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# POSSIBILITIES OF NON-FINANCIAL REPORTING IN THE HOSPITALITY

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## Abstract:

Apart from standard financial indicators, monitoring and the analysis of hotel operations are characterized by specific indicators for this activity (GOP, GOPPAR, REVPAR, TREVPAR etc.), but non-financial indicators that we find in the companies' non-financial reports have a large share in the rating and ranking of hotel operations. Non-financial reporting contains reports on sustainability and corporate social responsibility and EU Directive 2014/95/EU on non-financial reporting, which was implemented in the legislation of the EU member states by the end of 2016, has been in force since December 2014. The set of these reports consists of documents that report on the ecological, social and economic sphere of companies' operations and they contribute to the analysis of strategies and business positioning, which is interesting for stakeholders (external and internal). In this paper, the basics of non-financial reporting will be presented through the prism of company's operations in the field of hotel business.

## Keywords:

non-financial reporting, social responsibility, hospitality

## INTRODUCTION

Sustainability and corporate social responsibility report is increasingly represented in the world practice of responsible companies, which enables them to monitor their economic, ecological and social impacts and inform the interested public about this. According to Malinić & Savić (2011), traditional financial reports are adequate for an industrial era, but not for an IT era. What is more, the mentioned authors think that financial statements cannot fully meet the expectations and needs of stakeholders, so the solution is found in supplementing financial information with non-financial information which complements the company image.

Beke-Trivunac (2016) points out that non-financial reporting has multiple tasks, to inform stakeholders in the organization better, to help the management to comprehensively analyze all the business components of the company it manages and provide a better insight into organization activities which are of public interest or public good. It is Dolamić (2016) who points out that every non-financial report should include: a brief description of the company's business model; a description of the company's policies related to the above issues, including the detailed analysis being carried out; the results of these measures; the underlying risks associated with those issues related to the company's operations including, where relevant and proportional, its business relations, products or services that may cause adverse effects in those areas, and the manner in which the company manages those risks; non-financial key performance indicators important for a particular business.

According to Vićentijević (2016), methodology for the entities subject to tax for the preparation of non-financial reports is not prescribed by Directive 2014/95/

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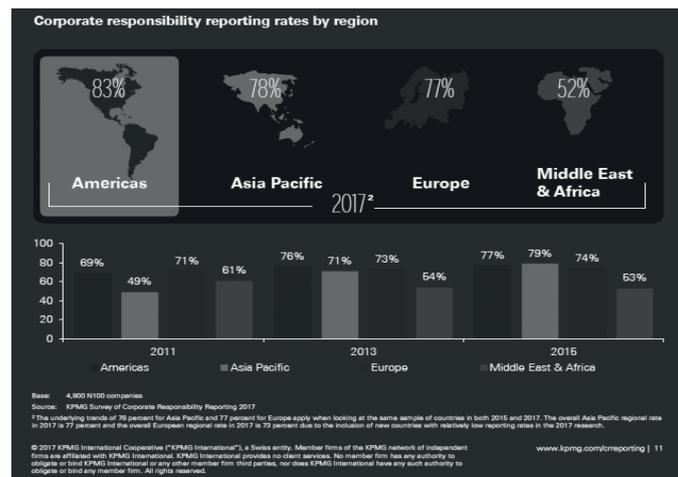


EU. They may apply one of the following regulations: national regulations, guidelines of the EU eco-management and audit scheme (EMAS), GRI reporting guidelines, OECD guidelines, UNGC, UNGP for business and human rights, ISO 26000, ILP Tripartite Declaration. It is this diversity and freedom of choice that leads to discrepancy in data and their incomparability, when it comes to the way of non-financial reporting. In this regard, stakeholders (mainly investors) believe that non-financial reports should be unified like the financial ones, so that the information from the report can be valorized in making investment decisions (Knežević, Pavlović & Stevanović, 2017).

In its latest report, KPMG (2017) provides an overview and comparison with the data from the previous report of 2015, and when it comes to the segment of America non-

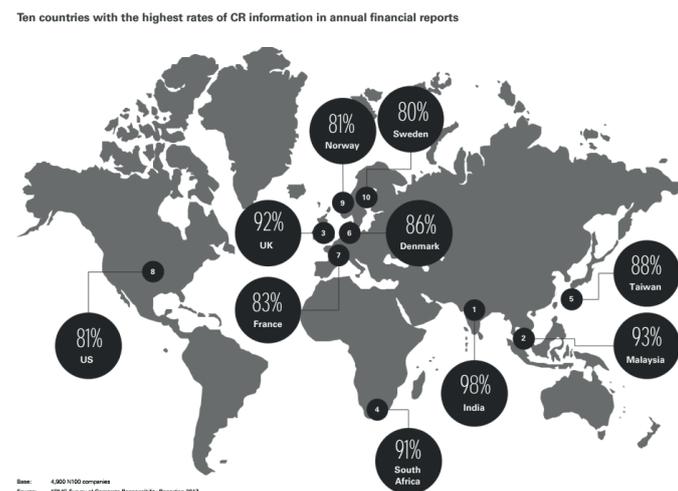
financial reporting is in a significant increase of 6%, while for the segment of Europe the situation is mixed. Namely, the results show a growth of 3%, but at the same time internal data of KPMG suggest that the reporting rate in the countries of Eastern Europe is still not satisfactory, and that the impact of European directive on non-financial reporting has not yet been completely felt (Figure 1). At the same time, in the survey of corporate responsibility report, KPMG ranks the countries of the world according to the representation of non-financial reporting in 2017. Although there is a slight decline in the rate when it comes to the segments of Asia/Pacific and Middle East/Africa, there is a high rate of non-financial reporting in three countries from these regions - India 98%, South Africa 91% and Malaysia 93% (Figure 2).

Figure 1. Corporate responsibility reporting rates by region in 2017



Source: KPMG Survey of Corporate Responsibility Reporting 2017

Figure 2. Countries rank with the highest rates of non-financial reporting



Source: KPMG Survey of Corporate Responsibility Reporting 2017



In the case of the Republic of Serbia, a very small number of companies apply non-financial reporting, and the regulatory framework is not clearly defined. Nevertheless, Article 29 of the Law on Accounting (2013) clearly defines the form of the annual business report within which there are segments that form the elements of non-financial reporting. Public companies, as well as companies that are being prepared to become public in accordance with the legal regulations governing the capital market, are obliged to submit the annual business report according to the aforementioned Article of the Law (Vićentijević, 2016).

In this regard, Knežević, Pavlović & Stevanović (2017) state that in the following period the Government of the Republic of Serbia has a task to harmonize the Companies Law and the Accounting Law with Directive 2014/95/EU, in accordance with the strategic orientation towards accession to the European Union and to oblige the companies in the Republic of Serbia with more than 500 employees to disclose non-financial information required by Directive 2014/95/EU in the consolidated business report or in the form of a separate report. In a survey conducted by the authors, on a sample of companies that trade on the Belgrade Stock Exchange within the BELEX 15 basket, it was observed and concluded that only one (NIS JSC) of the eleven analyzed companies published an independent non-financial report. The remaining ten companies implemented partial non-financial data in the annual business report (Knežević, Pavlović & Stevanović, 2017).

## REVIEW OF NON-FINANCIAL REPORTING IN THE FIELD OF HOSPITALITY

On the global level, in all economic activities, the application and reporting on indicators related to corporate social responsibility is of great importance. We should bear in mind that in the hotel business, specific indicators related to this activity - GOP, GOPPAR, REVPAR, TREVPAR and financial indicators, so-called ratio numbers that we obtain by insight and accounting from financial statements, are important when it comes to decision making and performance evaluation. We should also point to non-financial indicators that are not irrelevant and have a significant impact on ranking when it comes to hotel business. There are a number of non-financial indicators conditioned by segments of social responsibility that affect and express the level of hotel service quality, satisfaction and guests loyalty, location of the facility, employees motivation, etc., which indirectly contributes to the degree of capacity utilization and business result of the hotel company.

Corporate social responsibility in hotel industry implies the necessity to monitor the mission, to have a vision and business strategy in its business activities. At the

same time, the application of principles of corporate social responsibility implies the integration of ecological and socio-economic segments important for successful business operations. Garrick (2015) points out that if hotel operators adopt and integrate segments of corporate social responsibility into their organizational strategies, they can facilitate the innovation, increase and/or improve organizational competitiveness and at the same time contribute to solving social problems.

Hotel companies business should be valued by international standards that affect the management and quality of business, resulting in a business outcome. In this sense, there are several standards that hotel companies can implement in their business, whether they are integrated into business processes or advisory. According to Barjaktarović (2016), the current standards, which are in synergy with CSR and are recommended to be used by hotel companies, are the following: standards of the ISO 9000 series, standards of the ISO 14001 series – Environmental Protection Management, Food Safety Standards (HACCP, ISO 22000, HALAL), OHSAS 18001 – Occupational Health and Safety Management System, ISO 26000 – Corporate Responsibility Guidelines, ISO 50001 – Managing Energy Efficiency in Hotel Industry. According to Legrand, Sloan & Chen (2013) the application of sustainable business principles influences the profitability resulting from the implementation of environmental management standards and energy efficiency standards that affect the cost savings in business processes in hotel facilities.

According to the data of the competent Ministry (2018), Serbia has a total of 394 categorized facilities. Categorized accommodation facilities have registered their business in different legal forms (entrepreneurs, LLC, JSC) and therefore the manner and scope of their financial reporting varies. In this regard, we would like to emphasize the obligation to submit financial reports as a legally prescribed activity and the companies located on the Belgrade Stock Exchange (Sector I - Accommodation and Nutrition) are obliged to submit the annual business report as well. By analyzing the prospectus of companies listed in Sector I, the annual business reports with the focus on financial reporting have been found. Information on corporate social responsibility activities (non-financial indicators) is mentioned minimally and it is mainly related to investments in the energy efficiency of the facility or environmental protection by the company, which is very sporadic.

## ANALYSIS OF THE SAMPLED NON-FINANCIAL REPORT IN THE HOSPITALITY SEGMENT

When it comes to situation analysis of non-listed hotel companies reporting, the results are identical. Namely,



when submitting a business report from companies operating in the field of accommodation and food, it is possible to find annual business reports which provide minimum information on activities that point to indicators from the domain of non-financial reporting.

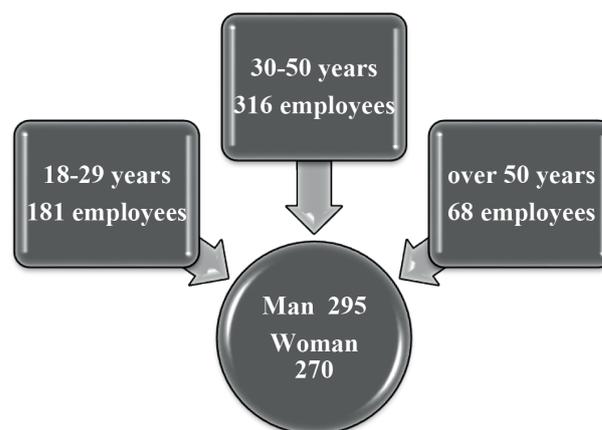
Delta Holding company, which consists of Delta Real Estate Group, is in the focus of our analysis. Delta Holding is a corporation that fully recognizes the importance and necessity of socially responsible behavior and business. Socially responsible behavior has been adopted by Delta Holding as a business principle that is achieved through the quality of products and services provided, employees development, environmental protection and relations with the social community, which has been regularly published in so-called CSR reports since 2009 ([www.deltaholding.rs/odrzivi\\_razvoj/princip\\_poslovanja.160.html](http://www.deltaholding.rs/odrzivi_razvoj/princip_poslovanja.160.html)). In the past seven years, the company has been working on CSR reports using the GRI2 (Global Reporting Initiative) methodology that ensures transparency, measurability and comparability of the data presented in the reports. The report for 2017 is in accordance with the GRI, G4 methodology, Core Level and it also meets the requirements of the advanced level of progress report on the United Nations Global Compact. In order to independently verify the report, Delta Holding Company hired the audit firm KPMG in 2018 ([www.deltaholding.rs/press\\_room/saopstenja\\_za\\_medije/Delta-Holding-predstavio-deveti-izvestaj-o-odrzivom-i-odgovornom-poslovanju.281.html](http://www.deltaholding.rs/press_room/saopstenja_za_medije/Delta-Holding-predstavio-deveti-izvestaj-o-odrzivom-i-odgovornom-poslovanju.281.html)).

Delta Real Estate Group, as a member of Holding, implements business activities in the field of strategic planning and projects development, construction and issuance of shopping malls, retail parks and business premises, and the construction and management of hotel facilities ([www.deltarealestate.rs/kompanija/o\\_nama.50.html](http://www.deltarealestate.rs/kompanija/o_nama.50.html)). Delta Real Estate Group focused in one segment of business on hotel industry and in 2007 started business cooperation with the InterContinental Hotel Group (IHG). At the beginning of 2014, with the reconstruction of the existing hotel facility, with an investment of 40 million Euros, a new hotel of the world brand – the Crown Plaza was opened in Serbia. Operating to the highest standards of IHG in 2014, the Crown Plaza Hotel in Belgrade was ranked as the best Crown Plaza hotel in Europe. Partnership with IHG continues in 2016 by taking over the Holiday Inn Hotel in New Belgrade and by building and opening the InterContinental Hotel in Ljubljana in 2017. In the privatization process, Delta Real Estate Group became the owner and started managing the Park hotel and the Nacional hotel located in Belgrade. What is more, the project of building the Indigo brand hotel in the center of Belgrade is also present and according to the CSR information, the value is 7.6 million Euros and the latest state-of-the-art ecological materials will be used in the construction.

When reviewing and analyzing non-financial report - CSR report on the business of Delta Holding for 2017, significant information about the operations in the area of hospitality is related to the information regarding the business of the Crown Plaza Hotel in Belgrade. The hotel has 416 rooms, 14 meeting rooms, three restaurants, a spa center and a swimming pool. The dishes in restaurants are conventional, vegan, gluten-free or prepared in accordance with HALAL standard. The food is controlled by the FTC (Food Testing Center) once a month, while IHG checks the food quality once a year. The hotel is fully accessible to people with disabilities (PWD) and accordingly offers menus in Braille to the guests. For the purpose of promoting a healthy life, the guests of the hotel have bicycles and maps with drawn running paths at their disposal. Additional services were introduced at the Crown Plaza Hotel in Belgrade in 2017: menu innovation at Prime Restaurant twice a year, IHG program Children Eat Free, Barista coffee station for breakfast, Fresh Juice station, music programs during Sunday lunch, free Food Tasting program for organizing private events, specialized service packages for holidays and seasonal events.

The situation analysis, which was based on the review of the CSR report for 2017, the part referring to employees, points to the fact that a total of 3317 people were employed in Delta Holding in 2017. 565 of them were employed by Delta Real Estate Group. The structure of employees is given in the picture 3. All the employees are familiar with the ethical code, rights and obligations that they have in accordance with the principles of communication, non-discrimination, abuse, mobbing and alerting at workplace.

Figure 3. Age and gender structure in Delta Real Estate Group



Source: Author according to data from CSR Report 2017. year

During the year, the employees have necessary professional practice and trainings and there were 7253 hours of training for employees from all sectors of the company



in the field of safety, health at work and fire protection in 2017. Also, in 2017, about 400 young people acquired knowledge and skills within the practice intended for pupils and students in Delta Holding, so in the Crown Plaza Hotel in Belgrade more than 290 pupils and students attended the IHG Academy.

When it comes to environmental protection, the scope of activities in this direction is generally accepted by Delta Holding (CSR, 2017: 63). Namely, management and employees know how important environmental protection is for human health, and in order to develop the awareness of employees that the company can contribute greatly to environmental protection by corporate responsibility, a special part has been created on the internal portal "eco corner". Employees have the opportunity to be informed about the current global and local challenges and measures for their overcoming in this section. Bins for sorting waste and posters with tips for saving water and energy are placed in the business premises of the company. Throughout the year, the company's management organizes different lectures for employees, which help them to adopt and properly apply the principles of environmental protection. Managers of Delta Holding are engaged as members of expert teams dealing with the improvement of laws and regulations in the field of environmental protection. According to the CSR report (2017: 66), the applied energy efficiency measures indicate that a modern and comprehensive building management system (BMS) has been implemented in Delta Real Estate Group hotels. Its application allowed monitoring the work in all sectors, as well as the power devices which are used in facilities, in order to maximize savings. The system functions according to the principle of conditionality of the visitors' number and external influences (natural light and air temperature), so according to these factors the operation of heating and cooling devices is adjusted.

When it comes to environmental protection and energy efficiency standards, the Green Engage program is implemented in the Crown Plaza Hotel in Belgrade, which aims to reduce the harmful impact of hotel business on the environment and increase energy efficiency. The service is constantly enhanced by technical improvements and expansion of the offer in all sectors of the hotel. In accordance with the aforementioned, the CSR report (2017: 66) states that the Crown Plaza Hotel in Belgrade further reduced the electricity consumption by replacing 100 bulbs in decorative reflectors with LED module lamps. It is estimated that about 13,800 kWh of electricity will be saved annually. Furthermore, 12 panels with 96W fluorescent tubes have been replaced with 45W LED panels. The expected annual savings is 3,840 kWh of electricity. At the same time, in compliance with the application of standard, the company also takes care of water consumption, in accordance with the principles of sustainable tourism.

The staff and guests of the hotel are reminded in written instructions to rationally use water when having a shower, washing their hands and face. Ecological biodegradable products are used in the kitchen and household sector. 137 existing filters were replaced with water saving ones in the Crown Plaza Hotel in 2017 and the expected annual savings is 3,800m<sup>3</sup> of water. When we analyze waste management segment, the results in the CSR report (2017: 70) are given in the form of data related to the quantity of disposed non-hazardous waste of 96.48 tons and hazardous waste of 2.02 tons at the operations level of the entire Delta Real Estate Group. Waste disposal operations are carried out in cooperation with the non-profit organization Delta Pak, which is a part of Delta Holding.

In 2017, the focus was on adopting a new way of communicating with guests in order to make the information clearer and more accessible. In order to show respect for clients and nurture loyalty, sales and marketing department sends greeting cards to guests on national holidays, anniversaries, traditional holidays and other occasions. During the year, the quality of service is evaluated through questionnaires sent to each guest whose e-mail address is recorded in the operational program of the hotel. Guest satisfaction is monitored through the internal IHG platform Medallie. Guests receive questionnaires and express their opinion on all segments of service. The result of the assessment in 2017 was 92.47%. Complaints and negative guest comments are answered within 72 hours. Records of complaints are received by all relevant departments in order to avoid the situation causing the appeal in the future. Reasonable complaints are accepted through additional reward points, additional services or benefits for the next arrival (CSR, 2017:40). Creating additional value for regular guests is achieved through two loyalty programs of the IHG System: IHG Rewards Club and the Meeting Rewards Club. Both programs guarantee additional benefits if you book a room or a meeting room. There are also special benefits for guests who book rooms through the IHG site. In 2017, the implementation control of cash management standards was also carried out by IHG Group within the cash audit program. Throughout the year, the standards of work are improved and harmonized with the amendments of the IHG brand standards which are reviewed every three to four months.

Business quality and sustainability commitment have contributed to Crown Plaza hotel in Belgrade being awarded by IHG for the following positions: IT Manager Star Awards (Do the right thing), IT Manager Star Awards (Work Better Together) and Technology Manager for 2017 for excellent business results. Furthermore, they have been given the Ambassadors of Good Service award in the Reception category by the Ministry of Trade, Tourism and Telecommunications and the Tourism Flower Editorial Team.



Thanks to these activities related to corporate social responsibility, the Crown Plaza Hotel in Belgrade had 109,228 overnights, 71.5% of capacity and revenue of 13 million Euros in 2017 (CSR, 2017:40). Among European hotels of the same brand the Crown Plaza hotel in Belgrade has won the following awards: the first place for the employees satisfaction, the second place as a hotel that guests would recommend and the third place as a hotel which would make the guests stay loyal to the brand. The average rating score for the hotel was 8.7 (very good) on Booking.com, 4.5 on Trip Advisor portal and 8.4 (very good) on Trivago portal. The hotel was rated with a high rating of 4.8 according to the survey and comments made by guests on the site.

## CONCLUSION

Pioneers in the implementation and monitoring of non-financial reports and activities from the domain of corporate social responsibility in Serbia are foreign-owned companies that have invested in this market, but operate according to the standards of domicile countries. Companies dealing with hotel business in Serbia do not have transparent reports on corporate social responsibility, so-called non-financial reports, and the knowledge about significant information from this type of report can certainly affect the choice of users of services/guests. When it comes to reporting on hotel business, one of the obstacles in the realistic view of our research, so-called restrictions on research, is the fact that a large number of hotels in Serbia operate within companies that are mostly engaged in business, i.e. economic activity from another area (construction, production, etc.). Since hotel industry is one of many sectors, business report is unified within the entire company.

The results of CSR report analysis indicate a multidimensional approach to reporting, which GRI reports and implies, from the aspect of economic, social and environmental issues. In this paper we tried to find and analyze the data and facts related to the operations of Delta Real Estate Group from the consolidated CSR report on sustainable and responsible business of Delta Holding in 2017, focusing on the data for the Crown Plaza Hotel in Belgrade as an integral part of the group, wherever possible. Bearing in mind the findings and data that are collected and published in the CSR report, as well as their significance, it is very important to start this topic when it comes to non-financial reporting in the hotel industry. Based on the data that can be found in the previous business, with regard to socially responsible and sustainable business, it is possible to significantly influence certain corrections in the planning process when it comes to investment business, financial planning, promotional activities, etc.

Therefore, the goal of companies in the field of hotel industry is to focus on implementation, monitoring and reporting related to socially responsible and sustainable business activities. If we look at the complexity of the hotel company business, the application of these strategies can improve and/or increase competitiveness in the tourism market, which inevitably leads to better business / financial performance. It also influences innovation in business, as well as social contribution to the community and sustainable tourism awareness.

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