REPORTING ON CORPORATE RESPONSIBILITY

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Abstract: *Business entities that have incorporated corporate social responsibility into their activities most often present this to the general public as part of their annual report or as a stand-alone report on corporate responsibility. Reporting helps the business entity to clearly set goals and measure the performance and effectiveness of the implemented changes, and from the obtained results, are read data on the influence of the enterprise on the environment, society and economy. Publication of a wider scope of information about a business enables users of this information to make better business decisions, primarily on investments in certain economic entities and financing. Users want information that allows them to understand the business model, strategy, risks (including sustainability risks) and the corporate governance system. One of the more important goals of an entity when compiling and publishing a Corporate Responsibility Report is to increase the level of customer confidence in information about business entity. Through this communication with users, an atmosphere is created based on responsibility, openness, transparency, evaluation of results and commitment to the company.*

Key words: *reporting on corporate responsibility, trust, corporate social responsibility, business decisions, interested users*

1. INTRODUCTION

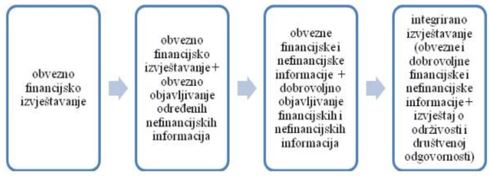
Contemporary market trends and the development of social responsibility and environmental awareness have stimulated changes in corporate reporting, and the importance and importance of integrated reporting, ie reporting that contains financial information in addition to financial information, is increasingly emphasized.

Not only the financial information presented in the financial statements is sufficient for interested beneficiaries, who make business decisions about investing and financing, because they need different information to get a broader picture of the business of an entity. The financial statements provide information on the financial position, financial performance and cash flows of an entity that are the result of past business decisions and relate to past periods. And investors need information to evaluate the earnings and cash flows of businesses in future periods of time.

Publication of non-financial information, along with financial information, enhances the transparency of business operations, and users gain greater confidence in the business and business prospects of such businesses.

According to Hladika M. and Valenta I. (2018) integrated reporting is a process that involves financial and non-financial reporting in a single report - an integrated report. Therefore, an integrated report is a report that should be made public and should be accessible to interested parties and should include financial and non-financial information about the business entity. Publication of a broader scope of information about a business entity enables users of that information to make better business decisions, primarily about investments in certain businesses and financing. Customers want to have information on which to understand the business model, strategy, risks (including sustainability risks) and business entity management system. Understanding these categories helps users assess the capacity of an entity to create sustainable value in the short, medium and long term.

Figure 1. Corporate reporting development



Source: Gulin, D., Grbavac, J., Hladika, M. (2016). Corporate reporting quality as a prerequisite for transparency of business entities. Proceedings (Journal of Economy and Business), Special Issue, p. 159.

2. CORPORATE LIABILITY REPORT

Corporate social responsibility is the way in which business entities manage their business processes in order to have a positive impact on the company, more specifically it refers to the assumption of responsibility of the business entity for the impact of its activities on society and the environment, and these activities must be in accordance with the interests of the company, then be based on ethical conduct and comply with the law and other legal regulations. Businesses that have incorporated CSR into their activities most often present this to the general public as part of their annual report or as a standalone corporate responsibility report. Reporting helps the business entity to clearly set goals and measure the impact and success of the changes made, and from the results obtained, information about the environmental impact of the business entity, society and economy is obtained.

In order to develop a sustainability reporting framework, the Global Reporting Initiative (GRI) project was established, resulting in the first version of the guidance in 2000. The reporting framework, meanwhile, has evolved and in 2013 the fourth generation - GRI 4 - was introduced. According to Rogošić, A. and Bekavac, J. (2015) The GRI framework is designed for businesses, regardless of size, sector or location, and contains principles (materiality, participant involvement, context for sustainability, completeness, balance, comparability, accuracy, timeliness, clarity and reliability) to determine the content of the report and to ensure the quality of the information published therein.

The framework contains both general and sector-specific content, which are sectoral supplements that supplement the guidelines with interpretations and guidance on how to apply the guidelines in a particular sector and include sector-specific performance indicators. The guidelines also cover standard information, the general part of which contains:

- Strategy and analysis (general strategic review of the viability of an entity to provide context for subsequent more detailed reporting),
- Organizational profile (information on business entity, headquarters, major brands, products and services, nature of ownership, legal form, etc.),
- Identified material aspects and boundaries (an overview of the process followed by an entity in determining the content of the report),
- Involvement of participants (overview of involvement of interest groups of a business entity during the reporting period),
- Report profile (overview of basic information about: report, its contents as well as access when applying for external verification),
- Management (information on: the governance structure and composition, the roles of the highest management body in determining the purpose, value and strategy of the business entity, the powers and performance appraisal of the highest management body, the roles of the highest management body in risk management, sustainability reporting, etc.)
- Ethics and integrity (review of the values, principles, standards and norms of the organization and internal and external mechanisms of the entity to seek advice on ethical and lawful conduct, as well as to express concerns about unethical or illegal behavior and integrity issues).

One of the most important goals of a business entity when drafting and publishing a Corporate Responsibility Report is to increase the degree of user confidence in information about the business entity itself. Through this communication with customers, an atmosphere is created that rests on responsibility, openness, transparency, evaluation of results and dedication to the company.

2.1. International framework for the preparation of the Corporate Responsibility Report

Financial reporting is mandatory, regulated and regulated by national law, and International Financial Reporting Standards and / or different national accounting standards are applied to the preparation of financial statements.

There is no prescribed framework for non-financial reporting at national and international level, and according to Hladika M. and Valenta I. (2018), there are various relevant international frameworks in practice, namely:

- GRI Standards (GRI);
- International Framework for the Preparation of Integrated Reports (IR);
- Guidelines for Multinational Societies of the Organization for Economic Co-operation and Development (OECD);
- Standard (ISO) 26000 of International Organization for Standardization;
- Tripartite Declaration on the Principles Relating to Multinational Societies and Social Policy of the International Labor Organization;
- United Nations Global Compact (UNGC);

The most common framework for non-financial reporting today is the GRI standards. Standardization of non-financial reporting would enable comparison of economic entities on issues related to economic, environmental and social criteria, both nationally and internationally.

2.2. Regulatory framework for drafting the Corporate Responsibility Report

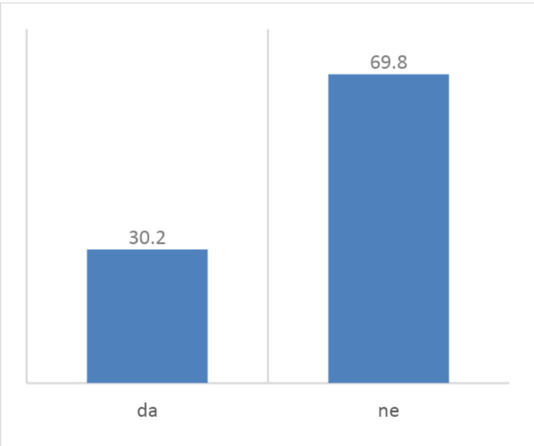
The number of business entities that publish non-financial statements is largely influenced by legislation, or the fact that the law prescribes the obligation to prepare non-financial statements or whether they are prepared on a voluntary basis. Also, it is possible that in a particular country the stock market prescribes non-financial reporting requirements. In eight countries where the non-financial reporting rate is 90% or more, the non-financial reporting obligation is prescribed: India, Indonesia, Malaysia, South Africa, United Kingdom, France, Denmark and Norway (KPMG, 2015).
In the United States, non-financial reporting is not required by law, but most businesses publish non-financial statements. The Sustainability Accounting Standards Board (SASB) was established in 2011 to adopt and develop accounting standards for 79 industries, and standards allow businesses to easily publish meaningful and useful information to all interested users.
In the territory of the European Union, the European Commission, by Directive 2014/95 / EU, required all Member States to implement in their legislation new requirements requiring certain economic operators to prepare non-financial reports. Directive 2014/95 / EU applies to large and public-interest entities with an average number of employees of 500 employees, and by Directive 2014/95 / EU non-financial reporting becomes compulsory for the accounting period beginning on or after 1 January 2017. calendar year 2017.

3. CORPORATE LIABILITY REPORTING IN BOSNIA AND HERZEGOVINA

Joint stock companies whose shares are listed on stock exchanges should adhere to the principles of corporate governance and should therefore have the practice of publishing a Corporate Governance Report. In Bosnia and Herzegovina, this reporting is not legally binding but is voluntary.
In addition to the financial information, this report also contains non-financial information as well as the ratio of d.d. according to the company, on the basis of which investors could acquire a more complete picture of the business and on that basis make a business decision.
In B&H d.d. corporate governance principles are still not widely applied and therefore they do not publish reports on the same.
We analyzed a total of 330 companies listed on the stock exchanges in Bosnia and Herzegovina and the results of the research show that we are 30.2% and 49 d.d. they publish these reports and it is mainly the financial sector, ie banks and insurance

companies, then telecom operators, power distribution companies or joint stock companies that are part of corporations operating in a foreign market, such as the. Kakanj Cement.

Chart 1. Percentage of practice of publishing the Report on Corporate Governance of Joint Stock Companies in B&H in 2017



Source: Author calculation based on data collected

We can conclude that this percentage is quite low in our country, but it is also expected since the capital market is not developed and therefore the relationship with the users of the business entity's business report has not been developed.

4. CONCLUSION

A new corporate reporting practice that is still in the phase of intensive development and implementation at the international level is the integrated report, ie the Corporate Responsibility Report, which contains both financial and non-financial statements. The integrated report provides information on how a business entity realizes its vision and strategy in terms of past events, but also in the future, points to the corporate social responsibility of the entity and the viability of the business entity.

The publication of non-financial information, either in the form of stand-alone reports or in the framework of an integrated report, significantly contributes to transparency, enhances the reputation of a business entity and increases confidence in the business of a business entity. Non-financial reporting, and especially its publication within the integrated report, significantly improves the quality of corporate reporting. The added value of non-financial reporting is quantifying the effects of a business entity on society, the environment and the economy as a whole, and, consequently, the impact of a business entity on the sustainable development of Hladik and Valenta (2017).

A key role should be played by national legislation and regulation governing corporate reporting, as well as stock exchange requirements for the listing of listed entities. Prescribing mandatory compilation of an integrated report would achieve the goal of better corporate communication between business entities and all interested users, which requires cooperation with regulatory authorities, standard-setters, auditors, accountants and all other business process stakeholders interested in corporate reporting.

The fact is that internationally, business entities have begun to publish non-financial information in increasing numbers. Therefore, we hope that this practice will be adopted by business entities in Bosnia and Herzegovina.

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