Microsoft, Starbucks. The number of published reports is 37,429, of which 25,229 comply with the GRI's reporting structure, or on average 3.7 reports per organization, which is indicative of the existence of sustainability of reporting. We can point out as an indicative fact for the capacity and development of GRI the dynamics at which the number of organizations which have published their CSR reports on the initiative's website has increased (fig. 3).

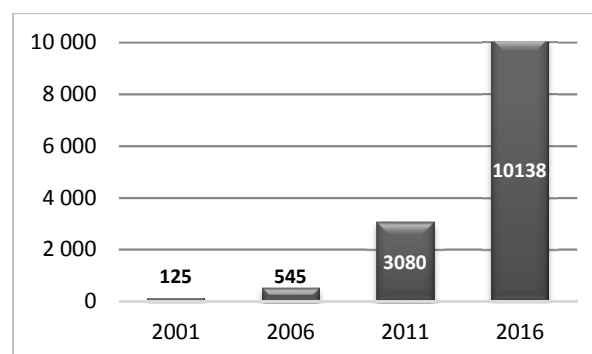


Fig. 3. Organizations which have published social reports on GRI's website

The figure clearly shows GRI's dynamic development, which currently transforms it into the most used tool and global standard for CSR reporting. Bulgarian and Ukrainian enterprises must report those trends and keep abreast of them, still more if they want to be competitive on the global market. This is why the following chapter will investigate how GRI has penetrated the enterprises in the two countries.

2. Adopting GRI's structure for CSR reporting by enterprises in Bulgaria and Ukraine

The practical research of the degree to which the GRI's structure for reporting is adopted by enterprises

in Bulgaria and Ukraine is carried out by using the public information on GRI's website, more particularly their Sustainability Disclosure Database. This database stores all social reports which have been uploaded on GRI's website and integrates a set of tools for searching and filtering data which facilitates its use.

By using this particular set of tools, we have identified the Bulgarian and Ukrainian business organizations which have published at least one social report in GRI's database (see table 1).

The table clearly shows that 10 Bulgarian and 21 Ukrainian enterprises (all of them are business organizations) published their CSR reports in the GRI's Sustainability Disclosure Database as of December 2016. This number can simply be qualified as too small or rather symbolic in comparison to other countries such as the USA (955 organizations), Germany (338 organizations), France (259 organizations), Austria (210 organizations), Switzerland (208 organizations), Russia (132 organizations), Turkey (123 organizations), etc.

Table 1

Bulgarian and Ukrainian organizations which have published social reports on GRI's website

	№	Company name	Size	2015	2014	2013	2012	2011	2010	2009	2008	2007
Bulgaria	1	Devnya Cement	Large			COP						
	2	DSK Bank	Large								G3	
	3	Postbank	Large				G3	G3	G3	√	√	
	4	Nestle Bulgaria	Large			√						
	5	Sopharma	Large			COP						
	6	BILLA Bulgaria	Large		G4							
	7	GLOBUL	Large			G3.1	G3.1	G3.1	G3.1			
	8	Telenor Bulgaria	Large		G4							
	9	VIVACOM	Large		G4							
	10	Yavlena	SME						COP			
Ukraine	1	ArcelorMittal Ukraine	MNE		G3	G3	G3					
	2	Astarta	Large			√	√					
	3	BDO Ukraine	Large					√	√			
	4	Carlsberg Ukraine	Large			√						
	5	Coca-Cola Ukraine	Large					√		√		
	6	Dneprospetsstal	Large				G3	√	√			
	7	DTEK	Large							G3		G3
	8	Ernst & Young Ukraine	Large		G4	G3	G3	G3				
	9	Galnaftogaz	Large			√	G3	√				
	10	Kernel	Large	G4								
	11	KPMG Ukraine	Large			G3						
	12	Kyiv Star	Large				√	√	√	√	√	
	13	Metinvest	Large					G3				
	14	Mondelez Ukraine	MNE		√							
	15	Nemiroff	Large						COP			
	16	Obolon	Large		G4	G3.1	G3		G3	G3	G3	
	17	Platinum Bank	Large				G3	G3	G3			
	18	SCM Group	MNE				G3					
	19	Unicredit Bank Ukraine	Large			COP	COP	COP			COP	
	20	ViDi Group	Large							√		
	21	Volia	Large	COP								

Legend: √ - a social report which does not comply with GRI's structure is published; COP – a social report which complies with the structure of UN Global Compact named Communication on Progress – COP is published; G3, G3.1 and G4 are guidelines for GRI's social responsibility reporting.

Nearly all of the thirty-one business organizations presented in table 1 are part of large foreign, often multinational companies. For them, CSR reporting is part of

the managerial policy of the parent company, which along with the necessary know-how is transferred to the subsidiaries operating in Bulgaria and Ukraine. A very

small number of business organizations which have published their CSR reports on the GRI's website is of Bulgarian or Ukrainian ownership. The reasons for this fact can be sought in the insufficient information and the underestimation of the significance of GRI, as well as the lack of know-how for preparing the social report, still more in compliance with GRI's structure. In confirmation of the last observation, we can point out the fact that 6 (35%) out of 17 CSR reports published by Bulgarian business organizations are prepared by using a different structure. As regards Ukrainian business organizations, the percentage is higher - 26 (52%) out of 50 published reports are based on a different structure. Most often, the reports which do not use GRI's structure are prepared as a result of the organizations' membership in UN Global Compact. This is the largest CSR global initiative, and it states that if an enterprise is to become a member, it shall meet the following 10 universal criteria, merged into four categories [4]:

Human Rights: Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and Principle 2: make sure that they are not complicit in human rights abuses.

Labour: Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; Principle 4: the elimination of all forms of forced and compulsory labour; Principle 5: the effective abolition of child labour; and Principle 6: the elimination of discrimination in respect of employment and occupation.

Environment: Principle 7: Businesses should support a precautionary approach to environmental challenges; Principle 8: undertake initiatives to promote greater environmental responsibility; and Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption: Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

UN Global Compact has local structures in Ukraine and Bulgaria named local networks. As of the moment of the research, 49 Bulgarian and 56 Ukrainian enterprises are members of UN Global Compact. They shall report their progress by preparing specialized reports named COP – Communication On Progress [5]. It is namely such reports that have been published in the GRI's database by three Bulgarian (Devnya Cement, Yavlena and Sopharma) and three Ukrainian (Nemiroff, Unicredit Bank Ukraine и Volia) enterprises. These reports are much easier to prepare as they contain only three compulsory elements: a statement by the chief executive expressing continued support for the UN Global Compact and renewing the participant's ongoing commitment to the initiative; a description of practical actions the company has taken or plans to take to implement the Ten Principles in each of the four areas (human rights, labour, environment, anti-corruption) and a

measurement of outcomes. This is why these reports are difficult to equate with the reports corresponding to GRI's structure in terms of quality and content.

Corporate social responsibility, and in particular, its reporting shall not be discussed merely as a priority of large business organizations. It is just as important to small and medium-sized enterprises. This is why GRI's reporting structure has been developed to be suitable for large, small and medium-sized enterprises. The data presented in table 1, however, clearly shows that only one business organization belongs to the group of small and medium-sized enterprises (the Bulgarian real estate agency Yavlena, which published COP for 2010). The rest are large business organizations, including multinationals. In contrast, 50 % of Austrian, 24 % of Turkish, 18 % of German, 11 % of Russian organizations, which published CSR reports in GRI's Sustainability Disclosure Database, do not belong to the group of small and medium-sized enterprises. This data leads to the conclusion that the tools offered by GRI for reporting social responsibility are suitable for small and medium-sized enterprises, but the Bulgarian and Ukrainian business organizations of this group have no knowledge of them, underestimate their significance and/or have no capacity to realize them in practice.

If there is a strong bond between the size of the enterprise and reporting its social responsibility, then no such regularity can be found in terms of their industry belonging. As table 2 clearly shows, the enterprises which have published reports belong to various industries and hardly a bond can be found between type of industry and reporting.

Table 2

Industry belonging of enterprises

Industry	Bulgarian enterprises (amount)	Ukrainian enterprises (amount)
Metals Products	-	3
Agriculture	-	2
Food and Beverage	1	4
Mining	-	1
Commercial Services	-	2
Energy	-	1
Telecommunications	3	2
Financial Services	2	2
Logistics	-	1
Retailers	1	-
Construction Materials	1	-
Health Care Products	1	-
Real Estate	1	-
Other	-	3
Total:	10	21

Corporate social responsibility is not a one-time act. It is a long-term, strategic concept, which means that it must be reported in a sustainable way. This shall not be a one-time act, the result of a momentary whim or the

realization of a particular project. Similar to financial and social reporting, it must be regular, most often – annual. In this respect, the data of the empirical research is indicative of the lack of consistency and sustainability even for the small number of Bulgarian and Ukrainian enterprises, which have published CSR reports in GRI's Sustainability Disclosure Database. The good example among Bulgarian companies regarding the sustainability of reporting is Globul – a telecommunication company which was acquired in 2014 by Telenor Bulgaria. The new owner continued the good practice of preparing and publishing a CSR report in compliance with GRI's reporting structure. The number of Ukrainian enterprises which demonstrate sustainability in the use of GRI's reporting structure is a little bit larger. They are three – namely, ArcelorMittal Ukraine, Ernst & Young Ukraine and Obolon, as the latter two have published the most reports in comparison to all others – six reports, one of which is for a period of two years. It is in terms of the time range of CSR reports that the first difference between the two countries' economic organizations can be detected. The usual practice for Ukrainian enterprises is the reporting for a period of two, three or more years (the Ukrainian enterprise ViDi Group has a five-year social report) within a single CSR report, while Bulgarian business organizations avoid using such an approach. In this respect, we should point out that similar to financial reporting, social reporting on an annual basis is the best practice. Despite this, social reports encompassing a period of more than one year are preferable to the option not to have them prepared.

Similar to financial reports, social reports (upon the request of the reporting organization) may be audited and endorsed by an independent expert – social auditor, through the so called external assurance. Thus the level of security is raised in order to guarantee the authenticity and comprehensiveness presented in the report. This is a widespread practice among Ukrainian enterprises. The analysis shows that 64 % of Ukrainian business organizations which have prepared CSR reports in compliance with GRI's structure have had their reports audited by an external expert. To be precise, these are seven enterprises, namely – ArcelorMittal Ukraine, Dnepropetsstal, DTEK, Kernel, Metinvest, Obolon and SCM Group. Those results can be determined as excellent, bearing in mind the performance of Bulgarian business organizations for which such a practice is rather an exception. The data shows that only one Bulgarian enterprise has had its social report endorsed by an external expert – the trade bank Postbank. Such results are difficult to explain and even more difficult to defend. The main reason against external audit is to economize on funds. Despite this, we defend the thesis that similar to financial and accounting reports, social reports shall also be audited and endorsed by external experts. Thus the stakeholders' trust is won, whereas the possibility of

the appearance of pseudo-socially responsible companies whose aim is to take advantage of the positive effects of CSR without expending funds and making effort for achieving social aims decreases.

On the basis of the data presented in this chapter, we can make the following conclusions:

- Bulgarian and Ukrainian enterprises do not take advantage of the opportunities offered by GRI for corporate social responsibility reporting. The number of organizations in the two countries which have published their social reports on GRI's website can be defined as too limited. Still worse is their performance in terms of the use of GRI's reporting structure.

- Most of the Bulgarian and Ukrainian enterprises which benefit from GRI's reporting possibilities are of foreign ownership. Their CSR reporting is imposed by the parent company, whereas the process is facilitated by the transfer of the necessary know-how.

- It is only large Bulgarian and Ukrainian business organizations that prepare social reports in compliance with GRI's reporting structure. The small and medium-sized enterprises in the two countries remain parties in this global process, including their competitors from other countries.

- No concentration of a large number of reporting enterprises within a single industry is observed. This means that industry belonging does not have a significant impact on the decision for CSR reporting through GRI's possibilities.

- The usual practice for the reporting enterprises from Ukraine is the preparation of social reports encompassing a period of two, three or more years. Unlike them, Bulgarian organizations avoid adopting such an approach.

- Ukrainian enterprises perform better than Bulgarian ones in one very important aspect of social reporting, namely – external independent audit. The predominant part of Ukrainian business organizations have had their reports audited, whereas only one Bulgarian organization has had this done.

Conclusion

Global Reporting Initiative is the first and the most widespread platform for preparing and publishing corporate social reports. Furthermore, today it is a global standard in the reporting of sustainability for organizations regardless of their location, size and industry belonging. Its constant improvement has transformed it into a preferred tool for unified social responsibility reporting, which facilitates the process of preparing and communicating social reports. Despite the increasing, at that in a sustainable way, popularity of GRI, Bulgarian and Ukrainian enterprises stay away from this global process. The number of organizations from both countries which have knowledge of and take advantage of GRI's reporting possibilities remains relatively small.

With a few exceptions, they are owned by foreign companies with an established practice of CSR reporting, which is transferred to their Bulgarian or Ukrainian subsidiaries. Those worrying conclusions are indicative of how Bulgarian and Ukrainian enterprises have fallen behind the global reporting trend, which cannot but have a negative impact on their innovation, sustainability and competitiveness, as well as a number of other positive effects stemming from CSR and its reporting [6].

References

1. **G4 Sustainability** reporting guidelines. Implementation manual. Global Reporting Initiative. 2013. 266 p. 2. **G4 Sustainability** reporting guidelines. Reporting principles and standard disclosures. Global Reporting Initiative. 2013. 94 p.; 3. **Buck, B., & Reinhardt, C.** (2016, October). The future of reporting. Introducing the GRI Standards. Presentation, Retrieved from <https://www.globalreporting.org/>; 4. **The Ten Principles of the UN Global Compact**, Retrieved from <https://www.un-globalcompact.org/>; 5. **The Communication on Progress (COP) in Brief**, Retrieved from www.unglobalcompact.org/participation/report/cop/; 6. **Value of sustainability reporting. A study by EY and Boston College Center for Corporate Citizenship**, 2016. 30 p., Retrieved from www.ey.com.

Ніколов Е. Б. Звітність з корпоративної соціальної відповідальності з використанням системи звітності GRI в Болгарії та Україні

Діяльність бізнес-організацій і, насамперед, великих мультинаціональних корпорацій, викликає інтерес все більшої частини суспільства. Його не можна задовольнити за допомогою інформації, що міститься у традиційній бухгалтерській фінансовій звітності, у результаті чого під тиском суспільних очікувань господарські організації почали публікувати нефінансову інформацію в корпоративних соціальних звітах, які ще називають звітами про сталий розвиток або про корпоративне громадянство. Незважаючи на те, що вони не мають регламентованого вмісту, в якості глобального стандарту у звітності ствердилася структура Global Reporting Initiative. У зв'язку з цим мета цієї статті – дослідити поширення структури звіту GRI серед болгарських і українських бізнес-організацій і на цій базі окреслити основні проблемні сектори, а також виявити існуючі відмінності між ними.

Ключові слова: корпоративна соціальна відповідальність, соціальний звіт, звіт про сталий розвиток, Глобальна Ініціатива Звітності, Стандарти Глобальної Ініціативи зі Звітності.

Ніколов Е. Б. Отчетность по корпоративной социальной ответственности с использованием системы отчетности GRI в Болгарии и Украине

Деятельность бизнес-организаций и, прежде всего, крупных мультинациональных корпораций вызывает интерес все большей части общества. Его нельзя удовлетворить посредством информации, содержащейся в традиционной бухгалтерской финансовой отчетности, в результате чего под давлением общественных ожиданий хозяйственные организации начали публиковать нефинансовую информацию в корпоративных социальных отчетах, называемых еще отчетами об устойчивом развитии или о корпоративном гражданстве. Несмотря на то, что они не имеют регламентированного содержания, в качестве глобального стандарта в отчетности утвердилась структура Global Reporting Initiative. В этой связи цель настоящей статьи – исследовать распространение структуры отчета GRI среди болгарских и украинских бизнес-организаций и на этой базе очертить основные проблемные сектора, а также выявить существующие различия между ними.

Ключевые слова: корпоративная социальная ответственность, социальный отчет, отчет об устойчивом развитии, Глобальная Инициатива Отчетности, Стандарты Глобальной Инициативы по Отчетности.

Nikolov E. Global Reporting Initiative and its implementation in Bulgarian and Ukrainian enterprises

The activity of business organizations, mostly large multinationals, attracts the attention of an increasing part of the society. Such interest cannot be satisfied with the information provided in the traditional financial and accounting reports; as a result, due to the pressure of social expectations, business organizations have started to publish non-financial information in the so called corporate social reports, also called sustainability reports or corporate society reports. Although they do not have regulated content, the Global Reporting Initiative has been adopted as a global reporting standard as of today. In this respect, the purpose of this article is to investigate GRI's reporting structure among Bulgarian and Ukrainian business organizations on the basis of which it will outline the principal problematic areas as well as the existing differences among them.

Keywords: corporate social responsibility, social reporting, sustainability reporting, Global Reporting Initiative, GRI Standards.

Received by the editors: 17.10.2016
and final form 28.12.2016