

GLOBAL REPORTING INITIATIVE TRENDS IN LITHUANIA

Arturas Balkevicius

Abstract

Social responsibility has never been more prominent on the corporate agenda than it is today. With the development of economy and society, people are paying more and more attention to corporate social responsibility. Organizational sustainability or corporate social responsibility is obviously concerned with reporting for stakeholders on actions towards sustainability issues. The most popular reporting methods are three: the Global Reporting Initiative, the Global Compact, ISO26000 guidelines. Global Reporting Initiative (GRI) is an international institution whose mission is to establish guidelines for the publication of nonfinancial information on sustainable development. Most of the Banks in Lithuania observes the Global Compact's ten principles. Directive 2014/95/EU lays down the rules on disclosure of non-financial and diversity information by large companies. Companies are required to include non-financial statements in their annual reports from 2018 onwards. Global Reporting Initiative is strongly committed to social issues and especially invested in educational, entrepreneurial and innovation initiatives. Article analyze social responsibility, Global Reporting Initiative implementation and sustainability reporting trends in Lithuania companies.

Key words: Social responsibility, Global Reporting Initiative, Human Resources

JEL Classification: A13, J24, M14

Introduction

The globalization process has effects on the environment, culture, political systems, economic development, and human physical wellbeing in societies around the world. With the development of economy and society, people are paying more and more attention to Corporate Social Responsibility (CSR). Increasing social expectations and community requirements force companies to change their traditional attitude to business. Their relationship to the society and environment in which they operate is a critical factor in their ability to continue to operate effectively. Under the influence of the ideas of social responsibility, significant changes in strategic management, cultural management and corporate governance have taken place. In the form of compliance management and taking responsibility for stakeholders, social responsibility practice is developing vigorously, and the promoting mechanism of social

responsibility has been developed and improved. Social responsibility is not a new idea. Corporate social responsibility refers to companies voluntarily going beyond what the law requires to achieve social and environmental objectives during the course of their daily business activities. This article analyse social responsibility, Global Reporting Initiative implementation and sustainability reporting trends in Lithuania companies.

Corporate sustainability is imperative for business today – essential to long-term corporate success and for ensuring that markets deliver value across society. To be sustainable, companies must operate responsibly in alignment with universal principles and take actions that support the society around them, and then companies must commit at the highest level, report annually on their efforts, and engage locally where they have a presence. The well-being of workers, communities and the planet is inextricably tied to the health of the business. The definition of sustainability reporting has not been formulated, so there is no consensus on how sustainability reporting should be treated.

EU rules require large companies to publish regular reports on the social and environmental impacts of their activities. EU law requires large companies to disclose certain information on the way they operate and manage social and environmental challenges. Directive 2014/95/EU lays down the rules on disclosure of non-financial and diversity information by large companies. Companies are required to include non-financial statements in their annual reports from 2018 onwards. EU rules on non-financial reporting only apply to large public-interest companies with more than 500 employees. This helps investors, consumers, policy makers and other stakeholders to evaluate the non-financial performance of large companies and encourages these companies to develop a responsible approach to business. calls to strive to comply with and act in accordance with internationally recognised CSR guidelines and principles, such as the:

- OECD Guidelines for Multinational Enterprises;
- 10 principles of the UN Global Compact;
- UN Guiding Principles on Business and Human Rights;
- ILO Tri-partite Declaration of Principles on Multinational Enterprises and Social Policy;
- ISO 26000 Guidance Standard on Social Responsibility.

In June 2017 the European Commission published its guidelines to help companies disclose environmental and social information. These guidelines are not mandatory and companies may decide to use international, European or national guidelines according to their own characteristics or business environment.

The research performed in order to understand social responsibility and Global Reporting Initiative implementation in Lithuania organizations. Data collected using Lithuania organizations reports, Lithuanian scientist's research and articles, sustainability reporting schemes, trends and initiatives towards reporting. Analysis of standards, schemes, codes, guidelines and other documents shows that many terms and concepts used within the context of sustainability reporting.

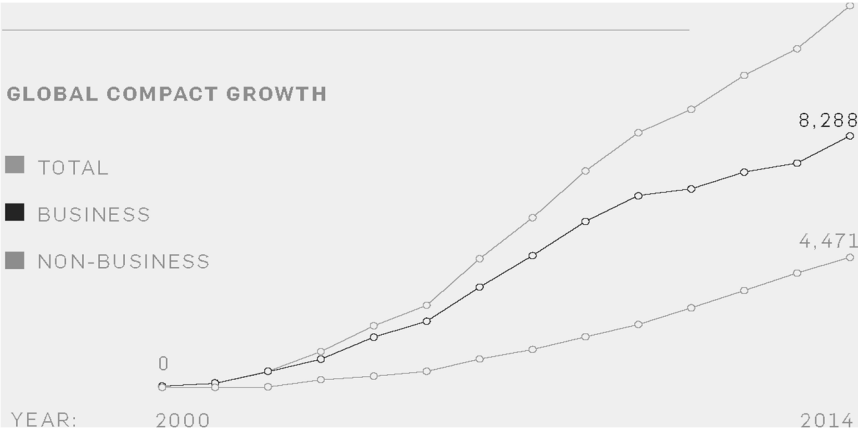
1. Theoretical background

In the early writings, more often used social responsibility (SR). The publication by Howard R. Bowen (1953) of his landmark book *Social Responsibilities of the Businessman* argued to mark the beginnings of the modern period of literature on this subject. Global Reporting Initiative (GRI) is an international institution whose mission is to establish guidelines for the publication of nonfinancial information on sustainable development. Initiated in 1997, GRI has published so far six versions of its regulations, being considered currently the most representative collections of principles and standards for voluntary reporting. GRI reporting was created with a dual purpose: on one hand, to grow awareness for the entities, regarding the importance of their involvement in social activities, and on the other hand, to answer to the need of transparency of stakeholders in decision-making process (Pavaloaia et al. 2017). Sustainability Reporting Guidelines published by the organization Global Reporting Initiative are gaining on importance and this trend is also reflected in academic literature (Peters, Wagner, 2015). Peters and Wagner (2015) show that the amount of literature dealing with GRI Guidelines is growing and major journals are *Journal of Business Ethics*, *Corporate Social Responsibility and Environmental Management* and *Journal of Cleaner Production*.. With the aim of properly managing its impact on the social sphere, the environment and the economy and, to be as useful as possible for the wider community (Carroll, 2015; Clegg, Bailey 2008; Jha, Singh, 2016; Visser, 2011). In developing countries, economic responsibility continues to get the most emphasis, but philanthropy is given second highest priority followed by legal and then ethical responsibilities (Visser 2011). Organizations around the world, and their stakeholders, are becoming increasingly aware of the need for, and benefits of, socially responsible behaviour. ISO 26000 provides guidance for all types of organization, regardless of their size or location. The standard seeks to promote a common understanding of social responsibility while complementing – but not replacing – other existing tools and initiatives. When applying ISO 26000, organizations should consider societal, environmental, legal, cultural, political and

organizational diversity as well as differences in economic conditions, while being consistent with international norms of behaviour.

The Global Compact (GC) is the world’s largest global corporate sustainability initiative, with over 8,000 companies and 4,000 non-business participants based in over 160 countries (Fig. 1) in 2014. Now in 2017 GC join 9,727 companies from 162 countries and 49,861 public reports presented in GC site.

Fig. 1: Global Compact Growth



Source: United Nations Global Compact, 2014

The Global Compact covers the implementation of ten responsible operation principles and obliges member organisations to follow them. Encourage firms not to harm the environment, community and other businesses, contribute to the development of society and economic growth.

Global Reporting Initiative (GRI) is one of the most popular non-governmental initiatives in the social and sustainable performance reporting and standardization and this methodology refers to reporting economic, social and environmental information based on corporate performance (Milne, Gray, 2012). The GRI Standards are the first global standards for sustainability reporting. They feature a modular, interrelated structure, and represent the global best practice for reporting on a range of economic, environmental and social impacts. GRI 102: General Disclosures 2016 sets out reporting requirements on contextual information about an organization and its sustainability reporting practices. The GRI Standards will be required for all reports or other materials published on or after 1 July 2018. Organizational sustainability or corporate social responsibility is obviously concerned with reporting for stakeholders on actions towards sustainability issues. As of 1 March 2018, GRI has introduced the GRI Standards Report Registration System. This new tool allows reporters to notify GRI of the use of the GRI Standards. Sustainability Disclosure Database GRI provides users access to all types of sustainability reports, whether GRI-based or otherwise, and relevant information related to the

reporting organizations. You can search for a specific organization, or apply a number of filter and sort options to help refine your search results. Aggregated data is easier to analyse.

Four effective arguments made by Kurucz, et al., and these include cost and risk reductions, positive effects on competitive advantage, company legitimacy and reputation, and the role of CSR in creating win-win situations for the company and society (Kurucz et al. 2008). Organizations, in order to ensure the sustainable development of the course, has its activities through the implementation of principles of social responsibility. This is to ensure transparency in the organizations and ethical treatment of stakeholders, international laws and norms of conduct and respect for human rights.

2 Global Reporting Initiative trends in Lithuania

Analysis of standards, codes, guidelines and other documents showed that there are dozens of terms and concepts that used in the context of sustainability reporting (Zickiene, Juozaitiene, 2013). Corporate Register (<http://www.corporateregister.com/>) defines 10 different subtypes of sustainability reports that are included in the concept of sustainability reporting, The problem is that irrespective of the nature of a report (it is most important provide non-financial information/indicators), its size, quality, completeness, structure, companies present themselves as socially responsible because they prepare sustainability reports. This diminishes the value and importance of disclosure of corporate social responsibility and in a certain sense - the very idea of sustainable development.

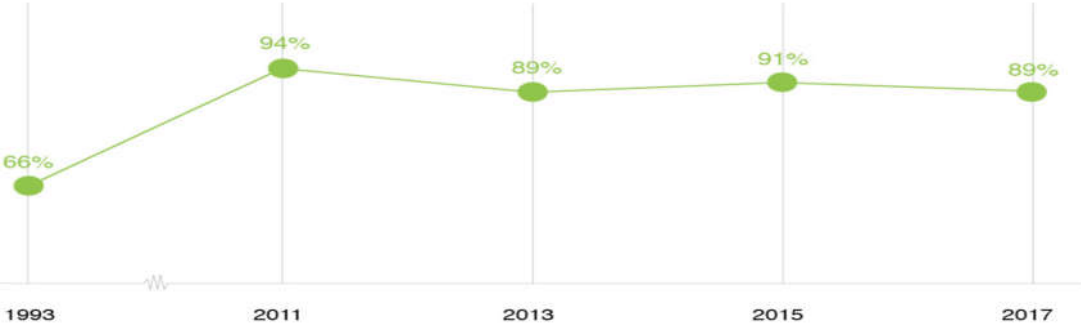
European countries, including Lithuania, have not formed a single system of corporate social reporting, as social disclosure is voluntary. Thus, not only a relatively small number of companies make these statements, but also at the same time, they are different in content and structure, and therefore not always comparable (Dagilienė, et al, 2014). Companies are free for choosing reporting schemes, accordingly their reports are of different size, structure, and depths of information what causes difficulties in analysis, comparison and evaluation (Zickiene, Juozaitiene, 2013).

Lithuania has a relatively recent development of socially responsible business and social reporting, e.g. it became a member of the Global Compact only since 2005, and there is the National Responsible Business Network operating as a part of the Global Compact initiative in Lithuania. Companies that joined the Global Compact, declare that they apply 10 principles of social responsibility, disclosing in annual social reports for stakeholders. Dissemination and promotion of CSR initiative in the network is expanding every year. According to the annual activity reports of the National Responsible Business Network this network comprises 57

companies and organizations in Lithuania in 2008, 61 – in 2009, 65 – in 2011, 67 – in 2012, 69 – in 2013, 71 – in 2014.

Traditional financial and management accounting systems provide only a small part of required information. It is developed in a separate accounting areas - social accounting. Social accounting and reporting are the performance monitoring and evaluation system required to ensure compliance with company business environment, economy and society. Social accounting, unlike financial accounting, reveals company's contribution to society (Dagilienė, et al, 2014). The main source of information for CSR is social reporting. Social responsibility report is a document of the company, which provides information about companies planned and ongoing social and environmental performance, taking into account the results already achieved and thus company informing stakeholders about responsible business practices. Although corporate social responsibility reports vary, but in general they are prepared in accordance with the principles of the Global Compact, which includes human rights, improvement of relations with employees, the environment and fighting corruption. In Lithuania, like other EU countries, investigations are still concentrated on the promotion of CSR ideas. Most of these economic investigations designed for research and development tendencies of CSR initiatives in Lithuania. EU Consumers are interested in company SR, and ready to prefer such brands with similar price and quality (Fig. 2).

Fig. 2: Consumers are likely to switch brands to one that is associated with a good cause, given similar price and quality

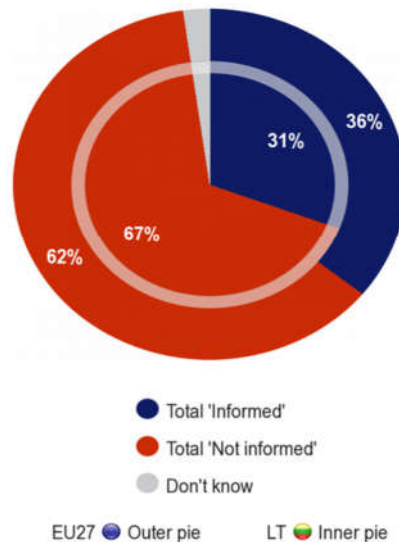


Source: Eurobarometer, 2017

Studies in Lithuania has shown that social responsibility for consumer are low appreciated, a small part of the Lithuanian prefer products/services of social responsible organizations, a certain part of the Lithuanian does not know about social responsibility.

Fig. 3: Information about companies behave responsibly towards society in EU and Lithuania

Q2. Do you feel very well informed, fairly well informed, not very well informed or not at all informed about what companies do to behave responsibly towards society in (OUR COUNTRY)?



Source: Eurobarometer, 2017

Socially responsible in Lithuania are international companies and especially banks they prepare and publish reports. The most popular reporting methods are three: the Global Reporting Initiative (GRI), the Global Compact, ISO 26000 guidelines.

Analyse publish reports of Lithuania companies disclose that most of them is a member of the “Global Compact” initiative by the United Nations and submits an annual progress report, which is prepared in accordance with the Global Compact principles and part of them prepare reports in accordance UN Global Reporting Initiative guidelines. Most reports were prepared in compliance with the GRI G4 requirements.

Some of UN Global Compact members in Lithuania: „Kraft Foods“, „Omnitel“, „Danone“, „Nordic Sugar Kėdainiai“, Swedbank, Danske Bank, Teo, LESTO, PakMarkas, Šiaulių Bankas, Interlux, Telia Lietuva. Swedbank signed the UN Global Compact in 2002. TEO in 2004, Šiaulių Bankas AB since 2008, Interlux since 2012.

Progress reports good examples, prepared in accordance with Global Compact 10 principles: Omnitel 2014, PakMarkas 2013, Swedbank 2013, Danske Bank, Šiaulių Bankas AB 2016, Interlux 2016,

GRI Reports: Teo 2014, LESTO 2013, PakMarkas 2014, PakMarkas 2015 Swedbank 2016, Telia Lietuva 2016, LESTO 2016,

Šiaulių Bankas AB plan to prepare a Corporate Social Responsibility Report for 2018 in accordance with the GRI Guidelines. Therefore, we see trends in Lithuania report prepare in accordance UN Global Reporting Initiative guidelines more and more companies.

CSR and GRI have a positive effect on social, economic and environmental development and pave the way for an inclusive society.

Telia Lietuva (former TEO LT) Sustainability Report is prepared along the Core option of the GRI-G4 Guidelines. Telia Lietuva are an IT and telecommunications company and are perfectly aware of the significance of the role of technologies nowadays. Feel responsible for their proper use and application. Aim not only to be financially successful but also beneficial to the society - to reduce digital and social exclusion, to help people to easier share knowledge and information, and to promote innovation. Over the last year, almost 80 per cent of all electricity used in the company was a green energy, produced from renewable resources. During 2016, the company collected more than 11 thousand obsolete mobile phones, tablet computers and modems from customers. All obsolete smart devices were transferred for recycling. Telia work with an ecosystem of new start-ups and major service providers. Together provide the infrastructure for creativity, growth and change. The transition from old to new technology is very much customer driven. Every day Telia help our customers to switch from old to new services. Enabling increased business innovation and productivity driving GDP growth. Enabling smarter living, traveling, healthcare and education as well as disaster relief. Enabling reduction of greenhouse gas emissions. Increasing resource efficiency. Enabling a sharing economy. Bringing the world closer — on the customer's terms expresses focus on our customers and on societal development. These are some statements in the report Telia Lietuva. From Lithuania Company's reports, we found, that Social responsibility reflected through the employee's health, administrative innovation, business learning, and learning all life and environmental questions.

The study publish reports of Lithuania companies made it clear that companies most of all in GRI contribute implementation of such socially responsible areas:

- As orientation towards the best possible satisfaction of the needs of customers and other interested stakeholders.
- Providing high-quality products and services; creating a reliable reputation of the institution.
- Protecting environment by reducing any negative impact on the environment by organizations.

- Fighting against bribery and other forms of corruption.
- Promoting ethical behaviour in institution.
- Ensuring equal rights, equal and safe working conditions, raising employees' qualification, stimulating employees' responsibility to society.
- Implementing transparent and socially responsible public procurement.

From 2017 onwards, Lithuanian public interest companies or groups of 500 and more employees will have to disclose publicly non-financial information related to environmental protection, social responsibility and management once a year.

Conclusion

Sustainability reporting promotes transparency and accountability as an organization discloses information in the public space. It enables stakeholders to have a look at organization's performance in broad areas, social, environmental, economic, and monitor it year by year and/or compare with other similar organizations.

GRI improves corporate governance, companies implement more ethical practices, staff training, corruption decreases and managerial plausibility is developed.

Companies are free for choosing reporting schemes, accordingly their reports are of different size, structure, and depth of information what causes difficulties in analysis, comparison and evaluation.

Good GRI practices are essential for sustainable business. It generates long-term value to all its shareholders and other stakeholders.

From Lithuania Company's reports, we found, that Social responsibility reflected through the employee's health, administrative innovation, business learning, and learning all life and environmental questions.

The study made it clear that companies most of all in GRI contribute implementation of such socially responsible areas:

As orientation towards the best possible satisfaction of the needs of customers and other interested stakeholders.

Providing high-quality products and services; creating a reliable reputation of the institution.

Protecting environment by reducing any negative impact on the environment by organizations.

Fighting against bribery and other forms of corruption.

Ensuring equal rights, equal and safe working conditions, raising employees' qualification, stimulating employees' responsibility to society.

Implementing transparent and socially responsible public procurement.

References

- Balkevičius, A. (2017). Corporate social responsibility trends in Lithuania. In *RELIK 2017. November 9-10*, 1-10. Prague: University of Economics
- Bowen, H. R. (1953). *Social responsibilities of the businessman*. New York: Harper&Row.
- Carroll, A. B. (2015). Corporate social responsibility: The centrepiece of competing and complimentary frameworks. *Organizational Dynamics*, 44, 87–96.
- Clegg, S. R.; Bailey, J. R. 2008. *International encyclopedia of organization studies*. Sage Publications, 1: 1–411. <https://doi.org/10.4135/9781412956246>
- Dagilienė, L.; Leitonienė, S.; Grecikova, A. (2014). Increasing business transparency by corporate social reporting: development and problems in Lithuania. *Engineering Economics* 25(1): 54–61.
- Jha, B. K.; Singh, R. (2016). Corporate social responsibility in India, *International Journal of Higher Education Research & Development* 1(1): 1–8.
- Kurucz, E., Colbert, B., & Wheeler, D. (2008). The business case for corporate social responsibility. In A. Crane, A. McWilliams, D. Matten, J. Moon, & D. Siegel (Eds.), *The Oxford handbook of corporate social responsibility* (pp. 83–112). Oxford: Oxford University Press. doi: 10.1093/oxfordhb/9780199211593.003.0004
- Milne, M. J., Gray, R. (2012). W(h)ither Ecology? The Triple Bottom Line, the Global Reporting Initiative, and Corporate Sustainability Reporting. *Journal of Business Ethics*, p. 160–169.
- Pauzuoliene, J., Mauriciene, I. (2013). Implementation of social responsibility in public institutions. *Social Research*. 2013. Nr. 4 (33). 141–151
- Pavaloaia L, Dicu R, Chelariu G, Mardiros D. (2017) Study on GRI Reporting of Non-Profit Organizations in Europe. *Journal of Accounting and Management JAM* vol. 7, (1). 1-12.
- Petera, P.; Wagner, J. (2015) : Global Reporting Initiative (GRI) and its Reflections in the Literature, *European Financial and Accounting Journal*, ISSN 1805-4846, University of Economics, Prague, Vol. 10, Iss. 2, 13-32. <http://dx.doi.org/10.18267/j.efaj.139>
- Visser, W. (2011). *The age of responsibility: CSR 2.0 and the new DNA of business*. West Sussex: John Wiley & Sons
- Zickiene, S., Juozaitiene, L. (2013). Disclosure of environmental, social and governance information using diverse reporting schemes. *Social Research*. 2013. Nr. 2 (31), 24–37 United Nations Global Compact (2014) New York, NY, USA globalcompact@un.org
- Special Eurobarometer 455 (2017)– November-December 2016 “EU Citizens’ views on development, cooperation and aid” Report EU 2017 doi: 10.2841/802662

Contact

Arturas Balkevicius

Mykolas Romeris University, Faculty of Economics and Business

Ateities g. 20, LT-08303 Vilnius, Lithuania.

E-mail: a.balkevicius@mruni.eu