

Review paper

## SUSTAINABILITY REPORTING – THEORETICAL FRAMEWORK AND REPORTING PRACTICE IN THE SERBIAN OIL INDUSTRY

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**Abstract.** *The purpose of this paper is to analyze the achieved level of disclosure of information about economic, environmental and social aspects of business in the Serbian oil industry. Since sustainability reporting in the Republic of Serbia is still in its infancy, we focus the first part of the paper on the review of literature with the purpose of pointing to the need and importance of such reporting. Practice has shown that global companies from the oil sector generally opt for the GRI Guidelines and IPIECA Guidance, which is why the second part of the paper briefly points to their essence and to initiatives of other institutions and organizations. Comparative analysis of the sustainability reports of the Serbian oil company NIS a.d. and the world-famous oil company British Petroleum PLC has shown that reporting on environmental and social aspects of business in the Serbian company has been conducted for the last three years. Although progress has been made in the field of reporting, compared with the sustainability report of BP PLC, further improvements are necessary.*

**Key Words:** *sustainability, reporting, GRI, oil industry.*

### 1. INTRODUCTION

In the contemporary business environment, corporate social responsibility is in many industries becoming *conditio sine qua non* of survival and development of companies, as well as the factor that affects the business value of firms. The concept of corporate social responsibility has evolved from the idea that the goal of a company is not only to make profit, but also to comply with the laws and ethical principles and be a good corporate citizen. Rather than operating in isolation from the society around them, companies are an integral part of the society and their competitiveness depends precisely on the

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conditions and circumstances under which they work. In this sense, corporate social responsibility is becoming one of the main strategies of companies in the contemporary changeable business environment. By adopting this business strategy, harmonization of relations and convergence of interests of the business community and the wider social community is achieved.

Corporate social responsibility implies sustainability in the long run. Three key dimensions of sustainable development involve economic, environmental and social dimension. Within that process, information needs of different users are becoming wider and enterprises are expected to publish standard financial reports as well as additional reports in which apart from financial effects of transactions, qualitative and quantitative information regarding all components of sustainable development of enterprises will be disclosed.

Bearing this in mind, and the fact that oil industry is one of the sectors in which the need for reporting on environmental and social aspects of business is particularly pronounced, this paper deals with the basic reporting guidelines and analyzes the sustainability reports of the Serbian oil company (NIS a.d. Novi Sad) and one of the world's leading oil companies (British Petroleum PLC London, Great Britain). The aim of this approach is to conduct comparative analysis of the achieved level of sustainability disclosure in the oil industry of Serbia, due to the fact that Serbia does not have a long tradition of such reporting. In this sense, the paper is divided into three sections.

First, we review literature to highlight the need and importance of sustainability reporting. Since there is still no uniform framework for reporting on economic, environmental and social aspects of business, the second part will provide a survey of those frames that are commonly used. In doing so, special emphasis will be on the GRI guidelines that are turning into generally accepted reporting framework, as well as the guidance developed by other influential organizations, such as IPIECA, the principles of the United Nations Global Compact and others. Finally, the third part of the paper will present a comparative analysis of the sustainability reports of the Serbian oil industry NIS a.d. Novi Sad and the sustainability reports of BP PLC London, with the purpose of arriving at appropriate conclusions about the achieved level of disclosure in Serbia.

## 2. THE NEED AND IMPORTANCE OF SUSTAINABILITY REPORTING – LITERATURE REVIEW

When adequately incorporated into company's operations, corporate social responsibility (CSR) brings numerous benefits to the company, primarily in the form of increased value for the company's owners, greater customer value, increased market share, credibility in the society and sustainable growth of the company in the long run. The four components of the concept of social responsibility that make up the pyramid of corporate social responsibility are economic, legal, ethical and philanthropic responsibility, respecting which the company meets its obligations to the society (Krkač, 2007). The essence of corporate social responsibility is reflected in balancing the interests of different stakeholders and meeting their needs, while eliminating potential negative impacts on the environment and the society in general. Therefore, the success of company's business is no longer viewed on the basis of financial indicators only, but also on the basis of environmental and social performance indicators, which gives rise to the need to expand the existing model of external financial reporting.

Financial reporting, as one of the important elements of the financial system in each country, was in the last decades of the 20<sup>th</sup> century in Europe under the influence of the EU accounting directives. The establishment of a number of international organizations and institutions in this field, such as IASB, IFAC, IOSCO and others, resulted from the need to construct efficient and reliable system of harmonized financial reporting in the modern business environment. In the Republic of Serbia, main regulations of the financial reporting system are contained in the Law on accounting (2013) and the Law on auditing (2013). The rules that are applied in the field of financial reporting of Serbian companies stem from the application of International Accounting Standards. In fact, by passing the Law on Accounting and Auditing in 2002, Serbia accepted the direct application of IAS. Starting from 2003, banks, and from 2004 all companies, regardless of the size, had an obligation to apply IAS. Thereafter, the Law on Accounting and Auditing of 2006 exempted small entities from the obligation of applying IAS. The latest law of 2013 narrowed this group and obliged large entities and entities listed on the Serbian capital market to apply IFRS. Pursuant to the latest law, small and medium-sized entities apply IFRS for SMEs.

In conditions of new economy, reengineering of financial reporting occurs. The design of existing, traditional model of financial reporting intended for external users and based on the application of IFRS or other accounting standards cannot fully respond to the changing business conditions. Information needs of users, particularly investors, lenders and other creditors, are now directed not only at financial information, but also at planning information, operational information, information on corporate governance structure and non-financial information relating to environmental and social aspects of business. All this has led to the need to expand and improve the traditional model of external financial reporting (Krstić, 2002).

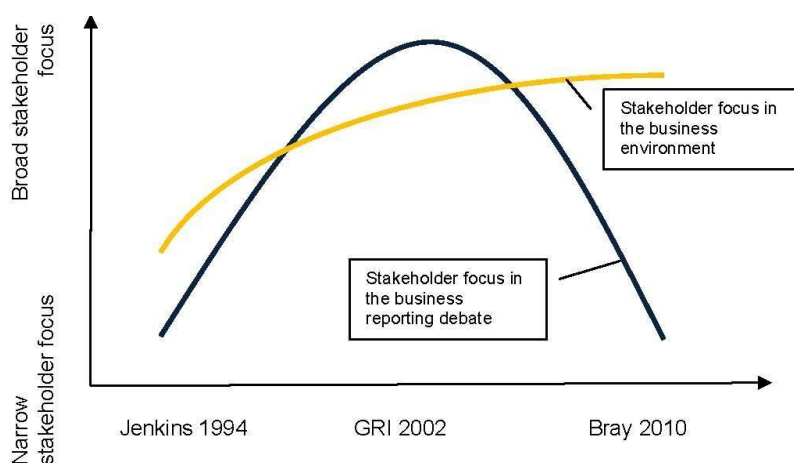
At the turn of this century, belief in the need for expansion and improvement of the traditional model of financial reporting has become almost generally accepted. In 1994, after two years of detailed survey of users' information needs, Special Committee on Financial Reporting of the American Institute of Certified Public Accountants, also known as Jenkins Committee, published the report entitled "Improving Business Reporting – A Customer Focus" which, among other things, provided for significant changes in the traditional model of financial reporting (AICPA, 1994). Specifically, it focused on the process of reengineering of financial reporting so that the model would include historical data and information as well as planned, anticipated information, including risks. Possible areas for expanding the model of external financial reporting were observed in planning information (planning calculations), operational information, information on corporate and governance structure (business reporting), as well as non-financial information relating to environmental and social aspects of business operations.

Before and especially after the release of the above-mentioned document, series of debates among academic circles and practitioners occurred, covering the contents and manner of sustainability reporting – as part of the management's report or as a special report. It can be said that since the publication of the 1987 report *Our Common Future* (UN, 1987) by the World Commission on Environment and Development, awareness about the impact of companies' business activities on the environment and the society in general has increased. In other words, "the concept of sustainable development" is getting more and more attention around the world. At the same time, some authors have engaged in a more of a "philosophical discussion", espousing the idea that reporting should be

turned towards "core values, mission statements, the business concept and social responsibility" (March and Olsen, 1989; Söderbaum, 2002). In response to Söderbaum's questions and the existing accounting tool – the Sustainability Assessment Model, Brown (2009), among other issues (the "paper seeks to contribute to the theoretical development of dialogic accounting and focuses on the sustainability arena for illustrative purposes"), discusses how such an approach might be operationalized. At the same time, literature increasingly emphasizes CSR as one of the most important elements of the Value-Reporting concept (Haller, 2006) and discusses the related challenges of sustainability reporting (Haller 2006a). In recent times, promotion of the concept of integrated reporting has pointed to the possibility of integrating financial reporting with sustainability and CSR reporting (Eccles and Krzus, 2010). Other studies discuss development of (group) management report in the context of concept of integrated reporting (Haller and Fuhrmann, 2012).

Establishing a non-profit organization, Global Reporting Initiative (GRI), in Boston in 1997 launched the project *Global Reporting Initiative* with the basic idea to create a mechanism of accountability that will ensure that companies share the CERES principles – principles of responsible behavior towards the environment (see CERES – Coalition for Environmentally Responsible Economies).

It is certain that the discussion on the need, contents, method and mandatory reporting on economic, environmental and social aspects of business is not an isolated issue. Discussion ranges from a minimum of voluntary disclosure of such information to the requirements to make the reporting obligation legally binding (Lydenberg et al., 2010). Namely, a number of governments have already made sustainability reporting essentially mandatory – France and Sweden, for example (Cooper, 2009). In addition, information orientation and format of reporting on the part of the management are still the subject of debates (Haller, 2009). Analyzing discussions and dilemmas in literature over the past two decades regarding usefulness of narrative disclosure of information, Nielsen (2010) has come to the conclusion that in the new millennium, the focus of management's reporting is more and more on the analysis of the environment in which companies operate (Figure 1 – Nielsen, 2010).

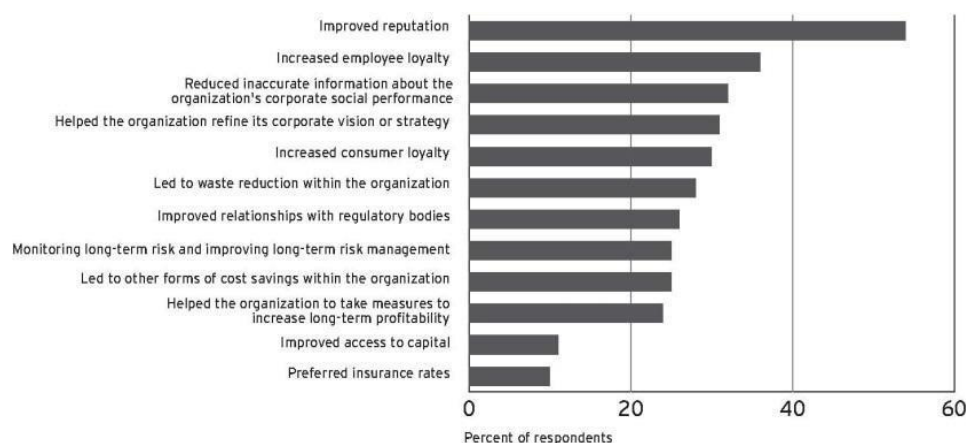


**Fig. 1.** Differences in user perceptions

The need for presenting information on environmental and social aspects of business operations results from:

- increased number of regulations and guidelines in the field of environmental protection and the pressures coming from interest groups that require clean air, clean water and sustainable development. These groups also have the right to become familiar with the impact of companies' business activities on the society and the environment;
- increased environmental risks; and
- company's desire to improve its image in the business world and realize marketing benefits through the disclosure of information on environmental and social aspects of business, thus affecting public perception of the company's business (Dixon et al., 2005).

In the most recent joint study conducted by the Boston College Center for Corporate Citizenship and Ernst & Young (Ernst & Young, 2013), the examined companies cite increased reputation as the greatest benefit of reporting on economic, environmental and social aspects of business. Apart from other non-financial and financial effects, no less significant effect of such disclosure is seen in increased loyalty of employees, better understanding of the vision and strategy of the company etc. (see Figure 2).



**Fig. 2** Ways that sustainability reporting provided major value\*

\*Source: Boston College Center for Corporate Citizenship and Ernst & Young 2013 Survey, published in: Ernst & Young (2013, p. 3)

The very implementation of the concept of sustainability reporting implies strengthening the accountability of companies for the disclosure of information on economic, environmental and social performance of business and meeting disclosure-related requirements. Bearing in mind that the reporting requirements of investors and other users regarding these aspects of business have become an important factor in decision-making processes and that the publication of such reports is still not binding, companies are constantly motivated and encouraged to disclose these information voluntarily. According to the research conducted by the auditing firm KPMG in 2011 (KPMG, 2011), which included companies from 34 countries around the world, 95% of 250 largest companies in

the world (G250 companies)<sup>1</sup> compile and disclose reports on economic, environmental and social aspects of business, which is an increase of 12% compared to the previous research conducted in 2008. Traditionally, reporting on these aspects of companies' business is mostly observed in the case of European companies, among which companies from the Nordic countries are dominant. What is more, companies from the USA, Africa and the Middle East are quickly catching up with this trend. One reason for the dominant position of companies from the above-mentioned European countries is that these countries have mandatory reporting requirements regarding environmental performance. On the basis of everything that has been mentioned so far, it can be concluded that reporting on corporate social responsibility is becoming increasingly important all over the world, but still as a practice of voluntary financial and non-financial reporting.

### 3. SUSTAINABILITY REPORTING FRAMEWORK

#### 3.1. Development of reporting guidelines and instructions in the world and Serbia – an overview

Growing need for sustainability reporting during the last three decades has resulted in a number of initiatives and involvement of supranational and national professional associations, organizations and standard setters<sup>2</sup>.

With respect to international organizations and institutions, special importance is attached to the engagement of the United Nations through the so-called Environment Programme (United Nations Environment Programme – UNEP), numerous conferences dedicated to the concept of sustainable development, series of standards *ISO 14000 – Environmental Management* and *ISO 26000 – Social Responsibility* issued by the International Organization for Standardization (ISO), Sustainability Reporting Guidelines developed by the Global Reporting Initiative (GRI), Principles prescribed by AA1000 APS Standard (Accountability Principles Standard 2008) issued by the Accountability Institute, Business Charter for Sustainable Development, developed by the International Chamber of Commerce (ICC) in this area and other instructions. All these instructions and guidelines have been adopted to help the business around the world and develop the reporting framework on economic, environmental and social aspects of business operations.

At the EU level, besides a large number of directives and regulations, such as Directive 2003/4 of the European Commission (Directive 2003/4/EC), Aarhus Convention (UNECE, 1998), the Treaty of Lisbon (2000) and other regulations, "we can say with certainty that the most significant changes in the normative regulations occurred in mid-1993, when the European Commission adopted the Eco-Management and Audit Scheme (EMAS)" (Krstić and Stojanović, 2010). EMAS is one of the most common and most famous regulations in this area, developed with the aim of promoting continuous im-

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<sup>1</sup> Group of companies that make G250 is composed of companies found on the list Fortune Global 500 in 2010 and represents more than ten industrial sectors. This group is dominated by companies coming from the field of financial services, insurance, companies that trade in securities, followed by companies that are engaged in trade in general and retailers, companies in the industrial sector of oil and gas, electronics and computers, communications and media, automotive industry and utility companies. 208 companies out of 250 are companies whose securities are listed on the Stock Exchange.

<sup>2</sup> For detailed review, see: Haller, Axel (2009)

provement of environmental performance of business operations. With respect to reporting on corporate social responsibility, special importance is attached to the instructions of the European Federation of Accountants (The European Federation of Accountants/Fédération des Experts Comptables Européens – FEE, 2000, 2011), the Institute of Chartered Accountants in England and Wales (ICAEW) and the European Commission's recommendation on the recognition, measurement and disclosure of environmental issues in the annual accounts and annual reports of companies. The application of all these, and many other guidelines and instructions in this area, is on a voluntary basis, which is why the extent and quality of reporting varies greatly among countries and companies.

Countries standing for potential EU members, among which is the Republic of Serbia, are faced with a huge task in terms of transposing EU directives, regulations and directives into national legislation, as well as their implementation. In the process of joining the EU, the Republic of Serbia has ratified certain international commitments such as the EU Framework Convention on Climate Change and the subsequent Kyoto Protocol, the Convention on Biological Diversity, the Convention on Impact Assessment, the Convention on Environmental Impact Assessment in a Transboundary Context, the Convention on the Protection and Sustainable Development of the Carpathians and many other conventions (Knežević et al., 2009). Furthermore, many EU regulations and directives have been adopted in Serbia through the establishment of national strategies and passing of laws in this area. Among national strategies, special importance should be attached to the National Sustainable Development Strategy, the National Waste Management Strategy and the National Economic Development Strategy of the Republic of Serbia.

### 3.2. The selected reporting guidelines and instructions

In this part of the paper we analyze briefly those sustainability reporting guidelines and instructions that are most commonly applied in practice, particularly with respect to the oil industry companies. We have chosen the GRI Guidelines and IPIECA Guidance.

The Global Reporting Initiative has developed a comprehensive Sustainability Reporting Framework which is applied worldwide. The Framework allows all organizations to measure and report on their economic, environmental, social and governance performance – the four key dimensions of sustainability. The Reporting Framework includes reporting guidelines, sector-specific guidelines and other instructions, providing greater transparency in reporting on all aspects of business. Starting from 2000, when the first generation of reporting guidelines (known as G1) was published, the issuance of new guidelines has ensued – G2 (2002), G3 (2006), G3.1 (2011) and the most recent version of guidelines, G4 (2013). Since the third part of the paper analyzes the sustainability reports published before the issuance of G4, the analysis will focus on the applicability of G3 and G3.1 guidelines (see next chapter).

An integral part of sustainability reporting guidelines is the standard disclosure, stating the main contents that should appear in the report. This standard presents three different types of disclosure, namely (GRI, 2006):

- Strategy and Profile: the overall context for understanding organizational performance such as its strategy, profile and management;
- Management Approach: how an organization addresses a given set of topics in order to provide context for understanding performance in a specific area;

- Performance Indicators: Indicators that elicit comparable information on the economic, environmental and social performance of the organization (see: Stanković et al, 2012).

In the process of preparing the report in accordance with the GRI sustainability reporting guidelines, persons in charge must specify the extent to which these guidelines have been applied, indicated by the so-called Application Levels. There are three different application levels within this system, C, B and A (the status of "+" can be added to each level if the report has been externally assured). What is more, for the reports to be under the appropriate level, they must contain specific features (see G3.1, Chapter: Application levels, p.2)

IPIECA is an international association of companies from the area of the oil and gas industry, focused on protecting the environment and social issues. The association was founded in 1974 after the adoption of the United Nations Environment Programme (UNEP). IPIECA is the only global association that deals with the impact of exploration and production activities, as well as processing and marketing activities of companies from the oil and gas industry on the environment and the society.

Second Edition of "Oil and gas industry guidance on voluntary sustainability reporting" (IPIECA, 2010) aims to assist oil and gas companies in developing and enhancing the quality and consistency of their sustainability reports.

IPIECA Guidelines provide direction on the content of a typical oil and gas industry report. It provides a set of performance indicators appropriate to sustainability issues in the industry. Each indicator provides a choice of reporting elements depending on the depth or accuracy required (i.e. depending on the materiality of the issue for the company). The reporting ELEMENTS include measures that are 'common', being the most established and consistent across the industry today. The Guidance show the application of the performance indicators covering environmental, health and safety, and social and economic issues.

#### 4. SUSTAINABILITY REPORTING IN THE OIL INDUSTRY SECTOR – A COMPARATIVE ANALYSIS OF SUSTAINABILITY REPORTS OF THE COMPANY NIS A.D. NOVI SAD, SERBIA AND THE COMPANY *BRITISH PETROLEUM COMPANY PLC*, LONDON, GREAT BRITAIN

The company *British Petroleum plc* has a much longer practice in the area of reporting on economic, environmental and social aspects of business in relation to the company NIS a.d. that has been preparing and disclosing its sustainability reports for the last two years. In the process of preparing and compiling the reports on economic, environmental and social performance, both companies completely rely on the *GRI* sustainability reporting guidelines. Unlike the company NIS a.d., the company *BP plc* prepares and compiles these reports on the basis of the *GRI* guidelines as well as the second edition of the Oil and Gas Industry Guidance on Voluntary Sustainability Reporting issued by the International Petroleum Industry Environmental Conservation Association (IPIECA) and 10 principles arising from the UN Global Compact (United Nations Global Compact).

Assessment of the application level of these standards is in the case of both companies entrusted to a third party, that is, an independent audit firm. However, the application level is different in the analyzed companies, so that the GRI application level in the company *BP plc* is estimated at A+, which is the highest possible application level,



whereas the estimated GRI application level in the company NIS a.d. is B+. This is understandable if we take into account that the company *BP plc* has been reporting on economic, environmental and social aspects of business for 15 years. At the same time, during its three-year reporting period, the company NIS a.d. has made significant progress in terms of the application level of the Global Reporting Initiative Guidelines, that is, the *GRI-G3* guidelines. Namely, starting from the initial C+ level, this company has reached the level B+.

Regarding the very structure of the disclosed sustainability reports for 2011 and 2012, which are the subject of this comparative analysis, some similarities as well as differences are evident. In addition to the General Manager's foreword, the reports contain parts concerning environmental and social aspects of business, sustainability reporting principles applied in the preparation of the reports, auditor's report as well as the necessary contact details. Unlike the reports prepared by the company NIS a.d., the reports prepared by the company *BP plc* do not cover economic aspect of business. Disclosure regarding this aspect is an integral part of the annual report on operations which provides some economic performance indicators on the basis of the GRI standard disclosures (for example, the direct economic value generated is disclosed in the section of the sustainability reports dealing with social responsibility). Overview of business performance indicators according to the *GRI* guidelines, that is, the *GRI* index, is not given in the report, but on the website of the company *BP plc* in the part dedicated to the concept of sustainable development. Despite the Global Reporting Initiative recommendations, the reports of the analyzed companies do not include criteria arising from the Application levels system. These reports disclose only the information about who carried out the assessment of compliance with the *GRI* criteria. Another difference concerns the scope of these reports. Namely, the report prepared by the company NIS a.d. for 2011 has 123 pages and for 2012 112 pages, whereas the scope of the reports prepared by the company *BP plc* in the observed two-year period is unchanged. Namely, the sustainability report of this company for 2011 and 2012 equals a total of 48 pages. That quantity in this regard does not necessarily imply quality has been confirmed by the assessment of the application level of the *GRI-G3* guidelines and the *GRI-G3.1* guidelines, as well as the comparative overview of disclosed performance indicators presented in Table 1.

According to the *GRI-G3* standard disclosure, there is a total of 121 business indicators that companies are required to prepare, that is, identify and disclose in their reports on economic, environmental and social aspects of business. The total number of indicators is dominated by indicators relating to environmental aspects of business due to the fact that companies are required to establish a balance between their economic goals and environmental aspects, that is, the conservation of natural resources. The *GRI-G3.1* stands for an updated and complete version of the *G3* guidelines and contains instructions for reporting on performance related to the community, gender and human rights. Therefore, unlike the *GRI-G3* standard disclosure, the version *GRI-G3.1* includes 5 social performance indicators more, that is, 126 performance indicators in total.

**Table 1** Comparative overview of standard disclosures according to the *GRI-G3/G3.1* guidelines and disclosed performance indicators of the companies *NIS a.d.* Novi Sad, RS and *British Petroleum plc*, London, GB for 2011 and 2012

Reporting areas	The number of indicators according to <i>GRI-G3</i>	The number of disclosed indicators for 2011	The number of disclosed indicators for 2012	The number of indicators according to <i>GRI-G3.1</i> ( <i>BP only</i> )	
				<i>NIS a.d.</i> Novi Sad, RS	<i>British Petroleum plc</i> , London, GB
1. Strategy and analysis	2	2	2	2	2
2. Organizational profile	10	10	10	10	9
3. Report parameters	13	13	13	13	13
4. Governance, commitments and engagement	17	17	15	17	16.5
5. Performance - overall	79	22	39	41	40.5
5.1. Economic perform.	9	2	6.5	3	5.5
5.2. Environmental perf	30	7	15.5	11	17.5
5.3. Social performance	40	13	17	27	17.5
5.3.1. Labor practices and decent work	14	9	5	12	5
5.3.2. Human rights	9	2	1	5	1
5.3.3. Society	8	1	6.5	5	7
5.3.4. Product responsib.	9	1	4.5	5	4.5
Total	121	64	79	83	81

Sources: *NIS (2011, 2012)* and *British Petroleum (2011, 2012)*

Table 1 shows that in 2011 the company *BP plc* disclosed 15 performance indicators more than the company *NIS a.d.*, which confirms the estimated application level of the *GRI-G3* standard disclosure for that year. In 2012, the company *NIS a.d.* disclosed a total of 83 indicators according to the version of the *GRI-G3* guidelines, which is by 19 indicators more in comparison to the previous year. At the same time, in the process of preparing the sustainability reports for 2012, the company *BP plc* started applying the version of the *GRI-G3.1* guidelines and disclosed a total of 81 performance indicators.

In its sustainability reports for 2011 and 2012, the company *NIS a.d.* disclosed all indicators relating to strategy and analysis, organizational profile, report parameters and governance, commitments and engagement. In terms of disclosing its performance indicators for 2012, the company fully disclosed 41 performance indicators (3 economic performance indicators, 11 environmental performance indicators and 27 social performance indicators), which represents a significant improvement in relation to the previous year when the company disclosed 22 indicators (2 economic performance indicators, 7 environmental performance indicators and 13 social performance indicators). In addition, the

independent auditing firm KPMG d.o.o. Belgrade performed external assurance of the sustainability report, so that the same in the given period, that is, in 2011 and 2012, met the established *GRI-G3* criteria regarding the application level B+.

Unlike NIS a.d., the company *BP plc* disclosed less information in the section relating to organizational profile of its sustainability report for 2011. More specifically, out of 17 indicators in the area of governance, commitments and engagement, the company fully disclosed 13 indicators and 4 indicators in part (for ease of comparison, in Table 1 it has been shown as two indicators less, so that a total of 15 indicators were disclosed). With respect to performance indicators, *British Petroleum plc* disclosed a total of 39 indicators, that is, 17 indicators more in comparison to NIS a.d. For each indicator that was fully disclosed, as well as for indicators that were disclosed in part, appropriate interpretation was given respecting the principles of materiality. At the same time, for indicators that were not disclosed, an explanation regarding why they were omitted from the report was given. Since 2012 the company *BP plc* has been preparing and compiling sustainability reports with reference to the *GRI-G3.1* version of standard disclosure. During the observed year, the company disclosed a total of 81 performance indicators, that is, 2 indicators more in comparison to 2011 when the report was prepared according to the *GRI-G3* version of guidelines. With respect to performance indicators, the company fully disclosed 4 economic performance indicators and 3 economic performance indicators in part, 10 environmental performance indicators in full and 15 indicators in part, as well as 8 social performance indicators in full and 19 indicators in part. External assurance of the 2011 and 2012 sustainability reports was performed by the independent auditing firm Ernst&Young LLP London, so that the *GRI-G3* and the *GRI-G3.1* requirements for the application level A+ in preparing and compiling reports of the company were met.

Based on a comparative analysis of the 2011 and 2012 sustainability reports of the companies NIS a.d. and *British Petroleum plc*, one can conclude that the reports of these companies are prepared, in all material respects, according to the Global Reporting Initiative Guidelines, that is, according to the *GRI-G3* version of guidelines issued in 2006 and the *GRI-G3.1* version of 2011. In its reports for 2011 and 2012, the company *British Petroleum plc* disclosed more relevant economic, environmental and social performance indicators than the company NIS ad, so that the application level of these guidelines in the report disclosed by the foreign company *BP plc* London was reasonably estimated one level higher in relation to the report of the domestic company NIS a.d. Novi Sad. With the purpose of meeting and satisfying the *GRI-G3*, that is, the *GRI-G3.1* criteria at the level of A+, the company NIS a.d. must continue to expand the scope of sustainability reporting through further standardization of existing procedures for information and data collection.

## CONCLUSION

Sustainability reporting, that is, reporting on sustainable development is one of the possible areas of improvement of the traditional model of financial reporting. Three key dimensions of sustainable development are economic, environmental and social dimension. Focusing exclusively on economic growth, companies do not pay enough attention to the effects of their operations on the environment and future generations. Severity of growing environmental and social problems has brought together a number of interna-

tional organizations and institutions in order to create adequate rules and regulations in this area. At the international level and the European Union level, a number of guidelines and instructions have been passed and adopted in this area, the most comprehensive of which being Sustainability Reporting Guidelines established by the Global Reporting Initiative (GRI). In the Republic of Serbia, there are plenty of laws, primarily in the field of environmental protection. However, on the road to joining the EU, Serbia has a huge task in terms of harmonization of national legislation with the European legislation, that is, in terms of transposing EU directives, regulations and directives into national legislation and their implementation.

Reporting on economic, environmental and social aspects of business is mainly based on voluntary application of international, European and national guidelines and instructions, which makes the scope and quality of reporting on these aspects of business very heterogeneous. IASB still has not developed a comprehensive accounting treatment of environmental and social aspects of business. Nevertheless, existing standards encourage companies to disclose reports on these aspects of business. Disclosure of the most important issues related to sustainable development makes companies' reports reliable source of information for all interested parties. For companies operating in the oil and gas industry, reporting on these aspects of business is of great importance, because their reports disclose companies' access to certain strategic issues, such as climate change and energy, long-term plans and ongoing initiatives.

In preparing and compiling sustainability reports, the companies NIS a.d. Novi Sad, Serbia and British Petroleum plc London, Great Britain have fully adopted the GRI sustainability reporting guidelines – G3 version. Comparative analysis has shown that there are certain similarities and differences regarding domestic and foreign practice in this field of reporting. Similarities are reflected in certain parts of the sustainability reports, but unlike the company NIS a.d., the report prepared by the company British Petroleum plc does not specifically address the economic aspect of business. Differences are reflected in the scope of these reports. The sustainability report of the company BP plc provides more information in relation to the report of the company NIS a.d., and thus a better basis for decision making, which has been confirmed by external assurance of the report by the independent auditing firm. The fact that the application of the GRI-G3 and the GRI-G3.1 criteria in the report of the company BP plc has been estimated at the highest possible level indicates that this company is one of the world leaders in the production of oil and gas and that it has been reporting on economic, environmental and social performance for 15 years in a row. With respect to the domestic company, it should be noted that the company NIS a.d. is the first company in Serbia that disclosed the sustainability report according to internationally recognized and accepted principles and guidelines, and that it has achieved significant progress during the three-year reporting period. At the same time, there are certain reporting areas that need improvement through the standardization of certain existing procedures and disclosure of a number of indicators. On the whole, it is certain that the report of the company NIS a.d. Novi Sad is a good example that should be followed by other companies in the Republic of Serbia.

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## **IZVEŠTAVANJE O ODRŽIVOSTI POSLOVANJA – TEORIJSKI OKVIR I PRAKSA IZVEŠTAVANJA U NAFTNOJ INDUSTRIJI SRBIJE**

*Svrha ovog rada je da se analizira dostignuti nivo obelodanjivanja informacija o ekonomskim, ekološkim i društvenim aspektima poslovanja u srpskoj naftnoj industriji. Pošto je izveštavanje o održivosti poslovanja tek u začetku u Republici Srbiji, najpre smo kroz pregled literature ukazali na potrebu i značaj takvog izveštavanja. Budući da je praksa svetskih kompanija iz naftnog sektora pokazala najčešću primenu GRI smernica i IPIECA smernica, u drugom delu rada je ukratko ukazano na njihovu suštinu, kao i inicijative drugih institucija i organizacija. Komparativna analiza izveštaja o održivom razvoju srpske naftne kompanije NIS a.d. i svetski poznate naftne kompanije British Petroleum plc pokazala je da se o izveštavanje ekološkim i društvenim aspektima poslovanja u srpskoj kompaniji sprovodi tek tri poslednje godine. Iako je načinjen napredak u izveštavanju, upoređujući sa izveštajem o održivom razvoju BP plc, neophodna su dodatna poboljšanja.*

*Ključne reči: održivost poslovanja, izveštavanje, GRI, naftna industrija*