

Current Trends in Corporate Performance Evaluation and Reporting in the Czech Republic

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Abstract— Current trends of corporate performance evaluation, i.e. the measurement of environmental, social, economic and governance performance of company and corporate sustainable reporting are discussed in the paper. The relationship between corporate performance and reporting is important and the development of modern and advanced methods to identify these indicators is discussed together with the possibility of the utilization of information and communication technology and XBRL taxonomy. The current situation in corporate reporting in the Czech Republic is introduced also.

Keywords— Performance evaluation, Corporate performance, ESG performance, Key performance indicators, Corporate reporting, GRI, UN Global Compact, UNEP FI, ISO 26000.

I. INTRODUCTION

RESEARCH TEAM of Faculty of Business and Management (FBM) of Brno University of Technology (BUT) and Faculty of Business and Economics (FBE) of Mendel University in Brno (MENDELU) started a work on the project No P403/11/1103 “Construction of Methods for Multifactorial Assessment of Company Complex Performance in Selected Sectors” in January 2011. The project is funded by the Grant Agency of the Czech Republic (GACR). The main goal of the research in this project was specified by its partial research targets [1], [2], [3]:

1. *Analysis of the state-of-art on economic, environmental, social and corporate governance (CG) aspects of corporate performance* through targeted research of the world literature and database sources available at the FBM BUT and the FBE MENDELU with using available Information and

Communication Technologies (ICTs) tools.

2. *A detailed analysis of the implementation of economic, environmental, social and CG reporting* in chosen economic activities and its justification.

3. *Assesment, analysis and categorization contemporary characteristics of the individual pillars (economic; environmental; social and CG) of corporate performance* (or the attractive sustainability of success) in relation to the measure of progress or dynamics of the development of overall corporate performance.

4. *Identification of the importance and relative roles of environmental, social and governance (ESG) factors* with using ESG data and Key Performance Indicators (KPIs) in the company overall performance.

5. *Construction of quantitative and qualitative methods of multifactor measurement of corporate performance* in chosen economic activities with the use ICT tools.

6. *Application of developed methods for multifactor measurement of corporate performance of chosen economic activities in practice* with feedback for possible change correction aimed at further improvement.

The research in the area of corporate performance evaluation and corporate sustainability reporting [1], [2], [3], [4], [5], [6] is very intensive in the Czech Republic and reflect the overall global world trends [8], [9], [10], [11]. Corporate successful sustainability [12], that is the capacity of an organization to continue operating over a long period of time, depends on the sustainability of its stakeholder relationships. The available statistics show that through all objective benefits the corporate performance evaluation and corporate sustainability reporting can bring to businesses an appropriate feedback [5], [6], [11], [12]. Existing motivation is not sufficient to make this to normal business practice as compared to the financial accounting and reporting.

Plenty of organizations of the Czech Republic have implemented and certified international management standards [13], i.e. quality (ISO 9000), environmental (ISO 14000 and EMAS) and occupational health and safety (ISO 18000) management systems and some of them are going to implement corporate social responsibility (ISO 26000) management system.

Therefore, environmental, economical, social and CG data and information are being monitored, codified, registered and aggregated into *Key Performance Indicators* (KPIs) [8], [10], [14], [15], [16], [17]. This fact indirectly indicates that, in the

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case of such needs, the organization is able to aggregate these ESG data and incorporate it into the corporate sustainability report, [4], [5], [6], [14], [18].

The great importance is attributed to the defining of KPIs in the economic, environmental, social and governance areas for specified economic activities (NACE) with subsequent measurement of sustainable development [14], [18].

NACE is the acronym standing for Statistical Classification of Economic Activities, used by the European Union (or the European Communities) since 1970. It was updated several times, and the current list of this classification is in [19]. NACE provides a framework for statistical data relating to activities in many economic areas (e.g. production, employment, national accounts etc.) and sectors. The corporate sustainability reporting and corporate performance in a specific economic activity would thus be defined by the integrated achievement of ESG performance measures [14], [18]. We will consider this like Bhojraj and Sengupta [20].

We summarize in the paper chosen results of project No P403/11/1103 on the analysis of the state-of-art on economic, environmental, social and CG aspects of corporate performance and reporting issued from the Global Reporting Initiative¹.

Further we focus on the critical partial processes in our research areas: *integration of economic performance; integration of environmental performance; integration of social performance; integration of corporate governance; and sustainability of success.*

Introduction of possibilities of corporate performance measurements in chosen economic activities that is based on analyses of previous findings [1], [2], [3] will be discussed also in the paper.

II. NEW APPROACH OF GRI REPORTING

The *Global Reporting Initiative* (GRI) is very important network-based organization that produces a comprehensive sustainability reporting framework that is widely used around the world. The GRI has pioneered the development of the world's most widely used sustainability reporting framework in 2000 and is committed to its continuous improvement and application worldwide. The GRI drives sustainability reporting by all organizations. It produces the world's most comprehensive *Sustainability Reporting Framework*² (GRI Framework) to enable a greater transparency of organizations.

Sustainability reports based on the GRI Framework can be used to demonstrate an organizational commitment to sustainable development, to compare organizational performance over time, and to measure organizational performance with respect to laws, norms, standards and voluntary initiatives.

The GRI promotes a standardized approach to reporting to stimulate demand for a sustainability information – benefitting both reporting organizations and report users.

In March 2011, the GRI released the G3.1 Guidelines [7], an update and completion of the G3 Guidelines from 2006. The GRI Framework, including the *Reporting Guidelines* [7], sets out the Principles and Indicators of reports and organizations can use these to measure and report their economic, environmental, and social performance.

Its *Disclosure on Management Approach* should provide a brief overview of the organization's management approach to the *Aspects* defined under each *Indicator Category* in order to set the context for performance information. The organization can structure its Disclosure on Management Approach to cover the full range of Aspects under a given Category or group its responses on the Aspects differently. GRI Performance Indicators are first organized by general sustainability Category (economic, environmental, social: labour; human rights; society; product responsibility), and then further arranged under Aspect headings which more specifically reflect the issue each indicator is designed to measure.

In March 2011 the GRI launched expanded guidance for reporting on human rights building on this policy framework. A new introduction and new content for the *Disclosure on Management Approach*³ re-emphasizes the role of human rights in sustainability. New indicators cover assessment of operations and grievance remediation.

Although the G3.1 Guidelines [7] has served as an essential and very useful tools in improving the standardization of company reporting in many sectors, companies continue to have differing degrees of compliance with the G3.1 Guidelines and sometimes differing interpretations of the best tools to apply these standards to their reporting. The integration of financial performance with environmental, social and governance performance reflects a growing desire by stakeholders for more information on a broader range of issues. To be comparable across all companies, and thus useful for mainstream investment analyses, it is important that financial, environmental, social and governance (ESG) data are transformed into consistent units and presented in a balanced and coherent manner in ESG indicators.

In this chapter we introduce some results of our analysis of the state-of-art on economic, environmental, social and CG aspects of corporate performance, where we focused on the collaboration of GRI with other organizations on common approaches to ESG performance and reporting.

A. United Nations Global Compact initiative

The United Nations Global Compact⁴ is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption. In a push to strengthen the quality of sustainability reporting in the corporate sector, the *United Nations Global Compact*⁵ and the GRI announced on 28 May 2010 the agreement to align their work in advancing corporate

¹ <http://www.globalreporting.org/Home>

² <http://www.globalreporting.org/ReportingFramework/>

³ <http://www.globalreporting.org/ReportingFramework/G3Online/DMA/>

⁴ <http://www.unglobalcompact.org/>

responsibility and transparency. The agreement is intended to provide companies in the Global Compact with a clear set of reporting principles and indicators to meet the initiative's compulsory annual disclosure requirement, also known as the *Communication on Progress*⁶ (COP). The GRI Framework is applicable to organizations of all sectors, sizes and regions and also offers a series of supplements developed to address sector-specific circumstances and challenges.

The developed guide "*Making the Connection. The GRI Guidelines and the UNGC Communication on Progress*"⁷, produced by the Global Compact in partnership with the GRI, introduces and explores ways to address GRI and Global Compact COP requirements simultaneously. By linking the GRI G3 Guidelines to the ten principles of the Global Compact, the guide "*Making the Connection...*" assists companies in bridging the gap between the COP and other sustainability reporting vehicles.

In addition to creating a reporting framework that will be implemented universally, the new collaboration is also intended to provide a benchmark for financial analysts and other stakeholders to better analyze and identify risks and opportunities as they relate to ESG issues.

B. United Nations Environment Programme Finance Initiative

The *United Nations Environment Programme Finance Initiative*⁸ (UNEP FI) is a unique global partnership between the *United Nations Environment Programme* (UNEP) and the global financial sector.

UNEP FI works closely with over 200 financial institutions who are Signatories to the *UNEP FI Statements*⁹, and a range of partner organizations to develop and promote linkages between sustainability and financial performance. Through peer-to-peer networks, research and training, UNEP FI carries out its mission to identify, promote, and realise the adoption of best environmental and sustainability practice at all levels of financial institution operations. Investors have been a key driver in promoting the uptake of corporate sustainability reporting. They are increasingly asking companies for economic, environmental, social and governance (ESG) data and information to help them make investment decisions.

The UNEP FI *Asset Management Working Group* (AMWG) and the Markets & Valuation Work Stream of the *World Business Council for Sustainable Development* (WBCSD) have jointly published the new report: "*Translating ESG into sustainable business value*", [21]. This report providing key insights for companies and investors on how their business and investment philosophy and practices going forward can better address the why, what and how of communicating corporate

ESG performance to the capital markets. Business leaders and investors can use this report as a tool to advance the integration of ESG factors into corporate and investment decision-making, and to continue discussing the needed evolution towards more holistic and realistic capital market valuation processes.

The AMWG is a global platform of asset managers that collaborate to understand the various ways ESG factors affect investment value and the evolving techniques for the inclusion of ESG criteria and metrics.

The UNEP FI *Property Working Group* (PWG) recognises the importance of understanding the social impacts of buildings on the communities in which they are situated and the related impact they have on investment performance. As they pointed out in 2007 [22], such metrics could include assessments of how urban revitalisation, health and safety for workers and visitors, worker and customer well-being, contributions to community life, fair labour practices, historic preservation, and other social and community-based actions can contribute positively to investment performance.

C. OECD Guidelines for Multinational Enterprises

In December 2010, GRI announced a partnership with the Organisation for Economic Co-operation and Development¹⁰ (OECD) to give companies worldwide greater guidance and support on how to conduct their business responsibly and report on their sustainability performance. The partnership aims to help companies make greater use of the *OECD Guidelines for Multinational Enterprises* [23] (MNE Guidelines) and the GRI Framework, bringing increased coherence and consistency to their efforts to act more responsibly and be more transparent about their sustainability.

This could bring a support of the National Contact Points (NCP) of OECD countries mentioned in MNE Guidelines. These government-run offices in signatory countries are responsible for encouraging observance of the guidelines, and for promoting and explaining them to the business community, workers and anyone interested in knowing how the MNE Guidelines work. Anyone may contact an NCP, which acts as a type of mediator.

Companies should apply high quality standards for accounting, and financial as well as non-financial disclosure, including environmental and social reporting where they exist. The standards or policies under which information is compiled and published should be reported. An annual audit should be conducted by an independent, competent and qualified auditor in order to provide an external and objective assurance to the board and shareholders that the financial statements fairly represent the financial position and performance of the enterprise in all material respects.

D. GRI and ISO reporting

ISO, the world's largest developer of voluntary International Standards, and the GRI signed a *Memorandum of*

⁵ <http://www.unglobalcompact.org/>

⁶ http://www.unglobalcompact.org/COP/communicating_progress.html

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http://www.unglobalcompact.org/docs/communication_on_progress/Tools_and_Publications/Making_the_Connection_Final.PDF

⁸ <http://www.unepfi.org/about/index.html>

⁹ Financial institution: <http://www.unepfi.org/statements/fi/index.html>

Insurance Industry: <http://www.unepfi.org/statements/ii/index.html>

¹⁰ <http://www.oecd.org/>

Understanding (MoU) on 5 September 2011 to increase their cooperation. The MoU is intended to leverage the activities of the two organizations related to reporting and benchmarking by business and on sustainable development by sharing information on ISO standards and GRI programs, teaming up with other partners, participating in the development of new or revised documents, joint promotion and communication. ISO and GRI are also to support and promote each other's involvement in initiatives related to sustainable development, such as the Rio+20 conference in Brazil in 2012, and other programmes by organizations such as the United Nations Global Compact, the OECD, and the UNEP. The ISO 26000:2010¹¹ *Guidance Standard on Social Responsibility* emphasizes the value of public reporting on social responsibility performance to internal and external stakeholders, such as employees, local communities, investors and regulators. ISO 26000 provides guidance on the underlying principles of social responsibility, the core subjects and issues pertaining to social responsibility and on ways to integrate socially responsible behaviour into existing organizational strategies, systems, practices and processes. ISO 26000 also emphasizes the importance of results and improvements in performance.

ISO 26000 also briefly explains that social responsibility reports and other communications should be understandable, accurate, balanced/transparent, and timely, as well as comparable. The GRI Framework goes further in providing more specific guidance on the principles of clarity, accuracy, balance, timeliness, and comparability and also adds the principle of reliability. These principles all go towards helping ensure the quality of reported information.

This represents an important new level of international attention to the issue of reporting, and is aligned with GRI's vision that disclosure on economic, environmental, social and governance performance becomes as commonplace and comparable as financial reporting [24].

E. GRI and the Carbon Disclosure reporting

GRI and the *Carbon Disclosure Project*¹² (CDP) announced in July 2011 the release of *Linking GRI and CDP: How are the GRI Guidelines and the CDP questions aligned?* [25]. The first edition of this document [25] was published in 2010 and has now been updated to incorporate changes in guidance. *Linking GRI and CDP* features a table that compares specific environmental indicators from GRI's Guidelines with questions from CDP's Investor and *CDP Supply Chain 2011 programs*¹³.

F. GRI and XBRL Reporting

*The eXtensible Business Reporting Language*¹⁴ (XBRL) is a

¹¹ http://www.iso.org/iso/catalogue_detail?csnumber=42546

¹² The Carbon Disclosure Project is an independent not-for-profit organization holding the largest database of primary corporate climate change information in the world, see <https://www.cdproject.net/>

¹³ <https://www.cdproject.net/en-US/Programmes/Pages/CDP-Supply-Chain.aspx>

¹⁴ <http://www.xbrl.org/WhatIsXBRL/>

programming language for the electronic communication of business and financial data which provides major benefits in the preparation, analysis and communication of business information.

XBRL is the emerging standard used around the world to define and exchange financial performance data. With substantial work already initiated internationally to create taxonomies for financial information, the GRI has, in collaboration with partners, developed XBRL taxonomy for non-financial performance data that can complement other taxonomies.

The GRI Taxonomy Project announced in June 2011 by GRI and Deloitte will result in a new format for exchanging sustainability data: *one that will help investors, auditors and analysts to publish, use and analyze information in sustainability reports more quickly and easily.*

This project will develop the XBRL taxonomy for GRI's G3 and G3.1 Guidelines, and is now underway.

The GRI Framework with the new XBRL taxonomy designed for the ESG performance together with Corporate Social Responsibility (CSR), UN Compact Global, UNEP FI, ISO 26000 and OECD Guidelines for Multinational Enterprises appear as essential for corporate reporting at present.

G. Conclusion

External corporate reporting has evolved from the simple financial reporting of profits and losses, assets and liabilities, to give more information about how organizations are managed and conduct their business with the use of G3.1 Guidelines and prepared a G4 Guidelines, the fourth generation of Guidelines from GRI. The project of G4 Guidelines is the part of GRI's commitment to continuous development of its Guidelines. The G4 Guidelines are planned to be published in 2013. It will be developed using GRI's multi-stakeholder international consultation process. Public consultation periods, diverse expert Working Groups and GRI's approval procedures will ensure that G4's guidance is consensus-based and reflects the broadest possible stakeholder input. This change has embraced information on governance as well as non-financial information on environmental and social performance.

We will consider them in the development of ICT tools in the project No P403/11/1103 for corporate reporting.

III. DETERMINATION OF CORPORATE PERFORMANCE

The corporate performance plays a key role in the corporate strategic policy and sustainability of success of organization. The creation of reliable methods of ESG performance measurement where concurrent acting of multiple factors is in play can be considered a prerequisite for success not only in decision making, but also with regard to corporate governance, comparison possibilities, development of healthy competition environment etc.

The GRI Framework states that corporate performance indicators may be both quantitative and qualitative and that

they should cover the reporting entity's direct and indirect impacts across economic, environmental and social dimensions.

Economic indicators include proxies for the organization's impact on resources at the shareholder level and on other economic systems at the local, national and global level. This heading also encompasses issues dealing with remuneration paid to employees and money received from customers, to name but a few.

Environmental indicators deal with the measurement of an organization's impact on the environment via its products and services and its activities.

Social indicators deal with labour practices, human rights and broader social issues affecting a broad range of stakeholders.

One of the possible approaches is to also take into account successful solutions to economic, environmental and social issues and CG in relation to measurement of corporate performance, as well as its continued success (Sustainability of Success). Disregarding such aspects of performance in the unified reporting (Corporate Sustainability Reporting) by company managers may result in creating further and even deeper problems. For collecting corporate performance data is necessary to determine KPIs of organization.

Let us consider that KPIs are organized to the four pillars: *Economics, Environmental, Social and Corporate Governance* and the fifth pillar: *Sustainability of Success* (long term viability) [12], [26] which we will discuss.

A. Integration of economic performance

We consider economic performance based on the G3.1 Guideline. There are often used the economic performance indicators of targeted for selection strategies (maximizing profits, maximizing total costs, company survival, etc.) based on direct economic impacts of customers, suppliers, employees, providers of capital, public etc. .

The GRI Framework has 9 indicators of economic performance that are divided into three categories [7]:

- 1) *Economic Performance*. This category of four indicators addresses the direct economic impacts of the organization's activities and the economic value added by these activities.
- 2) *Market Presence*. These three indicators provide information about interactions in specific markets.
- 3) *Indirect Economic Impacts*. These two indicators measure the economic impacts created as a result of the organization's economic activities and transactions.

We divided economic performance indicators in our research in relation to the surveyed area [27]:

- 1) *Indicators of liquidity* (current ratio, quick ratio, cash ratio etc.);
- 2) *Indicators of profitability* (return on assets, return on equity, return on investment, return of sales etc.);
- 3) *Indicators of indebtedness* (debt ratio, self-financing ratio etc.);
- 4) *Indicators of financial and asset structure*;

- 5) *Indicators of activity and other*, e.g. Benchmarking, EVA, Balanced Scorecard and other [28].

We are going to select the optimal set of economic performance indicators in relations with chosen economic activities: "*F – Construction*" and "*C10 - Manufacture of food products*" and the mandatory financial reporting of organizations in the Czech Republic.

Financial reporting standards, such as *International Financial Reporting Standards*¹⁵ (IFRS) and *US Generally Accepted Accounting Principles*¹⁶ (U.S. GAAP) and ESG reporting frameworks, principally the GRI Guidelines and our proposed set of economic indicators, will act as structural supports for potential integrated reporting frameworks of integrated economic performance. The IFRS Foundation, the oversight body of the *International Accounting Standards Boards* (IASB), today completed the first part of their project to address requests by regulators and preparers for extensions to the full *IFRS XBRL Taxonomy*, which we are going to use in our developed ICT tools for reporting.

The IFRS XBRL Taxonomy is used to help those filing IFRS financial statements electronically to "tag" the information with identification tags (called "concepts" in an XBRL taxonomy). Currently, the IFRS XBRL taxonomy includes all core concepts included in IFRSs as issued by the IASB.

We have used our developed ICT tools based on above XBRL taxonomy to facilitate the calculations and the visualizations of above chosen economic performance indicators.

B. Integration of environmental performance

We determined environmental KPIs with the use of results of our previous research in this field [1], [16] using the G3.1 Guideline and EMAS indicators, which were accepted by the Ministry of Environment of the Czech Republic as its official methodology for environmental reporting [29]. The proposed environmental KPIs shall apply to all organizations in all economic activity sectors. They focus on performance of the organizations in the following key areas of the environment:

- 1) efficiency of material consumption;
- 2) energetic efficiency;
- 3) water management;
- 4) waste management;
- 5) biological diversity;
- 6) emissions into the air;
- 7) other relevant indicators of the influence of the organization's activity on the environment.

We summarized environmental KPIs into tables in [1] and [16].

We have used also our developed ICT tools based on GRI XBRL taxonomy to facilitate the calculations and the visualizations of these integrated environmental performance indicators.

¹⁵ <http://www.ifrs.org/>

¹⁶ <http://cpaclass.com/gaap/gaap-us-01a.htm>

XBRL allow us to prepare report to place electronic tags on specific content (graphs, numbers, text, etc.) of indicators in their reports by using an existing “XBRL taxonomy”. It enables users those are interested in finding some environmental data e.g. on greenhouse gas (GHG) emissions, they could immediately find this data - select it, analyze it, store it and exchange it with other computers on intranet or internet network and automatically present it in different ways. Users are able to apply this to multiple reports and compare emissions information across different reports.

C. Integration of social performance

The social dimension of corporate sustainability concerns the impacts of organization that has on the social systems within which it operates. We are going to determine KPIs for social performance based on the GRI Framework and its social performance indicators to identify key performance aspects surrounding *labour practices, human rights, society, and product responsibility* [1], [7].

We have to consider that *labour practices indicators* also draw upon the two instruments directly addressing the social responsibilities of business enterprises: *the ILO Tripartite Declaration Concerning Multinational Enterprises and Social Policy*¹⁷, and the OECD Guidelines for Multinational Enterprises [23] and take into account: employment; labour/management relations; health and safety; training and education; diversity and opportunity.

Human rights indicators require companies to report on the extent to which human rights are considered in investment and supplier/contractor selection practices. We take into account: strategy and management; non-discrimination; freedom of association and collective bargaining; child labour; forced and compulsory labour; disciplinary practices; security practices; indigenous rights.

Society indicators focus the attention on the impacts organizations have on the communities in which they operate, and disclosing how the risks that may arise from interactions with other social institutions are managed and mediated. In particular, information is sought on the risks associated with bribery and corruption, undue influence in public policy-making, and monopoly practices. We take into account: community; bribery and corruption; political contributions; competition and pricing.

Product responsibility performance indicators address the aspects of a reporting organization’s products and services that directly affect customers. We take into account namely: customer health and safety; information and labelling products and services; advertising and marketing; respect for privacy.

Integration process of the development of the complete set of social performance indicators is in progress and the final version of KPIs is planned to finish in our research project to the end of this year.

D. Integration of CG performance

The CG reporting usually contains governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight (CEO, top management etc.).

The CG regulation in the Czech Republic uses usually a dualistic model: mechanism of written law enforcement (mainly the Act No 513/1991 Sb., Commercial Code), and self-regulation mechanism, characterized by self-imposed observing of the required rules. This mechanism is primarily implemented through the code of company governance and due diligence principles. The company is governed by a body of shareholders – the general meeting reported to by the board of directors as an executive managing body and by the supervisory board as a surveillance authority.

We analyse CG performance of organization in chosen sector to clear transparent management principles:

- efforts for clarification and transparency;
- level of clarification of stakeholders;
- transparency of stakeholders.

We are going to propose CG indicators that cover the exercise of leadership:

- direct participation by CEO;
- communication with employees;
- communication from employees.

We also consider further CG indicators that could to cover in management systems:

- 1) *Functional powers of board of directors and board of auditors (or auditors)* in:
 - participation in real discussion;
 - integration of external perspectives;
 - opinions of auditors/board of auditors;
 - support given to auditors.
- 2) *Appointment and assessment of CEO* in:
 - appointment;
 - assessment and removal;
 - decisions on remuneration.

Within the context of the organization’s management as an effective decision-making authority for a global organizations, we have developed an approach to reviewing CG effectiveness that we structured this around three areas of risk and underperformance.

We have used this approach to conduct our interviews with CEO and executive managers of forty companies in sectors “F – Construction” and “C10 - Manufacture of food products”. Conclusions from these interviews are expected to the end of this year.

E. Sustainability of success

If the performance and competitiveness of the organizations on the current markets should increase, then it is necessary to develop a complete system of corporate performance evaluation, based upon the cooperation of the interdisciplinary teams, which can contribute to the growth of the corporate

¹⁷ http://www.ilo.org/empent/Publications/WCMS_094386/lang-en/index.htm

performance.

The corporate performance evaluation will be indisputably reflected by the performance of the organizations, in the growth of the offered value and care for the market from the side of the customers, increase of their satisfaction and loyalty on one side and improvement of the image of organization and its partners in the business, with augmentation of their position and welfare on the second side.

The system of KPIs for corporate performance evaluation offers for all organizations in given sector much higher development dynamics, as up to now [10], [12]. CEO decision-making is based on a qualified assessment (measurement) of a situation determined at the same time by multiple indicators, primarily in their horizontal development [11], [30]. In pursuit of an outstanding informative force an emphasis is currently placed not only on the absolute data, but in the first place on the change data and analyses of changes of these changes. That is, dynamics of systems is the focus of attention. Appropriately applied vertical analyses then add further dimension to the conditions for decision making. In this conjunction other methods have to be discussed: logical and empirical methods, methods of qualitative and quantitative research such as in particular modelling of statistics, see [31], [32].

F. Design of the questionnaire for investigation of corporate performance and reporting

Our research project No P403/11/1103 consists of partial research targets mentioned in the first chapter. These targets could be joined with the particular project stages. The first stage, the state-of-the-art analysis is involved in this paper.

Further we developed with researchers of the FBM BUT the questionnaire covering all four general topics (reporting is included across all the topics) of our research [2]. According to this, the questionnaire is divided into four independent modules focusing on partial aspects of business development, particularly in the environmental, social, economic, and CG management subsystems.

The questionnaire was prepared for both printed and online version (with identical text) and after data collection will be completed, both data sets will be merged for further data processing. Online data collection will be done via questionnaire system *Research Laboratory (ReLa)*, which has been developed as a project of researches of the Institute of Marketing and Trade of the FBE MENDELU in Brno [33].

Based on the research results of the questionnaire, it is possible to evaluate the current state and potential corporate performance of the investigated organizations on the environmental, social, economical and CG levels.

Subsequently we will continue in the verification of a correctness of our approaches and development of KPIs for corporate performance and corporate sustainability reporting proposed for organizations of investigated sectors of Czech Republic and European Union.

IV. CORPORATE SUSTAINABILITY REPORTING

The corporate reporting can be generally defined as a complex system of reporting in an organization which provides the internal and external stakeholders, groups and individuals, with the information on all activities of the organizations which may concern or affect them. The term reporting also means the visualization of the information. We can say that is the process concerned a transformation of data in the process of getting to know. This process may, based on the concrete situation, represent a simple task, nevertheless, also a more complicated or complex solution may be concerned.

The term reporting in sense of corporate sustainability reporting appears in the Czech Republic not sooner than after 1990, where the relevant statistical accounts and reports on organizations' operations and further mandatory material and financial accounts and reports issued from the environmental, accounting, statistical, social care legislation etc. , which are mandatory with further statistical reports (surveys).

Statistical reports (surveys) in the Czech Republic are in compliance with Act No. 89/1995 Coll., on the *State Statistical Service*, as amended, conducted by the Czech Statistical Office (CZSO) and individual workplaces of the state statistical service at the ministries of the Czech Republic. Organizations have the duty to collect data for statistical surveys and announce these with the different periodicities to the CZSO, see Table I. An overview of statistical surveys is published every year in the form of a Decree on the Programme of Statistical Surveys. Based on the Decree a reporting duty arises. A basic overview on the number of surveys is presented on the web of CZSO¹⁸ and introduced in [34].

Corporate sustainability reporting covers environmental and financial and partly social impacts of organizations and this part is compulsory by law in the Czech Republic, so it is with a matter of image and positive public perception that drives organizations to report. As in other parts of the world, it is mainly organizations in the industrial sector, followed by businesses in electronics and finance that are pioneering corporate sustainability reporting practices [5].

A. Mandatory corporate reporting in the Czech Republic

Currently, eight ministries of the Czech Republic are conducting statistical reports (surveys) in compliance with the Decree of the CZSO on the Programme of Statistical Surveys (four other workplaces of the state statistical service do not carry out any survey in compliance with the Decree). The CZSO coordinates these reports, assesses them from the point of view of their methodology and observes that ministries do not collect duplicate data, which are already collected by the CZSO and, vice-versa, that the CZSO does not collect the same as the ministries (when there is a need to use data both in the CZSO and in another workplace at a ministry, there are agreements on data transmission). These data can organizations of given sectors to use for the calculation of

¹⁸ http://www.czso.cz/eng/redakce.nsf/i/statistical_surveys

corporate performance indicators that we discussed in previous chapter.

The following are brief characteristics of the reports (surveys) carried out by ministries of the Czech Republic in compliance with the Decree of the CZSO:

- *Ministry of Transport* – carries out reports on transport of passengers and freight, outputs, employees, operators etc. from the area of railway, bus, road cargo, water, and air transport, survey on transport services on the territory of a region, and survey on public urban transport.
- *Ministry of Culture* – carries out reports e.g. on theatres, libraries, museums, and galleries, exhibitions, festivals, historical monuments, periodicals, publishers, and the like.
- *Ministry of Labour and Social Affairs* - carries out various reports from the area of social services and social care including the employees, wages, etc., survey on average earnings.
- *Ministry of Industry and Trade* – carries out reports on raw materials, power industry, fuels, arms industry, steel industry, on postal services.
- *Ministry of Education, Youth and Sports* – carries out reports related to education at universities, survey on employees and wages in education.
- *Ministry of Health* – carries out reports (surveys) on health establishments, their employees, wages, activities of health establishments and their equipment.
- *Ministry of Agriculture* – carries out various reports related e.g. to purchase and processing of fruit and vegetables, poultry, milk and dairy products, on sowing of crops, on management in forests, on hunting grounds, on production, reception and release of commodities, and the like.
- *Ministry of the Environment* – carries out various reports on levies related to the area of the environment, survey on mineral deposits, on agricultural and forest land resources.

The Table 1 provides an overview of the number of mandatory statistical reports (surveys) by periodicity and in the breakdown by reports carried out by the CZSO and ministries.

Table 1 Mandatory statistical surveys of organizations by periodicity in the Czech Republic

Periodicity		Programme of Statistical Surveys in the year	
		2010	2011
Monthly	CZSO	50	50
	ministries	8	8
Quarterly	CZSO	20	17
	ministries	15	15
Half-yearly	CZSO	5	5
	ministries	7	6
Annually	CZSO	33	32
	ministries	58	57
Other (e.g. ad hoc / one-time)	CZSO	11	10
	ministries	3	3

B. Voluntary corporate reporting in the Czech Republic

From the practical viewpoint, voluntary reports may, based on the level of their elaboration and integration of steps in their realization, be divided to those using standardized reporting tools and those used recommended approaches [6], [17].

As regards *voluntary reports* using standardized tools, implementation techniques at international level have been more or less in detail defined, or even standardized. This concerns, for example, the GRI Framework (it is used its Czech translations), EFQM excellence model¹⁹, OECD Guidelines for Multinational Enterprises, United Nations Global Compact, UNEP FI, Responsible Care²⁰ (Responsible Care is the only global initiative of the chemical industry, helping it systematically improve in all aspects of health, safety and environment, and openly inform of its activities and results) etc, which we mentioned in the second chapter. It is basically the application of certain methods or systematic procedures or guidance which is being transformed to the conditions in the Czech Republic.

C. Analysis of approaches for corporate reporting in the Czech Republic

As regards recommended approaches for corporate reporting in the Czech Republic, the realization of voluntary reports has not been fully uniformly defined, therefore, voluntary reports often adapt to the requirements of target groups, which they are intended for and looking for international standards like GRI Framework [5], [6], [17]. This approach takes into consideration different needs and different merits of the target groups, and then to release reports which really comply with these needs and merits but not fully comply with international standards. To achieve these objectives, it is necessary to perform at the beginning the analysis of the target groups and of information which they need.

We started with this analysis in our project to determine the key target groups, which the voluntary reports should be addressed to or which want these reports to be addressed to them. These target groups include:

- *Employees* – It could be said that employees are interested in all what regards their organization.
- *Customers* – Of concern for every customer is primarily all what regards the organization's activities, products and services and sometimes also its behaviour towards the environment and observance of social responsibility. This implies that important factors for the customers include mainly the information on environmental, social and economic impacts and the relating policy and integrated management system of the organization.
- *Suppliers* – Similarly to customers, suppliers are interested in market behaviour of the organization. Not less important information for suppliers are financial aspects of the

¹⁹ <http://www.efqm.org/>.

²⁰ www.responsiblecare.org/.

organization.

- *Authorities* - Local, regional and national public administration authorities which are delegated to perform certain control functions in relation to the organization activities, will be interested in almost all about the organization from the viewpoint of compliance with the legal regulations and possibly also with integrated management systems, and from the viewpoint of environmental, economic and social behaviour of the organizations. The authorities are mostly concerned with mutually beneficial relation between the organization and the given region.
- *Neighbours* – Neighbours of the organization are primarily concerned with its behaviour and impacts of its operations and services on the surroundings (such as the environment).
- *Investors, shareholders, banks and insurance companies* – Financial sector, i.e. investors, shareholders, banks and insurance companies are mostly concerned with financial aspects of the organization. They are only superficially interested in other information, nevertheless, also such information should be included in the report.
- *The public/media/non-governmental organizations* – The public and the media are primarily concerned with the organization's behaviour towards the environment, i.e. mainly its environmental impacts and intended plans and goals and impacts on the social area (for example, conditions for employees, etc.). The next interesting information for the public will certainly be the financial status of the organization. On the other hand, integrated management system is of no such importance to the public.

If we want to correctly understand the significance, the meaning and the objectives of the corporate reporting, we have to start from the analysis of target groups, i.e. potential users of information in reports and their requirements. In principle, the users can be divided into two broad groups: internal and external stakeholders (i.e. internal and external users).

Internal users (internal stakeholders) are the organization's employees who form an internal counter-interest group – on the one hand, they are concerned with the organization's prosperity and repute, but, on the other hand, they are interested in the maximization of their wages which may increase the costs and worsen the economic results of the organization. Internal users also include the organization's owners and management at various levels. For example, CEO, board of directors and supervisory board in joint-stock companies, and co-partners and owners in limited liability companies. These are basically addressees who have powers to take decisions and are responsible for corporate governance and the results of the organization's operations.

External users (external stakeholders) may comprise a very wide range of competent auditing and surveillance authorities and special interest groups and individuals. They also include the general public, social organizations and various civil activities, for example, in the area of environmental protection

etc.

From the listing of users it is evident that only one form of communication and reporting or of content of voluntary report cannot satisfy all requirements of the stakeholders. The organization's communication and reporting therefore has to establish information system, e.g. with using XBRL appropriate taxonomy which will be differentiated and oriented at particular target groups of users.

The second stage of our research will finish in the year 2011 and we will inform about our conclusion later.

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