
CORPORATE SOCIAL RESPONSIBILITY REPORTING AS A CHALLENGE FOR COMPANIES¹

ABSTRACT A growing number of managers consider the issue of Corporate Social Responsibility (CSR) in the activities of their companies. They recognize the increasing importance of ethical behavior in business and are open to the needs of local communities, people in need, educational institutions, and NGOs. However, a serious dilemma appears about companies' ability to inform their stakeholders about CSR activities and measurable results of these actions in a fair, truthful, understandable and useful way. The recent changes occurring in growing importance of CSR gave rise to the need to revise the social and environmental reporting issues. This article concentrates on the necessity and possibility of expanding traditional accounting system by implementation of CSR approach. It evaluates the state of play in CSR reporting practices. In this article we underline the necessity of the proper CSR communication. We present also the review of the best practices concerning CSR reporting worldwide and the analysis of the existing guidelines and recommendations on CSR information published of a wide range of organizations and institutions that are active players in the field of CSR reporting standardization. We conclude with indication of advantages of CSR reporting and challenges facing companies in that field.

KEYWORDS

corporate social responsibility, reporting, guidelines

JUSTYNA FIJAŁKOWSKA PhD, Accounting Department, Academy of Social Sciences, Lodz, Poland.

MONIKA SOBCZYK Accounting Department, Academy of Social Sciences, Lodz, Poland.

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INTRODUCTION

Accounting is designed to reflect economic reality and provide the basis for making economic decisions. The development in the knowledge era is largely shaped by two approaches: accounting for social responsibility and for intellectual capital, which overlap themselves to some extent. Both of these concepts are essential for the development of enterprises and have a huge impact on the accounting system.

Corporate social responsibility (CSR) has been the subject of theoretical considerations for several decades. However, the boom in researchers' interest for CSR has started in the last two decades, when the development in the corporate social responsibility practice has been noticeable as well. The subject of scientific studies are, therefore, both theory and practice of corporate social responsibility. The considerations take place simultaneously in several aspects of social responsibility - social responsibility accounting in a broad sense and in its various thematic areas.

In the papers of Dhaliwal *et al.* (2012), Eccles *et al.* (2012), Lydenberg, (2012) the problem of identifying factors that may indicate the implementation of CSR strategy into action is discussed. Moreover, Janney and Paul, (2001), Orlitzky *et al.* (2003), Pava and Krausz, (1996), Ruf *et al.* (2001) Stanwick and Stanwick, (1998), Verschoor, (1998) test the hypothesis of the relationships between CSR Performance and Financial Performance. Considerations also takes place on the

content and form of business reports covering social responsibility (Chiu, 2010, Fortanier, *et al.*, 2011, Guthrie and Parker, 1989), including integrated reports (Eccles, *et al.*, 2010, Eccles and Krzus, 2010, Krzus, 2011), and supported by XBRL (Bogdan, Popa, 2008, Isenmann, Marx Gómez, 2009, Mora Gonzálbez and Mora Rodríguez, 2012). The need for CSR reports assurance is pointed out by Collison and Gray (1997), Tozera and Mathews (1994). Charlas (2012), Roberts (1992), Stuart (2004) prove the importance of CSR for stakeholders. Corporate social responsibility reporting in specific terms, like the current economic crisis, is highlighted by Calderon Huerta (2012), Fernández-Feijóo Souto (2009).

Around the world special conference sessions on CSR accounting are very common. At the recent EAA Congress in 2012 the speakers presented 27 articles on Parallel Session dedicated to Social and Environmental Accounting. In Poland, this practice is not yet so popular, therefore only single papers are presented aside.

Apart from academics researchers the trend of CSR practice is studied by practitioners coming from consulting firms. KPMG has already been examining the level and the development of CSR practices for 20 years. Recent studies are titled *International Survey of Corporate Responsibility Reporting 2011* (KPMG International, 2011), *Integrated Reporting. Performance Insight through the Better Business Reporting. Issue 1* (KPMG International, 2012a), *Integrated Reporting. Performance Insight through the Better Business Reporting. Issue 2* (KPMG International,

2012b). Deloitte is active as well. Their latest developments of 2012, *Deloitte Debate. Materiality does matter? Should the principle of Materiality be applied more consistently to non-financial reporting?* (Deloitte, 2012a), and *Disclosure of long-term business value. What matters?* (Deloitte, 2012b) are also noteworthy.

To sum up, theorists and business practitioners appreciate the importance of CSR for the functioning of the organization and its environment, which is reflected in an unlimited number of monographs, articles and research reports, that implies the development of the science and practice of accounting.

The proper implementation of accounting for social responsibility and for intellectual capital is a challenge for the contemporary accounting. In this article we concentrate on the first of these important fields of interest and always more frequent and common activities of companies that is called Corporate Social Responsibility (CSR). We analyze the necessity and possibility of expanding traditional accounting system by implementation of CSR measurement and communication. In the first part we briefly review the development of the concept of CSR and the current understanding of this issue, than we focus on implementation of CSR into accounting system. We revise reporting regulations and guidelines on CSR disclosure and companies' practices in that. We conclude with highlighting the advantages of transparent CSR communication and challenges facing companies endeavoring CSR reporting.

1. THE DEVELOPMENT OF THE CSR CONCEPT AND ITS UNDERSTANDING

We may consider the history of social and environmental concern about business as old as trade and business itself. Movements concerning what we call today CSR have their roots in the Industrial Revolution when the creation of industries restructured societies, communities and generally the way of life. The term "CSR" is in common usage since the 1960s, when the idea of the necessity of being socially responsible was presumed as an innovative and radical way to defeat the prolonged ideological crises. The first books on CSR can be considered "Social Responsibilities of the Businessman" by Bowen (ed. New York: Harper & Row, 1953). One of the first authors underlining the importance of accounting for CSR were Epstein, Flamholtz and McDonough, (*Corporate Social Performance*, National Association of Accountants, New York, 1977) and Gordon (ed., *Accounting and Corporate Social Responsibility*, The University of Kansas, Lawrence, Kansas, 1978). Since the early 70's accounts of social responsibility exert an increasing influence on the development of management and financial accounting. The society began to perceive companies as very often global in scale, bringing progress in all areas of life, however also as a source of huge cost, often in excess of the benefits of this progress. Therefore, there have been attempts to defuse social

tension, “forcing” large private corporations, usually being very influential policy-making centers, to assume more social responsibility approach to their activities and to make it more transparent. Corporate social responsibility starts being understood as, on the one hand, minimizing negative impacts on the social environment, on the other hand as an active business involvement in issues and problems of the environment. It changes the assumption of economic theory that has been in force in the capitalist countries until the 70’s that companies are exclusively responsible for the delivery of goods and services, providing jobs, and increasing prosperity of the owners. According to the new concept the company has to compensate for market failure by introducing a compromise between the conflicting interests of all parties in game. Adoption of social responsibility approach is from that moment a tangible expression of the expectations of the public who perceive the company as a unit, which should protect their workers, consumers, environment, maintain integrity, transparency and fairness in action. As a result, company is responsible for the consequences of its activities not only against the owners of capital, but also to the society as a whole. At the end of the 70s along with the economic recession the issues of CSR were relegated to the background, however, in the 90’s the concept have returned. Companies started underlining the efforts they make relating their activities in corporate social responsibility understood broadly as the accountability to the local community, employees, society as a whole and even the

future generations, activities in ecology as protection and restoration of the environment, and sustainable development associated with ecological sustainability, economic development and social justice. As a response to social pressure, economic, and environmental protection needs, corporate responsibility has been extended again. Issue of CSR came to public prominence as a result of highly-publicized events such as the collapse of Enron and financial scandals in Australia, the USA and many other places in the world.

There is no one clear definition of corporate social responsibility, neither in literature nor in practical activity. As Thomas and Nowak (2006) underline there seems to be an infinite number of definitions of CSR, ranging from the simplistic to the complex, and a range of associated terms and ideas (some used interchangeably), including ‘corporate sustainability, corporate citizenship, corporate social investment, the triple bottom line, socially responsible investment, business sustainability and corporate governance’. CSR is a multidimensional activity, and the final shape of CSR is affected by many factors such as globalization, increased competition, media growth, the increasing public awareness. CSR is a way to conduct business towards the most important goal that is an achievement of a balance between efficiency measures and the results of the economic and social interest. The European Commission defines CSR as a voluntary approach taking into account social and environmental aspects while conducting commercial activities and in dealings with stakeholders. In October

2011 the European Commission published a new policy on corporate social responsibility in which it states that to fully meet their social responsibility, enterprises “should have in place a process to integrate social, environmental, ethical and human rights concerns into their business operations and core strategy in close collaboration with their stakeholders”. It underlines that the aim is “both to enhance positive impacts – for example through the innovation of new products and services that are beneficial to society and enterprises themselves – and to minimize and prevent negative impacts”.

2. IMPLEMENTATION OF CSR INTO ACCOUNTING SYSTEM

Interest in the subject of responsible business is large and growing from year to year. Moreover, there are also many other factors that are important for the necessity of implementation of non – financial data also embracing CSR activities – into the accounting system. Globalization of economy, rapid exchange of information, flow of capital, knowledge as the main resource of companies – it all changes the way companies are managed and how is created the value of businesses. All this increases at the same time the risk of investments. Users of financial reports require greater transparency of information communicated by the companies, their information needs are higher. Especially the need for disclosure of information about socially responsible ac-

tivities and relating costs and outcomes is growing. Today, it is stressed that companies should be responsible not only for financial and material results of their actions, but also for social and environmental effects (Burzym, 1990, Cordazzo, 2007). Hence, many companies introduce CSR principles into their strategy. At the same time they wish to communicate to stakeholders their efforts concerning these activities, their cost and effects, no matter there is an absence of such legal requirement in the vast majority of countries. A major dilemma is whether companies are able to inform their stakeholders about CSR-related activities in a correct, truthful, understandable and useful way and if they are capable to measure results of actions within CSR. It is commonly agreed that traditional financial accounting system must be expanded to capture CSR activities. Jaglińska notes (1984, p.17) “capitalist enterprise (its leadership) has traditionally been accountable to the owners of capital (shareholders). Currently, this responsibility is trying to expand to other social groups and society as a whole”. Jaruga (1991 p. 38) underlines “accounting concerning social responsibility is a response to the social costs generated by the company and can be identified as: the identification, measurement, internal and external communication of activities that make an impact of an entity on society.” If accounting is to preserve its main role as the tool of taking proper economic decisions and disclosing the true and fair view of companies, it is necessary to expand the business reporting model by including issues concerning activities in the field

of CSR (Gray, 1990, Guthrie and Parker, 1989, Roberts, 1992, Gray, *et al.*, 1993 Deegan and Rankin 1997, Mathews 1997, Marcinkowska, 1999, and Cordazzo, 2007). According to Szychta (2003 p.133) the purpose of accounting is to “provide financial and nonfinancial information useful for making economic, social and environmental decisions to a variety of stakeholders and to make the settlement of economic and environmental responsibility for the operations of the unit –therefore, to ensure social welfare”. As the European Commission points out (2001): “These new social goals do not interfere with the objectives of economic enterprise, but complement financial decisions about the ethical aspect that contribute to environmental protection and a better society.” The information on CSR measured and disclosed by companies should be divided into three main groups:

- costs and benefits concerning employees (it is presumed that employer is responsible for their life quality and work satisfaction);
- costs and benefits regarding impact on environment (company responsible for environmental protection)
- costs and benefits concerning the society as a whole (i.e. company responsible for clients, for quality of the products).

While measured, all this information should be properly communicated. To make the communication more credible it should be also audited by an independent auditor. The main communication tool of CSR activities is a report that supplements financial reports published by companies.

Usually it takes the form of a satellite document published in a printed version or disclosed on the web site of the company.

Studies on the need to integrate CSR into business reporting and its benefits are conducted by the world's largest consulting companies (such as the work of KPMG, already since 1993), institutions like the World Bank (*CSR Implementation Guide. Non-Legislative Options for the Polish Government*, WB Development Communication Division, and WB ECCU7 Office, The World Bank, November 2006), UN (*The Principles for Responsible Investment, United Nations-backed Principles for Responsible Investment Initiative*, 2006), international accounting standards (e.g. CIMA, Adams, C.A., Frost G., *Accounting for Ethical, Social, Environmental and Economic Issues: Towards an integrated approach*, “Research Executive Summaries Series”, Vol 2, no. 12, 2006, *Developments in the New Reporting Models. Information for Better Markets*, The Institute of Chartered Accountants in England and Wales, December 2009). Publications of great importance for the practical implementation related to the development of environmental accounting are also issued by the European Commission (2001), the Federation of European Accounting Experts.

The first reports on CSR were published already in early 90s. They focused mainly on the social activities of companies. One of the very first social reports was issued by Body Shop (1995) and it contained mainly issues concerning animals' protections. In 1997 Global Reporting Ini-

initiative was launched that concerned global standard guidelines on reporting of economic, social, and environmental issues called “triple bottom line”. The idea of integrated social reporting was introduced in 90s, after the series of spectacular scandals and bankruptcies of companies it became particularly important to disclose companies’ activities in a transparent way. It is worth underlining that before the end of the last century we could observe the graduate dominance of environmental reports. Last years are characteristic for the increase of the CSR reports and sustainable development reports. The issuance of the first completely integrated reports combining annual financial reports with non-financial (sustainable / CSR) reports is also always more common. Ballantine (2009) confirms “in the early days of CSR reporting, most non-financial reports were either exclusively environmental in focus or dealt only with philanthropy. Today, however, CSR reports are seen as increasingly strategic documents that should offer a balanced, objective and reasonable assessment of almost every aspect of a firm’s non-financial performance”.

Today we can observe the steady increase in the number of organizations reporting activities concerning CSR. As it is confirmed by the international survey carried out by KPMG (2011) in comparison to 2008 the number of companies now reporting on CR has continued to rise, “where CR reporting was once merely considered an ‘optional but nice’ activity, it now appears to have become virtually mandatory for most multinational companies, almost regardless of where they

operate around the world” (KPMG, 2011). This study mentions that 95% of the 250 largest companies in the world (G250 companies) now report on their corporate responsibility activities. Analysis of CSR reporting practices carried out by KPMG for the past 18 years show clearly that CSR report is becoming always more common. In 1993, the percentage of companies reporting CSR among the 100 largest in the 34 countries surveyed was 12, in 2008 it accounted for 53, and in the past three years it reached a level of 64. On the other hand, 18 years ago the percentage of companies that published a report on CSR among the 250 largest companies in the world was insignificant, while in the last year only 5 companies out of 100 were not issuing a CSR report.

3. CSR REGULATIONS AND RECOMMENDATIONS

Even though it is commonly accepted that there is a necessity of the CSR information to be disclosed by companies, the knowledge on CSR reporting is still not systematized. There is a lack of a binding set of rules, thus the information published by companies on the voluntary bases is often difficult to compare and there are some controversies concerning its full fairness and credibility. However, much work is being done in order to encourage companies to be more accountable and transparent by reporting their CSR activities. There are many organizations issuing rules, recommendations and guidelines that aim

at facilitating CSR reporting. Since the 1992 Earth Summit in Rio de Janeiro a number of international standards and guidelines have been issued dealing with sustainability reporting. There is already a wide range of codes, standards, recommendations and guidelines that prescribe ethical rules of business conduct regarding the issues of corporate governance (stakeholder involvement) reporting as well as social and/or environmental performance measurement and communication. These regulations and recommendations may be issued by businesses (individual company codes), international organizations (internationally standardized codes, such as the UN Global Compact and the OECD Guidelines for Multina-

tional Enterprises), and governments (often in co-operation with national social partners or NGOs). An example of a government-sponsored code is the CSR Austria Guiding Vision. Moreover, according to the OECD estimate, most businesses develop their own codes, sometimes by drawing loosely on internationally or nationally standardized code blueprints. Table 1 provides an overview of a number of organizations and their initiatives concerning the reporting schemes focused on CSR, used by a substantive number of (international) companies. The organizations are briefly described underlining their influence on the corporate responsibility and related reporting practices recommended by them.

Table 1. Review of mandatory and voluntary sustainability reporting approaches in selected organizations

Organization name	General description of organization	Reporting schemes	General description of reporting scheme
<i>Schemes for environmental and social management and performance</i>			
Organization for Economic Co-operation and Development (OECD)	An international economic organization of developed countries founded to help governments foster prosperity and fight poverty through economic growth and financial stability and help to ensure the environmental implications of economic and social development are taken into account	OECD Guidelines for Multinational Enterprises (1976, 2011 last edition)	The non-binding principles and standards for responsible business conduct in a global context consistent with applicable laws and internationally recognized standards, as well as implementation procedures.

United Nations Global Compact Office	A voluntary corporate citizenship initiative to bring companies together with UN agencies, labor and civil society in support of ten universal principles	Global Compact Principles (2000, 2010 last edition)	Ten universal principles in the areas of human rights (2), labor (4), environment (3), and anti-corruption (1)
Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR) - the United Nations Conference on Trade and Development (UNCTAD) (2004, 2008)	An intergovernmental working group devoted to corporate transparency and accounting issues at the corporate level	1. Guidance on Corporate Responsibility Indicators in Annual Reports (2008)	A voluntary technical aid to assist reporting of enterprise aimed at producing concise and comparable corporate responsibility indicators within their annual financial reports, provides an overview of an enterprise's stakeholders and their information needs, explains the selection criteria applied in the development of ISAR's corporate responsibility indicators
		2. A Manual for the Preparers and Users of Eco-Efficiency Indicators	A guide for users and preparers of eco-efficiency indicators. It describes the method that enterprises can use to provide information on environmental performance vis-à-vis financial performance in a systematic and consistent manner over periods of time
Carbon Disclosure Project (CDP)	An independent not-for-profit organization working to drive greenhouse gas emissions reduction and sustainable water use by business and cities	Investor CDP	Carbon information from companies issued on behalf of institutional investors
		CDP Supply Chain	Carbon information from companies issued on behalf of their Customers
		CDP Water Disclosure	Water information from companies on behalf of institutional investors
		CDP Cities	Carbon information from cities

Organization name	General description of organization	Reporting schemes	General description of reporting scheme
AccounAbility	A global organization providing innovative solutions to the most critical challenges in corporate responsibility and sustainable development	AA1000 AccounAbility Principles Standards 2008 (AA1000APS)	An internationally accepted freely available set of principles to frame and structure the way in which the organizations understand, govern, administer, implement, evaluate and communicate their accountability
International Organization for Standardization	A non-governmental organization; a network of the national standards institutes of 162 countries; the world's largest developer and publisher of International Standards	The International Standard ISO 26000:2010, Guidance on social responsibility	A harmonized, globally relevant guidance on translating principles into effective actions for private and public sector organizations based on international consensus, and so encourage the implementation of best practice in social responsibility worldwide
		The International Standard ISO 14000 family, Environmental management systems	They addresses various aspects of environmental management
		ISO 14001:2004	Requirements with guidance for use
		ISO 14004:2004	General guidelines on principles, systems and support techniques
		ISO 14005:2010	Guidelines for the phased implementation of an environmental management system, including the use of environmental performance evaluation
Social Accountability International (SAI)	A non-governmental, multi-stakeholder organization whose mission is to advance the human rights of workers around the world	SA8000® Standard	An auditable certification standard based on international workplace norms; the benchmark against which companies and factories measure their performance
<i>Schemes for sustainability reporting</i>			

Organization name	General description of organization	Reporting schemes	General description of reporting scheme
Global Reporting Initiative (GRI)	A network-based non-profit organization that promotes economic, environmental and social sustainability	GRI's Sustainability Reporting Framework and Guidelines (2000, 2011 last edition)	A comprehensive framework for measuring and reporting organizations' economic, environmental, social and governance performance – the four key areas of sustainability
International Integrated Reporting Committee (IIRC)	International cross section of leaders from the corporate, investment, accounting, securities, regulatory, academic and standard-setting sectors and civil society to create a globally accepted integrated reporting framework	Towards Integrated Reporting – Communicating Value in the 21st Century (2011)	A discussion paper which sets out the rationale for Integrated Reporting (IR) and proposals for an Integrated Reporting framework. IR is a new approach to corporate reporting that demonstrates the linkages between an organization's strategy, governance and financial performance and the social, environmental and economic context within which it operates
Carbon Disclosure Project (CDP)	An independent not-for-profit organization working to drive greenhouse gas emissions reduction and sustainable water use by business and cities	Carbon Disclosure Standards Boards' Climate Change Reporting Framework (September 2010)	A voluntary reporting framework designed in line with the objectives of financial reporting and rules on non-financial reporting to elicit climate change-related information of value to investors. It seeks to filter out what is required to understand how climate change affects a company's financial performance
The International Petroleum Industry Environmental Conservation Association (IPIECA) (2010)	A global oil and gas industry association for environmental and social issues to improve oil and gas reporting through the development of more precise indicators	Oil and gas industry guidance on voluntary sustainability reporting (2002, 2nd edition 2010)	Guidance on strategic context and 6 key process steps for preparing sustainability reports
<i>Assurance schemes for sustainability reports</i>			

Organization name	General description of organization	Reporting schemes	General description of reporting scheme
AccounAbility	A global organization providing innovative solutions to the most critical challenges in corporate responsibility and sustainable development	The AA1000 Assurance Standard (AA1000AS)	It provides a comprehensive way of holding an organization to account for its management, performance and reporting on sustainability issues by evaluating the adherence of an organization to the AccountAbility Principles and the reliability of associated performance information
International Federation of Accountants (IFAC)	A global organization for the accountancy profession which serve the public interest by e.g. contributing to the development, adoption and implementation of high-quality international standards and guidance	International Standard for Assurance Engagement (ISAE) 3000 (revised in 2011)	The basic principles and essential procedures for all assurance engagements other than audits or reviews of historical financial information, regarding environmental, social and sustainability reports, information systems, internal control, and corporate governance processes, and compliance with grant conditions, contracts and regulations

Source: authors' preparation based on: OECD, www.oecd.org/; UN Global Compact Office: www.unglobalcompact.org/; ISAR-UNCTAD, www.unctad.org/isar; CDP (Carbon Disclosure Project), www.cdproject.net/; AccounAbility, www.accountability.org/; International Organization for Standardization, www.iso.org/; Social Accountability International, www.sa-intl.org; GRI, www.globalreporting.org; IIRC, www.theiirc.org/; IPIECA (The International Petroleum Industry Environmental Conservation Association), www.ipieca.org/; IFAC, www.ifac.org/.

All these sets of guidelines and recommendations differ greatly and propose different approaches to CSR reporting. It makes the comparability between companies' report difficult, does not

ensure the required level of transparency of actions and the integrity of the performance measurement.

4. ADVANTAGES OF CSR REPORTING AND CHALLENGES FACING ACCOUNTING IN IMPLEMENTATION OF CSR REPORT

In the past CSR reporting was perceived mainly as a way of fulfilling a moral obligation to society, today more and more companies realize that it *de facto* became law for their business. There are clear benefits for organizations that undertake quality CSR reporting. We can underline the following main pros for CSR transparent communication to the outside as well as internal users of company information:

- it drives innovation and promotes learning;
- it allows companies to demonstrate their interest in the environment, social issues and taking care of their employees;
- it builds trust and promotes transparency;
- it gives chance to discovering new opportunities for business improvement and implement continuous improvement programs to result in lasting change;
- it increases understanding of risks;
- it solicits feedback on their performance from a growing number of stakeholders;
- it improves internal processes;
- it emphasizing the link between financial and non-financial performance;
- it improves performance of companies and a general willingness to engage in the activities related to sustainable development.

All these advantages of CSR reporting help companies grow their business and increase their organization's financial value.

There are still many challenges facing businesses regarding CSR reporting. The lack of binding regulations, both at national and international level, makes that the content of CSR information issued is very different from company to company and country to country, information presented is not systematic and is usually based on arbitrary choices of the company that subjectively recognizes what as valid. The quality of information disclosed needs to be improved, the dialogue with shareholders must be enhanced. It is necessary to ensure greater transparency and bring about more integrity to allow for a comparison. One of the most important questions we have to find answer for is what issues to report on and what issues to exclude, as well as how to prioritize those issues that are included. For a proper reporting of CSR and sustainable development of enterprises it is necessary to develop a coherent policy in the form of recommendations for the adoption of existing guidelines (eg, based on the GRI 2011, Standard AA 1000APS, SA 8000 Standard), maybe leading in the future to the preparation of one standard rule or a set of best practices that would allow coherent approach to corporate reporting on CSR. This could result in a unified form of information published in the integrated business report. It is also necessary to focus on procedures of CSR report verification by independent auditors, in order to make CSR information published by companies com-

plete, verifiable, credible, reliable, comparable, and useful for decision making. Audit of CSR reports makes them to be perceived not as a promotional mechanism for businesses or a tool in a marketing game but as a source of relevant information for making economically rational decisions.

5. SUMMARY

One of the main goals of business is still companies' financial success. However, under the current market conditions it is not possible to achieve it and maintain the sound financial position without proper attitude to the environment nor positive relationships with employees and a society as a whole. Companies pay more attention to ethical behavior in business, are open to the needs of local communities, people in need, educational institutions, and NGOs. Thus companies act in a socially responsible manner and want to disclose it clearly and reliably to the users of companies' information. Therefore, in recent years business reporting practices became the issue of great interest of many international organizations, standard setters and businesses themselves. Companies are increasingly realizing that CR reporting is an important issue, they are more and more aware of all the benefits it may create. Many companies around the world prepare CSR report on a yearly bases, others that do not yet report on CSR are under significant pressure to start. To disclose the CSR activities is increasingly critical to the competitiveness of the company and to the

understanding of the impact of CSR on the whole business, especially in the field of strategy execution, cost saving and new business opportunities. Much work still remains to be done, especially in privately-held companies around the world. All those companies that lag behind and do not communicate in the understandable, credible, regular and transparent way their CSR activities must recommit themselves to enhancing CSR disclosure. First steps in the direction of proper communication of CSR are done, however the issue of implementing CSR to accounting system is still a challenge for practitioners, as well as for standards setters. It is an innovative concept and is of great importance nowadays. Today's performance of business ethical conduct, that is consistent with the idea of corporate social responsibility, often determines the long-term presence in the market and the financial success. Profits are important, but the possibility of their generation are determined, in the first place, by the creation of positive relationships with customers, business partners, employees and local community. The impact of business on the environment is extremely significant. The key, however, is not only the action. It is necessary to measure the results of CSR activities, costs and profits related to them, as only what can be measured can be managed (Kaplan and Norton, 2004, Roos et al., 1997). Moreover, the measurement without communication is meaningless. The prime communication tool is a financial report. The task of accounting is to present a true and fair view of the company and communicate it to the companies'

stakeholders, thus it becomes necessary to include this information into accounting system. Accounting must meet requirements of its users. Accounting needs to formulate the appropriate tools for measurement and enable the proper communication of results. Only then accounting will be able to develop and maintain its utility function in making economically rational decisions. Also only in that way companies will have a chan-

ce to create and grow their social capital (or more broadly – their intellectual capital), and successfully compete in the international arena. Proper communication of CSR is to attract capital, increase the competitiveness of enterprises, their growth and development, while promoting ethical behavior and social responsibility, which should help to increase the prosperity of the whole society and overall development of civilization.

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