

Environmental and Sustainability Corporate Reporting in the Czech Republic

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Abstract

Corporate reporting is a process of communication of organization's performance (economical, environmental and social) to the public. This paper is devoted to the situation in the area of corporate reporting in the Czech Republic. In the first chapters we briefly explain the process of corporate reporting, benefits of reporting and relevant standards in this area. The second part of the paper describes attitude of the Czech companies to the reporting, factors that influence this attitude, progress in and trends in this area. Barriers to the adoption of corporate reporting principles in the Czech Republic will be also identified.

1. Introduction

The first ideas of standardization of environmental communication and further corporate reporting appeared in late eighties and early nineties of the last century. People started to be more interested among environmental aspects like air, water and soil pollutions and their impact on human health. Many companies and organizations understood that if they will be more environmentally conscious, if they start to decrease the pollution they cause and if people know this information, they could get an advantage against other companies. That is why many companies started to publish first reports, which concerned mainly companies' impact on environment – environmental reports.

Because of the different groups (Brosowski/Lenz 2004), which may be interested not only in the environmental performance of the organization, environmental reporting has evolved in so-called sustainability reporting. Sustainability reports consist of three parts (economical, environmental and social report), which cover overall performance of the organization.

2. Benefits of reporting

The process of corporate reporting provides for companies mainly better communication with its stakeholders. Main benefits, which arise from this process, are:

- Reduction of costs and reduction of resource usage – of course these benefits are mainly indirect, companies can find during reporting hidden reserves in its internal manufacturing processes;
- Better cooperation with local authorities and regulative bodies – there is a number of subjects, which companies should discuss with or report to local authorities;
- Attractiveness for investors – potential investors can simply find interesting information about company's performance;

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- Better confidence of customers – customers usually prefer companies, which are ecologically conscious;
- Better cooperation with neighbors – neighbors of companies are less afraid of pollution, accidents, etc.
- And others.

Unfortunately majority of mentioned benefits are not visible at first sight. They are very hard to evaluate and express in financial terms (how much money brings us better confidence of customers?).

3. Relevant standards for corporate reporting

3.1 International standards ISO 14000

International standards of family ISO 14000 specify requirements for Environmental Management Systems (EMS) so that organizations should be able to formulate their environmental politics and accept objectives, targets and measures, which include legislative requirements and information about their important significant environmental impacts. Basic requirement of EMS is to implement, document, enforce, maintain and improve continually organization's environmental performance (Hřebíček/Pitner 1998, Hřebíček/Kokrment/Ráček 2004).

The part of family ISO 14000 standards directly are concerned (environmental) communication and reporting, especially proposed standard ISO 14063 “Environmental management - Environmental communications - Guidelines and examples”; and further standards ISO 14031:1999 “Environmental management - Environmental performance evaluation – Guidelines”, ISO/TR 14032:1999 “Environmental management – Examples of environmental performance evaluation (EPE)”, including proposed standard ISO 14064-1, etc.

It is not enough for some companies, because they prefer more strict standards, which have more practical requirements and better benefits. On the other hand above-mentioned standards clearly improve environmental management of the company and its environmental communication with interested parties.

3.2 European Union standards EMAS and EMAS II

The European Union (EU) standard EMAS stands for Eco Management and Audit Scheme. This standard was defined in the directive of the European Commission in 1995 and it has been accepted mainly in the EU. EMAS was revised in 2001 and this new version is referenced as EMAS II, (EMAS II 2001). While original standard EMAS was oriented mainly on industry companies, the standard EMAS II is generally applicable for most of organizations.

Basic standard ISO 14001 differs from standard EMAS II mainly in these areas:

- ISO 14001 doesn't explicitly require initial environmental review;
- ISO 14001 doesn't specify frequency nor the methodology of audits;
- ISO 14001 doesn't explicitly require publication of the environmental statement;
- EMAS II requires much bigger involvement of employees (GEMAS 2001).

From these differences we can see that the standard EMAS is more difficult to establish (CR 2001, 2003) in company then standards ISO 14001:2004 and ISO 14063. This is one of the aspects why many companies prefer to implement EMS using ISO 14001:2004 against EMAS II.

We have been cooperating with Czech EMAS Agency since 2000 in using ICT for environmental reporting (Hřebíček/Kokrment/Ráček 2004, Konopacova 2004, Wokoun 2004).

3.3 Global reporting initiative standards

Global reporting initiative (GRI) stands for global reporting initiative, independent institution, which started in 1997 (GRI 2002). GRI connects experts from various areas – ecology, economy, business, etc. Its main goal is development of globally applicable reporting guidelines (latest version is from 2002). GRI reporting guidelines should provide mainly comparability among various companies' reports mainly by standardization of reports' content. Reports according to guidelines should follow principles like transparency, audit ability, completeness, relevance, sustainability context, accuracy, neutrality, and comparability.

GRI reporting guidelines are probably the most complex reporting framework for sustainability (environmental, social, economical) reporting at present. But this complexity on the other hands may keep from their even wider acceptance because the amount of information and indicators, which should company report in accordance to these guidelines, is really big.

Unfortunately GRI reporting guidelines were not accepted widely in the CR yet.

4. Situation in the Czech Republic

Till the beginning of the nineties people in the Czech Republic (CR) lived in the information vacuum. People couldn't access information from many areas and complete and accurate information about environment belong to this category. On the other hand society in the CR wasn't properly educated in this area. Many people simply didn't care environment because they were brought up in the persuasion that environment is only the one of the sources which we needn't care about.

This state changed very much after the velvet revolution. With the amount of information which was suddenly accessible and with the possibility of comparison with western countries people started to be more interested in environmental issues and aspects. Under the pressure of people, non-governmental organizations (NGOs) and government companies was also forced to re-evaluate their attitude to the environmental and other issues.

From the Tab. 1 we can see that numbers of companies in the CR, which have implemented some form of EMS, are continuously rising. The numbers of certified companies based on ISO14001:1996, ISO14001:2004 standards are much more then based on EMAS or EMAS II ones.

Year/Standard	1997	1998	1999	2000	2001	2002	2003	2004
ISO 14001	4	42	60	113	186	366	605	958
EMAS				4	4	9	10	14

Tab. 1: Number of ISO 14001/EMAS certified companies in the Czech Republic
(Source: Czech Environmental Information Agency)

Our team organized the investigation of companies in the Czech Republic, why they have implemented environmental management systems including environmental reporting. We have been able to identify following main reasons:

- Legislative pressure of EU or pressure of other standards (ISO 9000:2000, ISO 14000, BS 18000);
- Customers' and interested parties (public administrative, NGO and neighborhood) requirements;
- Requirement from owner of the company or from mother company from EU;
- Reduction of costs, improvement of integrated management;

- Better position on the Czech, EU and world market;
- Interest in environment protection;
- Better image.

With the respect to the Czech Republic it could be interesting that there is a difference in implementation of EMS between companies with Czech and foreign owners. Companies with foreign owner are much more likely to implement EMS than Czech companies (Fedorová 2003).

5. Environmental and sustainability reporting of selected Czech companies

In this chapter we are describing three selected companies and their attitude to the corporate reporting to illustrate the situation in the Czech Republic. We can say that there are big differences among attitudes of Czech companies to the reporting and especially sustainability reporting. Majority of Czech companies are far behind their competitors from “old countries” of European Union.

Majority of Czech companies publishes only general information about its policy, implemented management systems and acquired certificates. On the other hand there are some “pioneering companies” (with the respect to the Czech Republic), which publish corporate sustainable reports. To illustrate the differences between company’s reporting we have chosen these three model companies, whose attitude to the publishing information is completely different.

A.S.A. Ltd. (<http://www.asa-cz.cz>)

The company A.S.A. Ltd. has implemented EMS using ISO 14001 since 2000. The business area of this company is waste management and it operates several waste facilities (landfills, recycling and sorting plants, etc.). Its environmental reporting is insufficient. It presents only the certification for EMS, quality management (ISO 9000:2000) and occupational safety and health management (BS 18000) systems. There is only its environmental policy and description of EMS, but no environmental report or statement.

Czech Airports Authority (Česká správa letišť) (<http://www.csl.cz/en/frames.htm>)

The Czech Airports Authority shall undertake to the environmental engineering at the public Prague-Ruzyně Airport and ensuring health and safety of its employees within their working process. The Czech Airports Authority shall accept liability for its environmental impacts. The ITI TÜV, TÜV Süddeutschland in 2002, certified the environmental management system according to ISO 14001:1996. They have presented environmental report every year since 2001. This report is available in PDF format only in the Czech language and it emphasizes on typical environmental aspects like water and air protection and waste management. Besides these topics report mentions also communication with public. The largest part of this report is devoted to the noise pollution, which is typical for this company. We can find information about noise zones (in the form of maps), noise monitoring, trends in the area of noise reduction, restriction of night flights etc. The whole section on the web pages of this company is devoted to the problems of noise. Majority of the reported information is available only in the static form (usually included in the company’s environmental report), which means that we are unfortunately not able to access latest information.

Škoda Auto (<http://www.skoda-auto.com/global/entech/environment/>)

Škoda Auto is a company of the Czech origin, with a commitment based on its long tradition as the third-oldest car make in the world. Škoda Auto offers cars with outstanding spaciousness and functionality, typical of their simple, novel and innovative solutions. Its Environmental Policy gives Škoda Auto’s strat-

egy in the area of environmental protection. In order to implement these principles, as early as 2000, the company launched an environmental management system making it a part of the company's overall management. The system relies on the premise that each employee should adopt partial responsibility for protection of the environment. The RW TÜV certified the environmental management system according to ISO 14001:1996 in 2001. For Škoda Auto and its authorized dealers, it has become a matter of prestige to win the Green Seal, a certificate proving that the company's service activities demonstrate a friendly approach to the environment and meets the highly demanding criteria of an environmental audit. The Škoda Auto tries to publish its annual sustainable reports according to GRI guide.

Škoda Auto is the leading company in the process of sustainability reporting in the Czech Republic (we could also say it is a pioneering company in the Czech republic). Its report is available both in Czech and English and it covers overall performance of the organizations (environmental, economical and social aspects). In the environmental report this company publishes information concerning energy and material consumption, waste management, recycling and air pollution with special respect to its products. Data are usually presented in the form of graphs that covers trends for several years. Social report presents information concerning health programs for employee and their education. Economical report is devoted mainly to the products of company, their customers and suppliers; unfortunately this part is only very general. Company's report is well structured, clear and easily accessible, but Škoda Auto doesn't publish beside its PDF report any on-line information.

6. Barriers to the adoption of corporate reporting principles in the Czech Republic

During our two years research of Czech companies we have identified following ten main barriers, which obstruct the adoption of corporate reporting principles:

- Insufficient or not properly identified benefits;
- Lack of consistent data;
- Complexity of approach;
- Time pressure in companies, lack of staff;
- Inadequate knowledge and skills;
- Struggle to understand the role of reporting for the company;
- Lack of explanation of concepts and more guidance needed;
- Positive attitudes are not translated into actions;
- Methods of aspects determination and evaluation.

Balzarova defined in her thesis (Balzarova 2005) general conceptual model, which illustrates creating or overcoming of barriers in the process of implementation of environmental management systems according to ISO 14000. This conceptual model can be used after several modifications also in the area of corporate reporting. The modified conceptual model is described in the Figure 1. It is based on five basic objects or pillars:

- Organization represents the whole organization as a complex system.
- External environment consists of groups of stakeholders and covers influence on the organization that are critical for the adoption or corporate reporting principles within organization. These include e.g. new legislation, cooperation with environmental agencies and others.
- Reporting team is a group of designated employees, which are responsible for the publishing information, defining disclosure policies and adoption of reporting principles within an organization. Top management should be also included in this team, because adopted policies influence the whole organization.
- Disclosure and reporting principles represent principles that were (or should be) adopted.

- Resources and skills represent resources and skills, which lead to creating or overcoming barriers in the adoption of corporate reporting principles. Examples of resources and skill may be administrative skills, communication skills, information systems, etc.

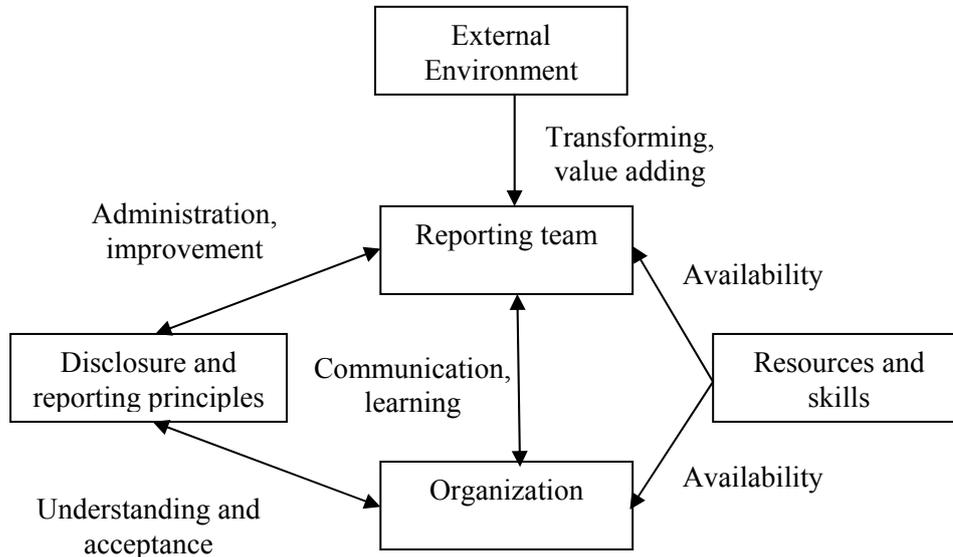


Fig. 1: Conceptual model describing creating or overcoming of barriers in the process of corporate reporting principles adoption

Identified objects are interconnected with following five processes:

- Transforming, value adding connects external environment with reporting team. This process represents demands of stakeholders, influence of external subjects etc.
- Communication and learning process represents transfer of demands and information between reporting team and organization (both general employees and top management). Reporting team communicates to the organization demands of stakeholders, developed principles etc. Reporting team must respect limitations that occur within an organization.
- Understanding and acceptance links disclosure and reporting principles with organization. This process represents implementation of reporting principles within organization and their influence on the behavior of the organization. On the other hand disclosure principles should reflect needs of the organization
- Administration and improvement interconnects reporting team and disclosure and reporting principles. Reporting team is responsible for the definition and improvement of principles.
- Availability is the last process in the presented model. This process represents usage of resources and skills, which are available or must be developed before the successful adoption of reporting principles. Resources and skill are available both to the reporting team and the whole organization.

7. Conclusions

The situation in the area of corporate reporting in the Czech Republic is described together with the attitude of the Czech companies to the reporting, factors that influence this attitude, progress in and trends in

this area. The main barriers in implementation of environmental management systems and corporate reporting in Czech companies, which obstruct the adoption of corporate reporting principles, are identified together with interconnected processes of organization management.

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