

THE ASSURANCE OF SUSTAINABILITY REPORTING OF HOTEL COMPANIES

Scientific paper

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Abstract

Purpose – The aim of this paper is to set out the nature of the assurance of sustainability reporting and its key principles. Further aim is to identify the potential benefits of the assurance of sustainability reporting for hotel companies, and also to discuss the conditions necessary for integrating assurance of sustainability reporting into organisation activities.

Design – The paper explores assurance of hotels' sustainability reporting with special focus on the hotels that implement GRI and EMAS principles of sustainability reporting.

Approach – In order to get an idea of whether the assurance of sustainability reporting of hotel companies has been somehow emphasized, the paper analyse the level of assured sustainability reports of hotel companies.

Methodology – The descriptive method was used to provide review of previous researches. For the descriptive statistics analysis of the level of assurance of sustainability reporting data presented in the GRI and EMAS databases were used.

Findings – The research has shown that assurance of sustainability reporting practice in hotel companies is weaker when compared to other industries, and that most hotels still insufficiently use assurance as an instrument for improving credibility.

Originality – The research provides insights into the problem of assurance of sustainability reporting of hotel companies, investigates the level of assured sustainability reports and the content of the assurance statement. It provides space for further research of factors relevant for improving practice of assurance of sustainability reporting in hotel companies.

Keywords sustainability reporting, assurance, hotel companies

INTRODUCTION

In today's increasingly competitive but also transparent world, companies may no longer report only financial performance to a limited group of shareholders. They have the responsibility to provide detailed information to a wide range of stakeholders. This communication is most often done through a separate report on corporate social responsibility (CSR), or through integrating this information into the annual report. CSR reports therefore disclose companies from different industry sectors (production, utilities, finance, telecommunication, construction, tourism and hospitality etc.) as well as hospitals, universities and municipal entities. For all of them is common to disclose on both positive and negative impacts on the environment and society with the aim of demonstrating transparency, accountability and effective governance. In order to prevent CSR reports from being perceived as pure marketing tools, it is important to provide stakeholders accurate, reliable and objective information verified by independent third party. Although companies are not obligated to do so, more and more of them perform verifications according to two assurance standards: AA1000 Assurance Standard and International Standard on Assurance Engagement (ISAE)

3000. Even though external pressures are the trigger for third-party assurance of CSR reports, companies seek third-party assurance of their reports because the benefits that assurance brings. By improving transparency, third-party assurance reflects the seriousness with which the company approaches sustainability reporting which increases company's recognition and credibility. Accurate and reliable information are more likely to be relied on, thus increasing the value of reporting. The assurance also will result with recommendations for improving business processes, leading to more efficient management.

1. THE ASSURANCE OF SUSTAINABILITY REPORTING

The assurance of sustainability reporting implies assurance engagement which can be defined as "a process in which a practitioner expresses a conclusion designed to enhance the degree of confidence that intended users can have about the evaluation or measurement of a subject matter that is the responsibility of a party, other than the intended users or the practitioners, against criteria"¹. While the term „audit“ more closely relates to its traditional usage in external financial reporting, the term „assurance“, relates to its usage in sustainability reporting. The aim of the assurance of sustainability reporting is to provide useful and reliable information leading to better internal and external decision making. In order to perform assurance some assumptions should be accomplished. At first is important to create sustainability report in accordance to widely used voluntary guidelines that prescribe the information companies should disclose: the Global Reporting Initiative (GRI)² Reporting Framework and the AA1000 AccountAbility³ Principles Standard. Companies can follow the GRI framework when deciding what to include in their sustainability reports, and such ensure that sustainability reports are of acceptable quality. The principles that company can use to judge whether a particular piece of information merits inclusion in their sustainability reports are divided into two groups: principles for defining report content (stakeholder inclusiveness, sustainability context, materiality, and completeness), and principles for defining report quality (balance, comparability, accuracy, timeliness, clarity, and reliability), as is shown in the table 1.

¹ IFAC, IAASB: Main Agenda (Agenda Item 5-B) – International Framework for Assurance Engagement, December 2009, available at <http://www.ifac.org/sites/default/files/meetings/files/5137.pdf>

² Global Reporting Initiative is non-profit organization which promotes the use of sustainability reporting as a way for organizations to become more sustainable and contribute to sustainable development.

³ AccountAbility is the UK Institute of Social and Ethical Accountability, a non-profit think tank that aims to promote accountability for sustainable development. Its framework is called the AA1000 series.

Table 1: GRI principles for defining sustainability report content and quality

PRINCIPLE FOR DEFINING REPORT CONTENT	EXPLANATION OF THE PRINCIPLE
stakeholder inclusiveness	the organization should identify its stakeholders and explain how it has responded to their reasonable expectations and interests
sustainability context	the report should present the organization's performance in the wider context of sustainability
materiality	the report should cover aspects that reflect the organization's significant economic, environmental and social impacts
completeness	the report should include coverage of material aspects and their boundaries, sufficient to reflect significant economic, environmental and social impacts, and to enable stakeholders to assess the organization's performance in the reporting period
PRINCIPLE FOR DEFINING REPORT QUALITY	EXPLANATION OF THE PRINCIPLE
balance	the report should reflect positive and negative aspects of the organization's performance to enable a reasoned assessment of overall performance
comparability	the organization should select, compile and report information consistently
accuracy	the reported information should be sufficiently accurate and detailed for stakeholders to assess the organization's performance
timeliness	the organization should report on a regular schedule so that information is available in time for stakeholders to make informed decisions
clarity	the organization should make information available in a manner that is understandable and accessible to stakeholder using the report
reliability	the organization should gather, record, compile, analyze and disclose information and processes used in the preparation of a report in a way that they can be subject to examination and that establishes the quality and materiality of the information

Source: Global Reporting Initiative, G4 – Sustainability Reporting Guidelines – Reporting Principles and Standard Disclosures, 2013, available at www.globalreporting.org

In order to increase credibility of sustainability reports, and parallel with the implementation of suitable management system and reporting processes, recommendable is to assure sustainability reports by accredited experts. GRI requires that companies using its guidelines declare a reporting level of A, B or C, depending on how the GRI indicators are applied, then allows companies to apply a “plus” (+) at

each level if they have secured third-party verification.⁴ Similarly, the AccountAbility Principles Standard (AA1000APS) provides organisations with an internationally accepted, freely available set of principles to frame and structure the way in which they understand, govern, administer, implement, evaluate and communicate their accountability, and are primarily intended for use by organisations developing an accountable and strategic approach to sustainability.⁵ The main principles include inclusivity, materiality, and responsiveness, as is shown in the table 2. The AA1000APS obligates companies to disclose sustainability reports and provide stakeholders with relevant information. In order to do so companies can also accept the AA1000 Stakeholder Engagement Standard (AA1000SES). This standard describes how to establish commitment to stakeholder engagement; how to integrate stakeholder engagement with governance, strategy and operations; how to determine the purpose, scope and stakeholders for engagement; and the processes that will deliver quality and inclusive engagement practice, and valued outcomes.⁶

Table 2: **AccountAbility principles of sustainability that govern the AA1000APS and AA1000AS**

PRINCIPLE	EXPLANATION OF THE PRINCIPLE
inclusivity	for an organisation that accepts its accountability to those on whom it has an impact and who have an impact on it, inclusivity is the participation of stakeholders in developing and achieving an accountable and strategic response to sustainability
materiality	materiality is determining the relevance and significance of an issue to an organisation and its stakeholders; a material issue is an issue that will influence the decisions, actions and performance of an organisation or its stakeholders
responsiveness	responsiveness is an organisation's response to stakeholder issues that affect its sustainability performance and is realised through decisions, actions and performance, as well as communication with stakeholders

Source: AccountAbility: AA1000 AccountAbility Principle Standard, 2008, available at www.accountability21.net

Ones companies have decided what information to report, they must introduce an internal reporting system for doing so accurately and completely. Considering that CRS data comes from a variety of business functions, this can be a challenge, and often requires additional money and resources. Because of that, in many cases a company begins by disclosing environmental performance data, and later move towards issuing a sustainability report by adding other dimensions such as economic and social

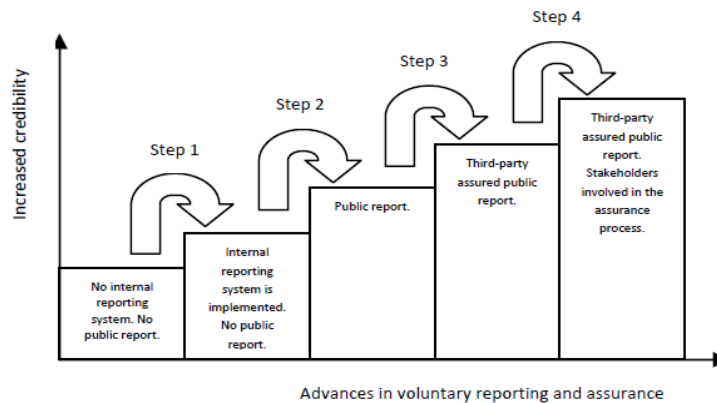
⁴ GRI: Application Levels, Version 3.1, p. 2, available at www.globalreporting.org

⁵ AccountAbility: AA1000APS, 2008, p. 8, available at www.accountability21.net

⁶ AccountAbility: AA1000SES, 2011, p. 11, available at www.accountability21.net

performance.⁷ The next step is to seek third-party assurance of the report, and further more to involve stakeholders in assurance process with the aim of increasing the value of assurance.⁸ Consequently, when sustainability report is made, company must consider how to increase stakeholders' confidence about disclosed information. The assurance of sustainability reports is the answer. Nowadays assured sustainability reports have become the characteristic of responsible and accountable companies.

Figure 1: Steps towards third-party assurance of sustainability reports



Source: Park, J., Brorson, T., Experiences of and views on third-party assurance of corporate environmental and sustainability reports, *Journal of Cleaner Production* No. 13, 2005, p. 1097

As mentioned before GRI supports assurance of sustainability reports, AccountAbility developed assurance standard, as well as the International Federation of Accountants, while the Fédération des Experts Comptables Européens (FEE) announces discussion material under the title „Providing Assurance on Sustainability Reports“⁹. Country-specific general assurance standards, such as the American Institute of CPA's AT 101 and the Canadian Institute of Chartered Accountant Handbook – Section CICA 5025, can also be used in sustainability reporting in their respective countries.¹⁰ The importance of assurance of sustainability reports is emphasized also in the Green Paper (Promoting a European framework for CSR) of the European Commission, where is stated that “verification by independent third parties of the information published in social responsibility reports is also needed to avoid criticisms that the reports are public relations schemes without substance”¹¹. The European Eco-Management and Audit Scheme (EMAS) is another initiative which promotes assurance of environmental statements which can be considered as the variant of sustainability report. The participants of the EMAS are obligated to disclose environmental statement, which is

⁷ Park, J., Brorson, T.: Experiences of and views on third-party assurance of corporate environmental and sustainability reports, *Journal of Cleaner Production*, No. 13, 2005, p. 1097

⁸ Ibid.

⁹ FEE: Discussion Paper Providing Assurance on Sustainability Reports, 2002, available at <http://www2.accaglobal.com>

¹⁰ Ernst & Young: Climate change and sustainability – Seven questions CEOs and boards should ask about 'triple bottom line' reporting, 2010, available at ey.com/climatechange

¹¹ European Commission: Green Paper – Promoting a European framework for Corporate Social Responsibility, 2001, p. 18, available at <http://eur-lex.europa.eu>

the object of the verification process. EMAS environmental verifiers, among other environmental issues of the participant company, verify the reliability, credibility and correctness of the data and information in the environmental statement.¹² However, globally the most famous verifiers for sustainability reports verification usually use two international standards: AA1000AS and ISAE 3000. The AA1000AS AccountAbility is developed in order to promote assurance of sustainability reporting. The AA1000AS is an internationally accepted, freely available standard that provides the requirements for conducting sustainability assurance.¹³ Sustainability assurance in accordance with the AA1000AS evaluates and provides conclusions on the nature and extent of adherence to the AA1000AS, and where applicable the quality of publicly disclosed information on sustainability performance.¹⁴ The AA1000AS provides a framework for evaluating an organisation's adherence to defined principles of accountability, as well as the reliability of the associated performance data it reports.¹⁵ The standard can be used by different types of assurance providers. On the other hand the International Standard of Assurance Engagements (ISAE 3000) is generic standard for any assurance engagement other than audits or reviews of historic financial information.¹⁶ It is developed by the International Audit and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). Every assurance engagement, provided by independent professional accountants, other than audits or reviews of historical financial information, falls under this standard. Its emphasis is on comprehensive procedure for evidence gathering processes and assurer independence.¹⁷ In contrast with the AA1000 standard, which focuses on sustainability reporting, the scope of ISAE 3000 is broader. The object of the engagement is agreed between the assurance practitioner and client and might include for example assuring: non-financial performance or conditions e.g. performance of an entity; physical characteristics e.g. the capacity of a facility; systems and processes e.g. an entity's internal control or IT system; or behaviour e.g. corporate governance, compliance with regulation, human resource practices.¹⁸ An assurance report in accordance with ISAE 3000 can only be issued by professional accountants, as the assurance provider must also comply with the International Ethics Standards Board for Accountants (IESBA) Code of Ethics for Professional Accountants. Other assurance providers may use assurance methodologies based on ISAE 3000 or which combine elements of ISAE 3000 with other standards, such as AA1000AS. Two standards, as two approaches to assurance of sustainability reporting are complementary. The ISAE 3000 requires that where there are no established 'suitable criteria' they should be specifically developed and that the

¹² Regulation (EC) No 1221/2009 of the European Parliament and of the Council on the voluntary participation by organisations in a Community eco-management and audit scheme (EMAS), repealing Regulation (EC) No 761/2001 and Commission Decisions 2001/681/EC and 2006/193/EC, Official Journal of the EU, L 342

¹³ AccountAbility: AA1000AS, 2008, p. 8, available at www.accountability21.net

¹⁴ Ibid.

¹⁵ Two Tomorrows: Accountability in action – How the world's 100 largest companies measure up to the new accountability principles defined in AA1000AS, 2009, p. 8, available at <http://www.twotomorrow.com>

¹⁶ AccountAbility and KPMG Sustainability: Assurance Standards Briefing – AA1000 Assurance Standard & ISAE3000, Netherlands, 2005, p. 16, available at www.accountability21.net

¹⁷ GRI (b): G4 Sustainability Reporting Guidelines – Implementation Manual, 2013, p. 12, available at www.globalreporting.org

¹⁸ AccountAbility and KPMG Sustainability: Assurance Standards Briefing – AA1000 Assurance Standard & ISAE3000, Netherlands, 2005, p. 16, available at www.accountability21.net

assurance practitioner should attempt "to have the intended users or engaging party acknowledge that specifically developed criteria are suitable for the intended users' purposes"¹⁹. The AA1000AS stakeholder-based materiality approach provides more guidance on how to do this through a five-part materiality test, which considers compliance requirements, policy commitments, peer-based norms, stakeholders' information needs, and stakeholder views and perceptions. ISAE 3000 therefore provides rigorous procedural guidance for undertaking an assurance engagement, as outlined above, whereas in AA1000AS the emphasis lies on the relevance of the reported information for stakeholders. AA1000AS goes further in requiring that stakeholders be involved in determining the 'subject matter' as well as 'suitable criteria' for the report and the assurance engagement.²⁰

Table 3: Comparing ISAE3000 and the AA1000 Assurance Standard

	ISAE 3000	AA1000AS
materiality	defined user groups (who may be fewer than the organisation's stakeholders)	broadly defined stakeholders
scope and criteria	the scope is predetermined; responsibility for ensuring that the assured information fulfils the needs of intended users, and determining 'suitable criteria' lies largely with the reporting organisation	an open scope approach; an organisation should determine the scope and criteria based on its stakeholder engagement process; i.e. stakeholder-based materiality
level of assurance	"reasonable assurance engagement" (risk reduced to a low level) and a "limited assurance engagement" (risk reduced to a moderate level)	level of assurance can be varied for different issues within a single engagement and is related to the maturity of the issue in the organisation
completeness and responsiveness	provide assurance on the completeness and accuracy of the reported (assured) information, in relation to the reporting criteria, in the given time period only	evaluate the appropriateness and quality of response vis-a-vis stakeholder expectations, policies and relevant standards and the extent to which the engaging party can manage material aspects of its future sustainability performance

¹⁹ Ibid., p. 20

²⁰ AccountAbility and KPMG Sustainability: Assurance Standards Briefing – AA1000 Assurance Standard & ISAE3000, Netherlands, 2005, p. 21, available at www.accountability21.net

	ISAE 3000	AA1000AS
public statement	provides a conclusion with reasonable assurance (expressed in a positive form) or limited assurance (expressed in a negative form) on whether the subject matter is, for example, “reliable” or “fairly stated”	provides an extensive description of findings as to the quality of the report, underlying management systems/accountability processes and competencies
independence and impartiality	the assurance practitioner must comply with the requirements of the IFAC Code of Ethics for Professional Accountants, to ensure integrity, independence and objectivity, and confidentiality	the assurance practitioner must make information publicly available about its independence from the Reporting Organisation and impartiality toward stakeholders
competency of provider	the assurance practitioner must ensure that the engagement team possesses the necessary professional competencies to assess the subject matter	the assurance practitioner is required to make information publicly available on its own competencies – this forms part of the Public statement/report

Source: Authors according to AccountAbility and KPMG, Assurance Standards Briefing - AA1000 Assurance Standard & ISAE3000, Netherlands, 2005, available at www.accountability21.net

As well as the AA1000APS, the AA1000AS reflects three accountability principles: inclusivity (known as the foundation principle), materiality and responsiveness. Inclusivity is the starting point for determining materiality, and the materiality process determines the most relevant and significant issues for an organisation and its stakeholders, while responsiveness represents the decisions, actions and performance related to those material issues.²¹ Together the principles demand that an organisation actively engages with its stakeholders, fully identifies and understands the sustainability issues that will have an impact on its performance (including its economic, environmental, social and longer-term financial performance), and uses this understanding to develop responsible business strategies and performance objectives.²² Materiality is the main feature of the ISAE 3000 principle as well. According to that principle assurance practitioner should evaluate the subject matter by the suitable criteria, and should plan and perform an engagement with an attitude of professional skepticism recognizing that circumstances may exist that cause the subject matter

²¹ AccountAbility: AA1000APS, 2008, available at www.accountability21.net

²² Two Tomorrows: Accountability in action – How the world’s 100 largest companies measure up to the new accountability principles defined in AA1000APS, 2009, p. 8, available at <http://www.twotomorrow.com>

information to be materially misstated.²³ Therefore, the development of assurance standards, as well as increased availability of assurance guidelines on the national levels has led to the rise of assurance engagement in the area of sustainability. This can be beneficial not only for stakeholders, but also for reporting company, in this case hotel company.

2. PREVIOUS RESEARCHES ON ASSURANCE OF SUSTAINABILITY REPORTING

There has been a major increase in the practise of sustainability reporting, particularly in the last decade. The leaders are the world's largest corporations (G250) of which 93% now publish some form of sustainability report.²⁴ Even so, smaller companies also disclose sustainability reports. Many of these reports are included in the GRI sustainability reports database. In total the database contains over 13 thousands of GRI Framework based sustainability reports of almost 6 thousands companies of all sizes and industry sectors.²⁵ Although companies from industry sectors such as electronics, oil and gas, and pharmaceuticals are the leaders in such practise, service companies such as financial institutions as well as hotel companies also disclose sustainability reports. In order to enhance credibility of the sustainability reports, companies more often seek assurance. By assurance of sustainability reports they demonstrate the quality and reliability of the disclosed data, so gaining independent assurance of their sustainability reports is vital to securing the trust of stakeholders. It increases confidence in the content of the reports and also examines how well the reports address the issues of materiality to stakeholders. The research conducted by the Global Reporting Initiative in the 2012 has shown that over 46% of reports listed on GRI's Sustainability Disclosure Database indicated some form of external assurance.²⁶ While notable differences exist between countries and sectors, the global trend is toward increased assurance of sustainability reports.²⁷ The number of GRI reports registered in the GRI Database in comparison to the number of reports that included some type of external assurance statement is showed in the figure 2.

²³ ISAE 3000: Assurance engagements other than audits or reviews of historical financial information, IAASB, 2005, available at www.ifac.org

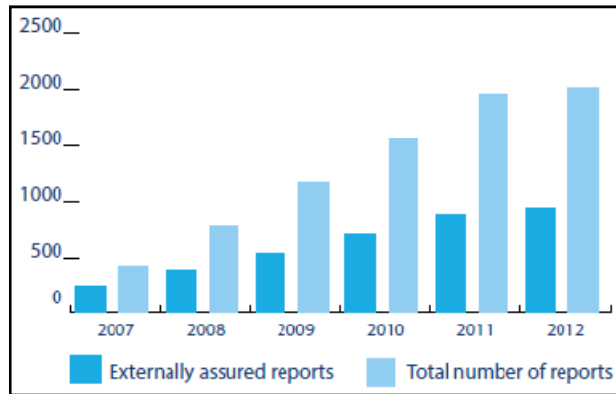
²⁴ KPMG: Survey of Corporate Responsibility Reporting, 2013, p. 22, available at www.kpmg.com

²⁵ <http://database.globalreporting.org>, approached on Jan 1st 2014

²⁶ GRI (a): The external assurance of sustainability reporting, 2013, p. 7, available at www.globalreporting.org

²⁷ Ibid.

Figure 2: **Number of GRI reports registered in the GRI Database and the number of reports that included some type of external assurance statement**



Source: GRI, The external assurance of sustainability reporting, 2013, available at www.globareporting.org

The newest KPMG survey from 2013 gets to similar conclusions. The survey has shown that 59% of the G250 and 38% of N100 companies currently use assurance as a strategy to verify and assess their corporate responsibility data. The comparison of KPMG annual surveys (e. g. 2002, 2005, 2008 and 2011) suggests that the sustainability reports are more commonly assured, at least among larger companies. For example, in 2002 the number of reports with a formal slightly assurance statement was 29% for the G250 and 27% for the N100 companies, which is much more less than nowadays. In 2002 there has been criticism that third-party verification do not always convey the extent of the work undertaken and the extent of problems indentified during the process.²⁸ In comparison, in the 2008 companies stated that the credibility of the report and the quality of the reported information are the main drivers for seeking assurance on a report.²⁹ In the 2008 the desire to enhance credibility is also the most frequent driver for companies to seek assurance, with improving the quality of reported information close behind.³⁰ According to the newest KPMG's study 67% of companies which disclose their sustainability reports choose to have their reports assured by major accountancy firms.³¹ Apart from studies conducted by the GRI and the KPMG, only few researches about assurance of sustainability reports are conducted. One of them is the study from the 2004, sponsored by CPA Australia³², which showed a marked variation over geographic regions with respect to who provides assurance on sustainability reports. In the four major regions classified in the CPA Australia study, audit firms provided assurance on 87% of reports in Japan, 60% in continental Europe,

²⁸ KPMG: International Survey of Corporate Responsibility Reporting, 2002, p. 21, available at www.kpmg.com

²⁹ KPMG: International Survey of Corporate Responsibility Reporting, 2008, p. 62, available at www.kpmg.com

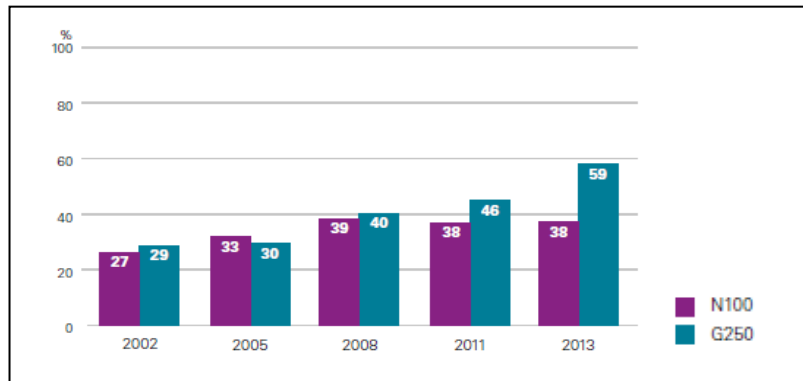
³⁰ KPMG: International Survey of Corporate Responsibility Reporting, 2011, p. 28, available at www.kpmg.com

³¹ KPMG: Survey of Corporate Responsibility Reporting, 2013, p. 33, available at www.kpmg.com

³² CPA Australia is one of the world's largest accounting bodies with a membership of more than 144,000 finance, accounting and business professionals in 127 countries across the globe, <http://www.cpaustralia.com.au>

23% in the United Kingdom, and 15% in Australia.³³ The assurance of sustainability reports can be provided by major accountancy organisations, certification bodies, technical experts firms, specialist assurance providers and others. In 70% cases the assurer is one of the major international accountancy firms.³⁴

Figure 3: **Rates of assurance for corporate responsibility reporting**



Source: KPMG, The KPMG Survey of Corporate Responsibility Reporting, 2013, p. 33, available at www.kpmg.com

Some studies investigated the reasons why companies decide for assurance of their sustainability reports. As mentioned before as the main reason is emphasized enhancing credibility. The results of the research conducted by Simnett, Vanstraelen and Fong Chua support the argument that companies seeking to enhance the credibility of their reports and build their corporate reputation are more likely to have their sustainability reports assured.³⁵ Companies will begin seeking third-party assurance of their reports not only because of external pressure, but also because of the benefits that assurance brings. By improving transparency, third-party assurance shows that the company is serious about addressing the issues tied to its social, environmental and economic performance, and it also helps mitigate the reputational risk of reporting, especially that of having to restate performance information because of inaccurate data.³⁶ Assurance sends a message that the report is relevant, reliable and free from bias. Third-party providers can sometimes recommend ideas for improving business processes, leading to more efficient management of the organization overall, but also some executives who sign the report may desire third-party assurance to protect their personal reputations.³⁷ Having sustainability reports audited also helps to verify data used to set reduction goals, because having a third-party entity audit a report helps

³³ Simnett, R., Vanstraelen, A., Fong Chua, W.: Assurance on Sustainability Reports: An International Comparison, *The Accounting Review*, Vol. 84, No. 3, 2009, p. 942

³⁴ KPMG: International Survey of Corporate Responsibility Reporting, 2008, p. 63, available at www.kpmg.com

³⁵ Simnett, R., Vanstraelen, A., Fong Chua, W.: op. cit., p. 965

³⁶ Ernst & Young: Climate change and sustainability – Seven questions CEOs and boards should ask about 'triple bottom line' reporting, 2010, p. 19, available at ey.com/climatechange

³⁷ Ibid.

organizations assess whether their performance goals are being measured properly.³⁸ Therefore independent assurance is needed to improve the quality of these disclosures.³⁹ Park and Brorson emphasized internal improvements that company can accomplish by the third-party assurance of sustainability reports (table 4).

Table 4: **Internal improvements driven by the third-party assurance process**

Examples of internal improvement driven by the third-party assurance (listed by an importance)
Improvement of underlying system and processes by assisting the company with: <ul style="list-style-type: none"> - development of indicators (KPIs), - structuring the documentation regarding the various legal requirements - improvement of system and processes for the data collection from different reporting units.
Creating more respect for the process and the area of reporting concerned.
Advice on what to report / where to focus.
Improve the presentation of the report: <ul style="list-style-type: none"> - clear description on estimated figures, - improve the comparability of indicators over time.
Help the company to elicit the stakeholder opinions by providing stakeholder dialogue.

Source: Authors according to Park, J, Brorson, T.: Experiences of and view on third-party assurance of corporate environmental and sustainability reports, Journal of Cleaner Production, No. 13, 2005, p. 1103

KPMG also states that companies can gain significant internal benefits from external assurance of their sustainability reports. Assurance often provides opportunities to identify and drive process and performance improvements through the organization, but the use of assurance has also provided opportunities for organizations to sharpen their corporate responsibility reporting to deliver more value to management, customers, investors and stakeholders.⁴⁰ In KPMG believe that the use of assurance mechanisms will be critical to further improving the data quality and management. Given that the design and implementation of an effective assurance system takes considerable time, companies would be well advised to start this process as soon as possible.⁴¹ Based on that it can be said that independent assurance of company's sustainability report is vital to securing the trust of stakeholders, who examine how well the report addresses them the issues of greatest materiality. Therefore, the benefits of assurance of sustainability reports can be summarised in the following: enhancing credibility; providing confidence to stakeholders that company's reporting is complete, accurate and balanced; providing useful independent assessment of how well the report communicates key sustainability issues, how well sustainability strategies are embedded throughout the organisation, and the efficiency and accuracy of key

³⁸ Ibid., p. 20

³⁹ Gray, R.: Thirty years of social accounting, reporting and auditing: what (if anything) have we learnt?, Journal of Business ethics: A European Review, Vol. 10, No. 1, 2001, p. 14

⁴⁰ KPMG: International Survey of Corporate Responsibility Reporting, 2011, p. 3, available at www.kpmg.com

⁴¹ Ibid., p. 29

information management systems.⁴² Another thing that is also important to mention is the role of the management accountants in the process of sustainability reporting and ensuring information for external assurance. There is a need for their more involvement, in order to enhance sustainability reporting and assuring practice. With management accountants being actively involved in the cost-benefit analysis of the various corporate responsibility decisions, their potential role in enhancing and supporting the corporate responsibility assurance process becomes invaluable.⁴³

3. THE LEVEL OF ASSURED SUSTAINABILITY REPORTS OF HOTEL COMPANIES

Hotels are increasingly recognising the need for greater disclosure on both positive and negative impacts on the environment and society with the aim of demonstrating transparency and accountability. Although they are not the leaders in such practice, more and more of them regularly disclose sustainability reports. Accompanying such reports are various assurance statements which largely involve independent third-party verification or audit of the contents of sustainability reports. Given the growing trend in both hotel sustainability reporting as well as assurance of their sustainability reports, it appears that analysis of the level of assurance of hotels' sustainability reports is both timely and warranted. In order to determine the level of assurance of hotels' sustainability reports we examined the data disclosed in the GRI database and EMAS Register on the Internet. In the GRI database⁴⁴ we found information for 37 hotels and hotel companies domiciled in 17 countries. All of them prepare and disclose sustainability reports according to GRI principles, and have GRI G.3 (A, B or C) status. The GRI status depends on the application level check, which confirms the extent to which a report has addressed the disclosure items in GRI Sustainability Reporting Framework and Guidelines. The check helps to make reports more comprehensive for report users by confirming the completeness and correctness of a report's GRI Content Index – and its effectiveness as a navigation mechanism for report users.⁴⁵ The status of plus "+", signifying external assurance, can be added to a GRI application level when a reporting hotel has submitted all or part of its report for external assurance. GRI accepts the reporter's own choice of assurance provider and the scope of the assurance. Because GRI does not assess whether the external assurance for a report meets the key qualities for assurance identified by GRI, they offers no opinion on whether the "+" is justifiable. GRI only confirms that an assurance statement has been published in the reporting. So, GRI recommends the use of external assurance for sustainability reports in addition to any internal resources, but does not require it.⁴⁶ As regards hotels in the sample, only one third of them assures their sustainability reports. In fact, for only 10 hotel sustainability reports in the sample their preparers stated they are assured, and

⁴² Deloitte: Corporate sustainability reporting and assurance, 2010, p. 2, available at <https://www.deloitte.com>

⁴³ Subramaniam, N., Hodge, K., Ratnatunga, J.: Corporate Responsibility Reports Assurance Trends and the Role of Management Accountants, JAMAR, Vo. 4, No. 2, 2006, p. 8

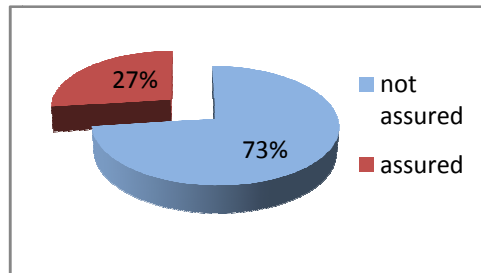
⁴⁴ GRI database, <https://www.globalreporting.org/reporting/report-services/sustainability-disclosure-database>

⁴⁵ www.globalreporting.org

⁴⁶ GRI: G4 Sustainability Reporting Guidelines – Implementation Manual, 2013, p. 51, available at www.globalreporting.org

therefore they have the “+” status. Of those 10 hotels, 7 are large hotel companies. By ownership structure 9 of 10 are private companies, and 1 is state-owned company. Listing status on the stock exchange has 7 of 10 hotels.

Figure 4: **The level of assured hotel sustainability reports prepared according to GRI principles and presented in the GRI Database**



Source: Authors according to the data from GRI Database, <https://www.globalreporting.org/reporting/report-services/sustainability-disclosure-database> (January, 25, 2014)

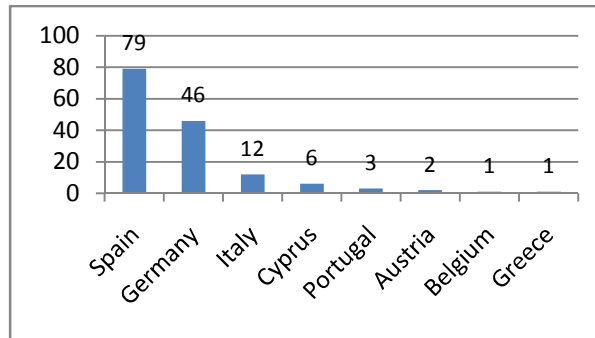
Another initiative which promotes sustainability of the organisations, as well as hotels, especially in the area of environmental responsibility is Eco-Management and Audit Scheme (EMAS). EMAS is a voluntary tool available for any kind of organisation aiming to improve its environmental and financial performance, and communicate its environmental achievements to stakeholders and society in general.⁴⁷ It is a voluntary environmental management system for evaluating and improving environmental management performance in organizations, and also for informing public about organizations' achievements in the domain of environmental protection.⁴⁸ EMAS requirements especially emphasize the importance of open dialogue with stakeholders and the relationships of organization, as well as hotels, with the environment in which it operates. Therefore, all registered participants of EMAS periodically publish a report on the environment and submit it for review by the authorized body. Unlike the GRI, EMAS is focused on environmental responsibility, and EMAS participants are obligated to assure their environmental statements. Currently, more than 4.500 organisations are EMAS registered and recorded in EMAS Register⁴⁹. Of that number only 150 (3%) refers on hotels. Those 150 hotels are domiciled in 8 European countries, mostly in Spain and Germany.

⁴⁷ <http://ec.europa.eu/environment/emas>

⁴⁸ Ibid.

⁴⁹ EMAS Register, <http://ec.europa.eu/environment/emas/register>

Figure 5: Number of hotels with EMAS registration



Source: Authors according to the data from EMAS Register, <http://ec.europa.eu/environment/emas/register> (January, 25, 2014)

The main feature of the EMAS requirements is an environmental statement. The aim of an environmental statement is to provide environmental information to the public and other interested parties regarding the environmental impact and the continual improvement of environmental performance of the organisation. The environmental statement discloses results and compares them to the environmental objectives of the organisation. It summarises significant environmental information, facts and figures in a structured manner. For EMAS participants is obligatory that independent and accredited or licensed environmental verifiers perform a thorough quality check of the statement. This means that verifier is responsible for validating that the information in the environmental statement is accurate and reliable. That is one of the minimum requirements that environmental statement has to include, and is defined by the Regulation (EC) No 761/2011 of the European Parliament and the Council (Anex 3, 3.3.)⁵⁰. In order to learn more about the content of the assurance statement of hotel's sustainability report, issued by independent verifier, we examined independent assurance report to the management of NH Hoteles S. A.⁵¹, made by KPMG. At the head of the assurance statement the assurer describes the object of the assurance. In the case of NH Hoteles it was the non-financial information contained in the Annual Report – Corporate Responsibility for the year 2012. The information reviewed corresponds to the economic, environmental and social indicators referred in the chapter entitled “GRI indicators”. After that in the first paragraph of the assurance statement the assurer identified management responsibility for the preparation and presentation of the Report in accordance with the Sustainability Reporting Guidelines version 3.1 of the GRI; and also for the information and assertions contained within the Report; for determining its objectives in respect of the section and presentation of sustainable development performance; as well as for establishing and maintaining appropriate performance management and internal control systems from which

⁵⁰ Regulation (EC) No 761/2011 of the European Parliament and the Council, <http://eur-lex.europa.eu>

⁵¹ Independent Assurance Report to the Management of the NH Hoteles S. A. is a part of the NH Hoteles Annual Report 2012 – Corporate Responsibility. It was taken from the GRI Database available on <https://www.globalreporting.org/reporting/report-services/sustainability-disclosure-database>. NH Hoteles is a hotel corporation with 391 urban and resort hotels in 26 countries across Europe, Americas and Africa.

reported performance information was derived. After information about responsibility of hotel management, follows the explanation of the assurer responsibility, refer to carrying out a limited assurance engagement⁵² and issuing the assurance report. The assurer conducted its engagement in accordance with ISAE 3000, "Assurance Engagements other than Audits or Reviews of Historical Financial Information" issued by IFAC, and with the Performance Guide on the revision of Corporate Responsibility Reports by the Instituto de Censores Jurados de Cuentas de Espana (ICJCE). The assurer's main responsibility was to obtain limited assurance about whether the Report is free from material misstatement and that they comply with ethical requirements. In case of NH Hoteles assurance engagement work has consisted of making inquiries to persons responsible for the preparation of information presented in Hotel's CR report. The procedures for gathering information was as follows: a) interviews with relevant staff concerning the application of sustainability strategy and policies; b) interviews with relevant staff responsible for providing the information contained in the Report; c) analysing the processes of compiling and internal control over quantitative data reflected in the Report regarding the reliability of information by using analytical procedures and review testing based on sampling; d) reading the information presented in the Report to determine whether it is in line with verifier's overall knowledge of, and experience with, the sustainability performance of the Hotel; e) and verifying that the financial information reflected in the report was taken from the annual accounts of the Hotel, which were audited by independent third parties. At the end of the assurance statement the assurer gave the opinion in the form of negative assurance because it is the main characteristic of limited assurance engagement. The assurer stated that the data included in the Annual Report – Corporate Responsibility of NH Hotels S. A. for the year ended 31 Dec. 2012 have not been reliably obtained, that the information has not been fairly presented, or that significant discrepancies or omissions exist, nor that the Report is not prepared, in all material respects, in accordance with the G3.1 of the GRI. The assurer also provided NH Hotels management with an internal report outlining their complete findings and areas for improvement. From the case study of NH Hoteles can be realised that the assurance statement gives stakeholders (hotel guests, hotel business partners, local authorities and public community) confidence that the sustainability data in the hotel's report is accurate and credible. Assurance pertains to the way the organization's performance has been reported, it assures a balanced, accurate and complete representation of the outcomes that may influence stakeholders in the areas they consider important.⁵³ Therefore, hotels that are not yet assured their sustainability statements have to consider the structured approach for sustainability report to be transparent and withstand scrutiny, as propose Deloitte (figure 6).

⁵² In a limited assurance engagement, the practitioner gathers sufficient appropriate evidence to conclude that the subject matter is plausible in the circumstances, and gives a report in the form of a negative assurance. Contrary, in a reasonable assurance engagement, the practitioner gathers sufficient appropriate evidence to conclude that the subject matter conforms in all material respects with identified suitable criteria, and gives a report in the form of a positive assurance. The extent of evidence gathering procedures performed in a limited assurance engagement is less than that for reasonable assurance engagement, and therefore also the level of assurance provided.

⁵³ Adams, C. A., Evans, R.: Accountability, completeness, credibility and the audit expectations gap, *Journal of corporate citizenship*, No. 14, 2004, p. 97-115

Figure 6: **Structured approach for sustainability report to be transparent and withstand scrutiny**



Source: Deloitte, Corporate sustainability reporting and assurance, 2010, p. 2, available at www.deloitte.com

The phases from A to F can be explained as the conditions which hotel has to accomplish for sustainability report to be made out according to principles of sustainability reporting and to be adequate for stakeholders. However, hotel also has to have resources to make sustainability report. An individual or team can lead on the process, but the inclusion and the commitment of the hotel's management are needed. It is also helpful if someone has experience in social and economic research methods. Working hours also have to be considered because preparing of sustainability report requires compiling, analysing and writing up information, which all need some time.

CONCLUSION

Hotels are increasingly expected to be responsible not only for profit maximisation for their owners but also to behave in a socially responsible manner. Consequently they provide sustainability performance data as a helpful tool for assessing their current financial, environmental and social “bottom lines” as well as future prospects. But disclosing of sustainability performance data is only meaningful if sustainability reports are perceived as being relevant and reliable. External assurance can provide both external and internal report users with increased confidence in the quality of sustainability performance data. For hotels providing independent assurance of sustainability reports is vital to secure the trust of their stakeholders. It instils confidence that what they are reporting about their sustainability performance has been subject to proper scrutiny. From external assurance hotels can also gain significant benefits. Assurance can provide opportunities to identify and drive process and performance improvements through the hotel, and also can provide opportunities for delivering more value to management, guests, investors and other stakeholders. However, analysing the data about assurance of hotels’ sustainability reports we get to conclusion that hotels definitely are lagging behind in sustainability reporting practice compared to other companies, and only small number of them are assuring their sustainability reports. The reasons for that can be associated with the lack of adequate reporting methodologies, financial and human resources, as well as information technologies, or simply with management unawareness of the importance of such

reporting and assurance practice for improving hotel's image, competitiveness, and sustainability. Those barriers have to be overcome to make hotels' sustainability reporting and assurance a reality.

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