Abstract

The concept of sustainability reporting has emerged from developments in accounting, with roots over a period of the last forty years in a broader sense and in the narrow sense over the last ten years. While the term sustainability accounting is used to describe accounting methods that aim to create and provide high quality information to support a corporation in its movement towards sustainability, sustainability reporting, describes new formalized means of communication, which provides information about corporate sustainability. Sustainability accounting is a framework that can be used to reflect economic, social and environmental impacts and demonstrate their connection.

In order to get an idea of whether sustainability reporting has been implemented in Croatian companies, the purpose of the paper is to investigate the achieved level of sustainability reporting in Croatia. The paper will also critically review previous research results about sustainability reporting in the hospitality industry and develop a framework for hotel sustainability reporting, in accordance with the Uniform System of Accounts for the Lodging Industry – USALI (11th edition, 2014), Global Reporting Initiative (GRI) and the new EU Directive about disclosure of non-financial and diversity information.

Keywords

sustainability reporting, hospitality accounting, sustainability accounting

1. Introduction

Accountability is the duty to provide information to stakeholders who have a right to it and an essential component of sustainability strategies. It is the information related to responsibility and is as much about what has not been done as it is about what has been done. The new challenge of hospitality business is how to be more accountable towards stakeholders.

The hospitality industry is a significant consumer of resources with a considerable impact on natural environments, economies, cultures and societies. Hotel companies are under the pressure from stakeholders and competitors to enhance their sustainability in “every day” business. Therefore, hotel companies that apply sustainable business must provide products and services that people want in order to generate profit, growth and new jobs, while taking
into account their social and environmental impact, as a part of ensuring that they generate added value for an organization and its stakeholders (IFAC, 2011, p. 8).

In accordance with that, the triple bottom line (TBL) approach was developed to measure the financial performance, as well as the achieved level of social and environmental responsibility. Of particular interest is also the new EU Directive (No. 2014/95 & 2013/34) which requires obligatory disclosure of non-financial and diversity information by certain large companies.

In a business environment that expects social responsibility of companies and respect for the principles of sustainable development, hotel companies have to find a way to achieve balance between social, environmental and financial performance, and in that process sustainability reporting is of a great importance.

2. Framework for sustainability reporting

Sustainability reporting describes new formalized means of communication, which provides information about corporate sustainability (Schaltegger, Bennett & Burritt, 2006, p. 15). The goal of sustainability reporting is „to inform development of an integrated business strategy for corporate management and assess sustainability risks and opportunities inherent to investment decisions“ (SASB, 2013, p. 3). The demands from various stakeholders for increased levels of transparency and disclosure, and also the need for companies to appropriately respond to issues of sustainable development, are the main factors of development of sustainability reporting. Sustainability reporting is a vital step to achieving smart, sustainable and inclusive growth (EUROPE 2020, 2010) that combines long-term profitability with social justice and environmental care (GRI, 2013).

From its origins until today, there were considerable changes and advancements in sustainability reporting, going from standalone environmental and social reports, to triple bottom line (TBL) reports and at the end to sustainability reports. It is important to emphasize the distinction between TBL reports and sustainability reports. Since TBL reports in its essence display company’s results in economic, environmental and social dimensions without showing any connections between the dimensions (Schaltegger, & Burritt, 2010), sustainability reporting presents also the correlations among the three dimensions and interpretation of how it affects their business.

In the interest of delivering sustainability reports that communicate improved performance in the process of defining report content some accounting principles should be followed. According to Lamberton (2005), main sustainability accounting principles are definition, accounting period, scope, materiality, capital maintenance, units of measurement and precautionary principle. In addition to this, content should be transparent, stakeholder inclusive, provide sustainability context and allow auditing (GRI, 2002).

During the last decade number of companies producing sustainability reports has largely increased. According to the 2013 KPMG survey corporate responsibility reporting (that is regarded as sustainability reporting) “is undeniably a mainstream business practice
worldwide, undertaken by 71% of the 4,100 companies surveyed, and 93% among the world’s largest 250 companies (G250)” (KPMG, 2013, p. 11), compared to “35% of G250 companies undertaking environmental reporting in 1999” (KPMG, 1999). The high rates of corporate responsibility reporting in all regions suggest that it is now standard business practice worldwide, so the KPMG view is that companies should no longer ask whether or not they should publish a corporate responsibility report but about the quality of the reporting and the best means to reach relevant audiences (KPMG, 2013). According to their research large companies in the electronics and computers, mining and pharmaceuticals sectors produce the highest quality sustainability reports. For large companies sustainability reporting should not represent an additional financial burden.

The incentive for sustainability reporting comes from different national initiatives, professional accountants associations, consultant organizations etc. Current international examples are Global Reporting Initiative (GRI), the principles of the United Nations Global Compact (UNGC), the Standard ISO 26000, OECD Guidelines and the new EU Accounting Directive of disclosure of non-financial and diversity information.

The most representative international initiative is the Global Reporting Initiative. GRI provides sustainability reporting framework to promote usage of environmental, social and economic performance indicators. By using environmental performance indicators organizations worldwide asses their environmental performance, comply with the principles of sustainable development and disclose achieved results. Some countries (e. g. Austria, Belgium, Denmark, Finland, Canada, Netherlands, Germany, Norway, USA, Sweden) officially refer to GRI guidelines in their own guidelines and standards for corporate social responsibility accomplishment and environmental responsibility and/or in their environmental policies. GRI, affiliated with the United Nations Global Compact Initiative (the initiative which also supports business sustainability and sustainable reporting), constitutes the biggest international incentive for promoting corporate sustainability, and sustainable and environmental reporting.

One of the newly emerged tools is Sustainability Balanced Scorecard that is based on the Norton and Kaplan’s concept of Balanced Scorecard but a fifth dimension – the sustainability perspective has been added. Poldrugovac and Tekavčić (2013) found nine different approaches on how to integrate sustainability into Balance Scorecard. So currently, there is no general agreement on what this sustainability perspective should consist of.

There are some other initiatives for sustainability reporting framework development. The International Federation of Accountants (IFAC) together with the GRI and The Prince’s Accounting for Sustainability Project established The International Integrated Reporting Committee (IIRC), a body to oversee the creation of a globally accepted Integrated Reporting Framework, which combines financial, environmental, social and economic information into a comprehensive format and shows mutual influences. The framework should elicit material information from organizations about their strategy, governance, performance and prospects in a clear, concise and comparable format. The Framework is intended to underpin and accelerate the evolution of corporate reporting, reflecting developments in financial governance, management commentary and sustainability reporting (Integrated reporting, 2011).
Of particular interest today is the latest EU accounting Directive (No. 2014/95 & 2013/34) which includes obligatory disclosure of non-financial and diversity information by certain large undertakings and groups (Directive, 2014) and amends the existing EU accounting legislation to increase the relevance, consistency and comparability of disclosed information. The new legislation introduces additional non-financial disclosure requirements for large public interest entities to include a non-financial statement in their management report containing information on: environmental matters, social and employee-related aspects, respect for human rights, and anti-corruption and bribery issues (FEA, 2014).

According to the new accounting Directive, large public-interest companies with more than 500 employees are required to disclose relevant and material environmental and social information in their annual reports. Member States have to transpose the starting points of this Directive into national law by the end of 2016, and the new provisions have to be applied to all undertakings within the scope for the financial year, starting on 1 January 2017 or during the calendar year 2017. The accounting Directive requires that companies describe their business model, outcomes and risks of the policies on the mandatory topics, and encourages them to rely on recognized frameworks such as GRI Guidelines, UNGC, OECD Guidelines and ISO 26000. It promotes transparency and accountability of the companies and enables managers to use the potential of CSR in order to increase companies’ competitiveness while contributing to sustainable growth in the EU.

3. Social and environmental reporting in Croatian companies: research results

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). As not all member companies publish information on 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; Farmal; 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 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 present 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; Farmal; 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%). In 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” (2.4%), “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 is presented in table 1, according to the analysis of 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>
<thead>
<tr>
<th>GRI - SUSTAINABILITY PERFORMANCE INDICATORS</th>
<th>Companies in Croatia that disclose sustainability reports*</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1 2 3 4 5 6 7 8 9 10 11</td>
</tr>
<tr>
<td><strong>ECONOMIC PERFORMANCE INDICATORS</strong></td>
<td></td>
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<tr>
<td><strong>ECONOMIC PERFORMANCE</strong></td>
<td></td>
</tr>
<tr>
<td>EC1 Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings and payments to capital</td>
<td>X X X X X X X X</td>
</tr>
<tr>
<td>EC2 Climate change</td>
<td>X X X X X X X X X X</td>
</tr>
<tr>
<td>EC3 Coverage of the organization's defined benefit plan obligations</td>
<td>X X X X</td>
</tr>
<tr>
<td>EC4 Significant financial assistance received from government</td>
<td>X X X X</td>
</tr>
<tr>
<td><strong>MARKET PRESENCE</strong></td>
<td></td>
</tr>
<tr>
<td>EC5 Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation</td>
<td>X X X X X X X X</td>
</tr>
<tr>
<td>EC6 Policy, practices, and proportion of spending on locally-base suppliers at significant locations of operation</td>
<td>X X X X X X X X</td>
</tr>
<tr>
<td>EC7 Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation</td>
<td>X X X X X X X X</td>
</tr>
<tr>
<td><strong>INDIRECT ECONOMIC IMPACTS</strong></td>
<td></td>
</tr>
<tr>
<td>EC8 Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind or pro bono engagement</td>
<td>X X X X</td>
</tr>
<tr>
<td>EC9 Understanding and describing significant indirect economic impacts, including the extent of impacts</td>
<td>X X X X</td>
</tr>
<tr>
<td><strong>ENVIRONMENTAL PERFORMANCE INDICATORS</strong></td>
<td></td>
</tr>
<tr>
<td><strong>MATERIALS</strong></td>
<td></td>
</tr>
<tr>
<td>EN1 Materials used by weight or volume</td>
<td>X X X X X X X X X X</td>
</tr>
<tr>
<td>EN2 Percentage of materials used that are recycled input materials</td>
<td>X X X X X X X X</td>
</tr>
<tr>
<td><strong>ENERGY</strong></td>
<td></td>
</tr>
<tr>
<td>EN3 Direct energy consumption by primary energy source</td>
<td>X X X X X X X X X X X</td>
</tr>
<tr>
<td>EN4 Indirect energy consumption by primary source</td>
<td>X X X X X X X X</td>
</tr>
<tr>
<td>EN5 Energy saved due to conservation and efficiency improvements</td>
<td>X X X</td>
</tr>
<tr>
<td>EN6 Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives</td>
<td>X X X X</td>
</tr>
<tr>
<td>EN7 Initiatives to reduce indirect energy consumption and reductions achieved</td>
<td>X X X</td>
</tr>
</tbody>
</table>

*Companies in Croatia that disclose sustainability reports.*
## SUSTAINABILITY REPORTING: POSSIBLE WAYS OF RETHINKING HOSPITALITY ACCOUNTING

**WATER**

- EN8 Total water withdrawal by source
- EN9 Water sources significantly affected by withdrawal of water
- EN10 Percentage and total volume of water recycled and reused

**BIODIVERSITY**

- EN11 Location and size of land owned, leased, managed in, or adjacent to protected areas and areas of high biodiversity value outside protected areas
- EN12 Description of significant impacts of activities and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas
- EN13 Strategies, current actions, and future plans for managing impacts on biodiversity
- EN14 Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk

**EMISSIONS, EFFLUENTS, WASTE**

- EN15 Total direct and indirect greenhouse gas emissions by weight
- EN16 Other relevant indirect greenhouse gas emissions by weight
- EN17 Initiatives to reduce greenhouse gas emissions and reductions achieved
- EN18 Emissions of ozone-depleting substances by weight
- EN19 NOx, SOx and other significant air emissions by type and weight
- EN20 Total water discharge by quality and destination
- EN21 Total number and volume of significant spills
- EN22 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

**PRODUCTS & SERVICES**

- EN23 Percentage of products sold in their packaging materials that are reclaimed by category

**COMPLIANCE**

- EN24 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations

**TRANSPORT**

- EN25 Identity, size, protected status and biodiversity value of water bodies and related habitats significantly affected by the reporting organization’s discharges of water and runoff

**OVERALL**

- EN26 Total environmental protection expenditures and investments by type

### SOCIAL PERFORMANCE INDICATORS

**LABOR PRACTICES AND DECENT WORK PERFORMANCE INDICATORS**

**EMPLOYMENT**

- LA1 Total workforce by employment type, employment contract, and region
- LA2 Total number and rate of employee turnover by age group, gender and region
- LA3 Benefits provided to full-time employees that are not provided to temporary or part-time employees

**LABOR / MANAGEMENT RELATIONS**

- LA4 Percentage of employees covered by collective bargaining agreements

**OCCUPATIONAL HEALTH AND SAFETY**

- LA5 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
- LA6 Falls and fatalities by region
- LA7 Education, training, counseling, prevention and risk-control programs in place to assist workforce members, in their families, or in community members regarding serious diseases
- LA8 Health and safety topics covered in formal agreements with trade unions
TRAINING AND EDUCATION

LA10 Average hours of training per year per employee by employee category
LA11 Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings
LA12 Percentage of employees receiving regular performance and career development reviews

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
LA14 Ratio of basic salary of men to women by employee category

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
HR2 Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken
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

NON DISCRIMINATION

HR4 Total number of incidents of discrimination and actions taken

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

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

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

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

INDIGENOUS RIGHTS

HR9 Total number of incidents of violations involving rights of indigenous people and actions taken
HR10 Percentage and total number of operations that been subject to human rights reviews and/or impact assessments
HR11 number of grievances related to human rights filed, addressed and resolved through formal

SOCIALITY 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

CORRUPTION

SO2 Percentage and total number of business units analysed for risks related to corruption
SO3 Percentage of employees trained in organization’s anti-corruption policies and procedures
SO4 ACTIONS TAKEN IN RESPONSE TO INCIDENTS OF CORRPTION

PUBLIC POLICY

SO5 Public policy positions and participation in public policy development and lobbying
SO6 Total value of financial and in-kind contributions to political parties, politicians and related institutions by country

ANTI-COMPETITIVE BEHAVIOUR

SO7 Total number of legal actions for anti-competitive behaviour, anti-trust and monopoly practices and their outcomes

COMPLIANCE

SO8 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations
## Table 1: Content and frequency of items disclosed in the sustainability reports of Croatian companies in the last three years based on the GRI 3.1.

<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>Indicator</th>
<th>Croatia</th>
<th>Italy</th>
<th>Serbia</th>
<th>Czech Republic</th>
<th>Austria</th>
<th>Switzerland</th>
<th>Germany</th>
<th>UK</th>
<th>France</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Community</strong></td>
<td>Nature, scope and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating and existing</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
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<tr>
<td><strong>Corruption</strong></td>
<td>Percentage and total number of business units analysed for risks related to corruption</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
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<tr>
<td></td>
<td>Percentage of employees trained in organization’s anti-corruption policies and procedures</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
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<tr>
<td></td>
<td>ACTIONS TAKEN IN RESPONSE TO INCIDENTS OF CORRUPTION</td>
<td>X</td>
<td>X</td>
<td>X</td>
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<td></td>
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<tr>
<td><strong>Public Policy</strong></td>
<td>Public policy positions and participation in public policy development and lobbying</td>
<td>X</td>
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<td></td>
<td>Total value of financial and in-kind contributions to political parties, politicians and related institutions by country</td>
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<tr>
<td><strong>Anti-Competitive Behaviour</strong></td>
<td>Total number of legal actions for anti-competitive behaviour, anti-trust and monopoly practices and their outcomes</td>
<td>X</td>
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<td>X</td>
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<tr>
<td><strong>Compliance</strong></td>
<td>Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations</td>
<td>X</td>
<td>X</td>
<td>X</td>
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<tr>
<td><strong>Products Responsibility Performance Indicators</strong></td>
<td>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</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
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<tr>
<td></td>
<td>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</td>
<td>X</td>
<td>X</td>
<td>X</td>
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<tr>
<td></td>
<td>Type of product and service information required by procedures and percentage of significant products and services subject to such information requirements</td>
<td>X</td>
<td>X</td>
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<tr>
<td></td>
<td>Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling by type of outcomes</td>
<td>X</td>
<td>X</td>
<td>X</td>
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<tr>
<td></td>
<td>Practices related to customer satisfaction including results of surveys measuring customer satisfaction</td>
<td>X</td>
<td>X</td>
<td>X</td>
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<tr>
<td><strong>Marketing Communications</strong></td>
<td>Program for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion and sponsorship</td>
<td>X</td>
<td>X</td>
<td>X</td>
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<tr>
<td></td>
<td>Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion and sponsorship by type of outcomes</td>
<td>X</td>
<td>X</td>
<td>X</td>
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<tr>
<td><strong>Customer Privacy</strong></td>
<td>Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data</td>
<td>X</td>
<td>X</td>
<td>X</td>
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<td></td>
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</tr>
<tr>
<td><strong>Compliance</strong></td>
<td>Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of producers and services</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
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</tbody>
</table>

**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 the last three years only about 5% of listed companies in Croatia (11 of 206) disclose their sustainability report for public use on the web pages of HRPSOR (http://www.hrpsor.hr). It can be concluded that this type of information is primarily oriented to satisfy formality, and not to be really involved in the 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.

Unfortunately, none of the analysed companies that present their reports on the HR PSOR website belongs to the hospitality industry (http://www.hrpsor.hr). It is not in accordance with the possibilities of companies in the hospitality industry, because research results (conducted by authors on the sample of 199 four- and five-stars hotels of Croatian largest hotel companies), indicate that managers are involved in the process of environmental improvement and protection (Janković, Peršić, Zanini-Gavranić, 2012) and introduce sustainability principles (Peršić, M. Janković, S., Bakija, K, Poldrugovac, K. 2013) that are presented in the following table.

<table>
<thead>
<tr>
<th>Tools and sources of environmental data</th>
<th>Accommodation (lodging service)</th>
<th>Food and beverage preparation service</th>
<th>Food and beverage sales service</th>
<th>Other hotel services</th>
<th>Non-commercial and administrative services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reports / statements</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>Questionnaire</td>
<td>73</td>
<td>73</td>
<td>64</td>
<td>64</td>
<td>9</td>
</tr>
<tr>
<td>Budget</td>
<td>73</td>
<td>73</td>
<td>64</td>
<td>27</td>
<td>9</td>
</tr>
<tr>
<td>Environmental protection program</td>
<td>73</td>
<td>-</td>
<td>27</td>
<td>55</td>
<td>9</td>
</tr>
<tr>
<td>Surveys conducted by travel agencies</td>
<td>73</td>
<td>-</td>
<td>27</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Eco - use of bed linens</td>
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<td>-</td>
<td>27</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Check list of the different departments</td>
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<td>64</td>
<td>27</td>
<td>9</td>
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<tr>
<td>Records of waste separation</td>
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<td>82</td>
<td>64</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Hotel journal</td>
<td>64</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Statistics</td>
<td>36</td>
<td>73</td>
<td>64</td>
<td>64</td>
<td>9</td>
</tr>
<tr>
<td>Service-express</td>
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<td>27</td>
<td>18</td>
<td>18</td>
<td>9</td>
</tr>
<tr>
<td>Procedures (room service, mini bar..)</td>
<td>-</td>
<td>-</td>
<td>73</td>
<td>18</td>
<td>9</td>
</tr>
<tr>
<td>Information of safety</td>
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<td>45</td>
<td>64</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Programs for guests (animation…)</td>
<td>-</td>
<td>-</td>
<td>55</td>
<td>36</td>
<td>9</td>
</tr>
<tr>
<td>Waste grease disposal program</td>
<td>-</td>
<td>73</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Research of suppliers</td>
<td>-</td>
<td>36</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Procedures for hotel operations</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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</tr>
</tbody>
</table>

Source: Prepared by authors, based on previous research results

| Table 2: Sources of information for sustainable reporting in Croatian hotels |

The main reason for applying the principles of sustainable development is to increase their reputation in the eyes of their business partners (100%), loyalty of employees (85%) and
provide a competitive advantage to attract investors (67%). The most commonly used sources for financial data in practice are segment reports, as well as budgets, both prepared using same set of rules and supported by specific software. At the same time the Questionnaire is the main source for non-financial data.

4. Sustainability reporting in hospitality industry

The hospitality industry has been affected by both the world-wide growth in tourism and the economic recession. In accordance with these changes, hospitality management accounting is of particular importance as a tool for maximizing revenue and minimizing costs and it has been attractive research area. However, many researchers emphasise that the hotel industry lacks properly developed performance measurement system that could provide useful information for short and long term decision-making, and some of them offer a specific model for the hospitality industry. The orientation towards traditional financial measures and slow adjustment to modern trends are very often stressed (Banker et al., 2000; Mia & Patiar, 2001; Brander Brown & Atkinson 2001; Pavlatoos & Paggios, 2009). Limited research has been done in the field of hospitality accounting for the needs of sustainability reporting in the hospitality industry (Mihalić et al., 2011).

4.1. Standards for internal reporting in hospitality industry

Regarding the development of management accounting in the hospitality industry, it can be argued that research and development lags behind in comparison to other industry sectors. The existence of Uniform System of Accounts for the Lodging Industry (USALI, 11th edition, 2014) plays an important role in hospitality performance measurement. It enables the widespread use of a standard chart and ensures competitive benchmarking. USALI has resulted in the development of common approaches to ratios and key statistics. According to Geller’s research (1985) the most commonly used performance measures by US hotel companies are operational and financial measures. Similar research carried out in the UK displays almost the same results. Furthermore, CIMA’s study (Collier and Gregory 1995) showed interesting findings. The most common way of measuring performance is by comparing actual with budgeted figures. Among traditional measures such as room yield, profit contribution, occupancy rates and labour cost percentage, some ways of quality measures were remarked. Brander Brown and Atkinson (2001) in their research indicate the predominance of financial and past orientated measures. Atkinson (2006) also noted it their research that not much progress has been done and little evidence exist on the development of new theories. Recent research shows that non-financial measures are being included, especially in the field of corporate social responsibility and corporate environmental responsibility (Mihalić et al., 2012).

Uniform System of Accounts for the Lodging Industry (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 Miscellaneous Income (Schedule 4). It also presents ten (5 - 14)
schedules for cost centers (Administrative and General; Information and Telecommunications System; Sales and Marketing; Property Operation and Maintenance; Utilities; Management Fees; Non operating Income and Expenses; House Laundry, Staff Dining, Payroll-Related Expenses) and enables comparison among hotels. (USALI, 2014).

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 reporting results improved (Peršić, Poldrugovac, Janković, 2012). At the same time, sufficient degree of harmonization among operating statements based on USALI standards and information disclosed in the notes to the financial statements have not been achieved. Thus, only a smaller number of Croatian hotel companies disclose information on their segments (mostly for two – room, food and beverage) in the Notes to financial statements which is narrower than the possibility of USALI standard framework (CFA, 2013).

It actually opens up the need for supplementing internal reporting system with new reports which will contain relevant information on acquired level of environment care and achieved goals of sustainable development, based on the standards ISO 14000ff and Global Reporting Initiative 3.1. 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.

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 to 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.

4.2. Sustainability reporting in hospitality industry

Hotel companies are initiating programs for the implementation of sustainable development into their business. However, the success of such programs will depend on the extent to
which national governments encourage sustainable tourism initiatives and their ability to understand how policy impacts the hospitality industry as a whole (UNEP, 2002, p.33-42). Hospitality business influences the environment, economies and society in both positive and negative ways. Today most hotel companies strive towards sustainability, in a manner to manage resources in such a way that economic, social and environmental benefits are maximized both in meeting the needs of the present generation and protecting and enhancing opportunities for future generations (Sloan, Legrand, Chen, 2009).

Previous research has shown that hotels do report about sustainability, but the area of sustainability reporting that seemed to be lacking was environmental (Holcomb, Upchurch and Okumus, 2007). Han, Hsu, Lee and Sheu argue that eco-friendly attitudes favourably affect hotel guests’ intentions to visit a green hotel, to spread positive word-of-mouth, and to pay more. Respectively, more efforts must be made to communicate green hotel practices to the public in order to assist the selection of green hotels and more active participation for green consumption (Han, Hsu, Lee and Sheu, 2011). As a strategic vehicle for pursuing social and environmental agenda in hospitality industry the triple bottom line framework is proposed (Hong Chung and Parker, 2011). Implementing an environmental management system would make a good starting point, because the existence of ISO 14001 certified environmental management system determines the entities to report voluntarily information related to environmental performance (Ienciu, 2012). Recommendations for future environmental reporting are making data being communicated to stakeholders more transparent (Legrand, Huegel and Sloan, 2013).

Since 1992, the trend in the hospitality and tourism industry has been on focusing on environmental concerns, use of technology, and efficient use of energy (Kalisch, 2002). This emphasis was escalated to an international scale through the implementation of Agenda 21. Agenda 21 as forwarded by the World Travel and Tourism Council (WTTC), the World Tourism Organization (WTO), and the Earth Council set international guidelines relative to sustainable tourism. The WTO established the Global Code of Ethics for Tourism (GCET), which is a “comprehensive set of ten principles whose purpose is to guide stakeholders in tourism development” (World Tourism Organization, 2005).

The consumption of energy from non-renewable resources, the consumption of drinking water, as well as the amount of solid waste and waste waters are the biggest generators of environmental costs in hotels. The International Federation of Accountants, therefore, proposes the implementation of relatively simple and inexpensive measures to achieve savings - implementation of systematic monitoring and the control of resource consumption, investment in equipment and plant of lower-energy class and investment in recycling systems (IFAC, 2011).

The Green Globe 21 is a global sustainability benchmarking program designed specifically for achieving the sustainability goals and efforts in tourism and hotel industry (Green Globe 21, 2004). It offers a series of carefully chosen key performance indicators connected to the reduction of carbon emissions, energy efficiency, air quality protection, noise control, fresh water resource management, wastewater management, waste minimization, improved social and cultural relations, land management and ecosystem conservation and management. Declining resources, radical transparency and increasing expectations (Laszlo,
Zhexembayeva, 2011) should be interconnected in the hotel business strategies if we want to embed sustainability into practice. The general approach of sustainability should be adjusted to the specifics of the real circumstances of a particular hotel or hotel company to answer to the following questions (Johnson, A. et al. 2003, 17):

- Which natural resources and services are used to produce and offer target product and services? How should the costs and benefits of resource use be measured?
- How integrated are energy, motivation, knowledge, capacity for relationships, and other forms of human capital? What types of and how much direct and indirect value does integration create?
- How do the tourism products and services create value for local individuals, social groups and their relationships, and how can this be measured?
- Can existing manufactured stock and infrastructure be used in way that requires fewer resources and more human creativity? Can these efficiencies and their value be measured?
- Can sustainable business practices be used to create or increase value for a hotel’s or hotel company’s stakeholders?

Well-organized management information system and sustainability accounting play a particularly important role in the process of manager decision-making, focused on the achievement of sustainable development goals in hotels and hotel companies.

Global Reporting Initiative made a comprehensive framework with detailed explanations about the components of economic, environmental and social pillar. (GRI, 2013)

Economic category covers aspects of economic performance, market presence, indirect economic impacts and procurement practices. Economic performance discloses generated and distributed value like revenues and different costs by hotel departments (room, food and beverage, sport, wellness, other operating departments...). From normalized metrics usually is used revenue per available room (RevPAR), average room rate (ADR), division revenue per guest or m², or daily average meal check. (Wadongo, Odhuno, Kambona & Othuon, 2010).

Environmental indicators represent diverse impacts that a hotel company has on the environment. Subcategories can be divided into materials, energy, water, biodiversity, emissions, effluents and waste, compliance, overall, supplier environmental assessment and grievance mechanisms. Materials are devised on renewables and nonrenewables and are disclosed as paper or cleaning material consumption per room or per guest. Energy consumption can be measured as total or divided by energy sources and is disclosed by room or guest. Regarding the water consumption, it is important to measure percentage of recycled water and percentage of water reduction consumption. Water consumption is usually also shown per room or guest. Within biodiversity the variety of species has to be recorded and the issues that can have influence on them. Potential indicators for measurement are number of protected habitats, number of species or number of planted plants that are adapted to a particular environment.
Emissions include measuring direct and indirect greenhouse emissions, noise and dust emissions, indoor air quality as well as reduction in emissions. Effluents and waste can be divided by type, on hazardous and non-hazardous that is by the disposal methods or whether it is recyclable or non-recyclable. Compliance category comprises issues that arose while the company didn’t respect laws, regulations or standards. It can be measured in number of fines or total cost of fines. Overall category includes costs that are associated with environmental aspects like cost of investment in environmental protection or prevention costs, cost of waste treatment and remediation costs. Supplier environmental assessment category addresses suppliers that have been screened according to some environmental criteria. Different measures can be applied such as number or percentage of suppliers that have environmental management certificates or number of suppliers that deliver organic-certified food or similar. Category environmental grievance represents negative environmental actions that have been reported and resolved (GRI, 2013). All this environmental categories are usually reported by guest or rooms, or by overnights or employee.

Social category is associated with all aspects that influence social system within and outside the company and can be divided in labor practices, human rights, society and product responsibility. Labor category addresses employee and supplier related aspects from employment, training, health and safety to equal opportunities. Human rights category addresses discrimination, oppressions, child and forced labor, freedom of association and can be measured by number of implemented policies, number of actions undertaken and cost of training. Society category can be quantified as number of cooperation’s with municipality and local residents, community satisfaction, value of political donations, number of incidents of corruption, cost of fines for non-compliance with laws, regulations and standards, number of screened suppliers according to some social criteria. Last category product responsibility includes guest satisfaction scores, overall or divided by different groups like satisfaction with employees, facilities, benefits gained, value for money or number of returning guests, number of customer complaints or similar.

5. Conclusion

Contemporary trends in the hotel industry force hotels on changes in their business policy and strategy. Those changes are necessary for implementing sustainability reporting.

For improving the hospitality accounting and adopt to sustainability reporting systems it would be useful to upgrade the well-developed financial reporting system, based on the USALI - Uniform System of Accounts for the Lodging Industry standards, that are compatible with the starting points of IFRS 8, and integrated with the GRI Indicators. The same principles can follow the process of sustainability reporting systems in hotel companies, which will be designed in such a way to highlight the competitive advantage of the hotel company. By using relevant indicators, a possibility of benchmarking within the global hotel industry will be ensured, with a tendency to apply the same assumptions for the other branches. Sustainability accounting has to be established on specific management requirements in order to be a relevant source of decision-making information for evaluating sustainability performance in the specific condition of a particular hotel company.
6. Bibliography