

## A REPORT ON CORPORATE SOCIAL RESPONSIBILITY WITH INTEGRAL EVALUATION

Currently, Corporate Social Responsibility has become an issue worldwide as much as on a European and national scale. It is closely related to sustainable growth and social fairness and relations. This article offers a new approach to the core of corporate social responsibility, and on this basis, a Report on Corporate Social Responsibility with Integral Evaluation for any form of business organization.

JEL: M14

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There are various definitions of corporate social responsibility (CSR); the key ones are provided by the European Commission, the World Bank, the World Business Council for Sustainable Development, the International Forum of Business Leaders, H. Gordon Fitch, Michael Porter and Mark Kramer, A. G. Polyakova.<sup>1</sup>

Through analysing various authors' views on the core of CSR we have made the following inferences:

- Corporate social responsibility is a voluntary activity that includes: sustainable economic growth, social initiatives, and concern for environment;
- Corporate social responsibility is not a one-time event, but rather a process of balancing the three pillars of sustainable development: economic growth, development of society, and environment protection;
- Corporate social responsibility relates to all interested parties (stakeholders) – employees and their families, local government and communities, customers, contractors, and investors;
- Corporate social responsibility is a complex multicomponent business strategy that requires a management system, indexes, institutional changes, etc.

Based on existing definitions, corporate social responsibility can be defined as a voluntary business responsibility to benefit the general public by improving social and environmental living conditions on a local, national, and global level.

Our study of the various definitions of and approaches to CSR shows that they are truly diverse. CSR has been presented as part of wealth creation, levels of responsibility (Porter and Kramer, 2011), a voluntary commitment, an obligation for sustainable growth<sup>2</sup>, a concept for life improvement (Promoting a European

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\* Shumen University "K. Preslavsky", Faculty of Mathematics and Informatics, trufkatd@abv.bg

\*\* Shumen University "K. Preslavsky", Faculty of Mathematics and Informatics, deni\_dmd@mail.bg

<sup>1</sup> See Promoting a European framework..., 2001; <http://www.csr.bg/definition>; <http://www.wbcd.ch>; <http://www.iblf.org>; Fitch, 1976; Porter & Kramer, 2011; <http://cyberleninka.ru/article/n/institutsionalnye-osnovy-korporativnoy-sotsialnoy-otvetstvennosti>

<sup>2</sup> <http://www.wbcd.ch>

framework..., 2001), promoting responsible business practices (The Prince of Wales International Business...), an attempt at solving social problems caused by businesses (Fitch, 1976), management of business in a socially responsible manner (European Commission, 2001), one of the subsystems of the social system,<sup>3</sup> integration of social care and environment protection, and a partnership with the stakeholders (European Competitiveness Report, 2014).

Business results, which are in the domain of responsibilities of the government, companies, and individuals, rely on a number of factors. A crucial factor, even in this era of technological innovation, is the human factor and the abilities of people to interact with others. These days, social control of interactions with others may be a serious pitfall. To a large extent, that is due to the lack of clearly defined criteria and measures for that process. In our view, the end result and goal of CSR is transformation and formation of optimal social relations that are based on fairness, loyalty, responsibility, care for the environment, empathy, etc. Each economic category defines precise relationships among certain parties in given circumstances. *Thus, we view corporate social responsibility as a socio-economic category and define it as a process of voluntary development (beyond legal requirements) of social relations within the company, with society, and with the environment.* Corporate social responsibility as a form of development of relationships is our basic initial position in the search for criteria and measures in the Report on CSR and a common integral measurement of the level of effectiveness of action.

CSR has its advantages for all parties concerned, the so-called stakeholders. However, the fundamental definition of CSR as a relationship of social connectivity renders it a key factor in solving some of the central issues of our time – social stratification and a deficit of principles and values. Its success is possible through coordinated responsibilities at all levels. There is a recognition of the role of corporate social responsibility on all levels, and each party puts forth different efforts to encourage and put it into practice. When asked in a survey conducted among leading investors of the Association of Chartered Certified Accountants (ACCA) and the European Sustainable Investment Forum (EUROSIF) to assess the practices of non-financial reporting of European companies, most “investors call for clearer, more comparable, and more integrated non-financial reporting and more reports from companies’ management councils” (Investor insights into non-financial reporting...). The greater number of the investors were of the opinion that the value of non-financial information lies in the possibility of comparison with other companies. Most respondents consider current non-financial reporting not adequately comparable, and they all share the opinion that non-financial reporting must be better integrated with the financial information reported. We share the recommendations of the study, because the possibility for comparison of non-financial information differentiates choices in the labour and product markets at a relationship level and motivates businesses toward social responsibility.

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<sup>3</sup> <http://cyberleninka.ru/article/n/institutsionalnye-osnovy-korporativnoy-sotsialnoy-otvetstvennosti>

One of the goals for science and practice in the field of corporate social responsibility is to find a universal version of an account on corporate social responsibility, as well as ways to administer it and apply it formally. Obligatory disclosure of CSR reports or integrating them into disclosures of financial information will allow for new studies, analyses, and motivations for its development.

### **Overview and Analysis of Current Models**

Currently, there are no definitive concepts in management theory and practice as to measurement criteria or standards of reporting for socially responsible activities, nor even the special terminology required therein. Terms that are in use include *sustainability reporting*; *socially responsible accounting*; *corporate social reporting*; *environmental, health, and safety reporting*; etc. The term that seems to be the most widely used is *sustainability reporting* because it is clearly related to the concept of sustainable growth and current views on corporate management.

The development of a system of international standards in the field of corporate responsibility and management of sustainable growth began in 1997.

In academic literature and in practice there are various assessment models for CSR that include a different number of criteria. Current assessment methodologies on the impact of qualitative criteria for the effectiveness of CSR systems more often rely on social expenditure in its absolute or relative aspect. Often the criteria applied associate the volume of social investment with companies' financial results. Examples of such criteria are:<sup>4</sup> the relationship of social investment to the total volume of sales or the total amount of profit, the share of social expenditures as part of the product value, etc. Some methodologies will include criteria that are not related to the financial sphere (see Goncharov, 2006, p. 22). *In our view, the use of such criteria is not advisable since their purpose is for people and human relationships that are not expressed in sales, profit or value.*

There are methodologies that apply qualitative as well as quantitative criteria to assess the level of effectiveness of CSR. To evaluate the impact of factors that cannot be measured quantitatively, qualitative criteria will be used, and quantitative criteria will be used for the remaining parameters (see Litvinov, 2009, p. 24). Quantitative indicators are preferred since they allow for reporting on the impact on the level of CSR development through a broader range of indicators. This is the methodology we applied in the development of our model. It is similar to the model of Dumova<sup>5</sup> for the assessment of CSR effectiveness within a company. A criterion for the level of CSR development is an integral coefficient that measures the overall impact of qualities and quantities. In essence, our methodology includes two criteria and seven indicators, five of which relate to the first criterion. A disadvantage of this approach may be the use of factors that measure changes according to a given period, i.e. it represents a trend rather than a level; hence, a comparison between companies would be irrelevant and

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<sup>4</sup> <https://www.globalreporting.org/information/news-and-press-center/Pages/Investor-insights-into-non-financial-reporting.aspx>

<sup>5</sup> <http://www.science-education.ru/ru/article/view?id=13931>

without solid analytical value. Each trend has a limit, and it is possible that corporations leading in CSR may have optimized their levels to a point of no change. A good idea here is to associate a company to a group of companies (classification) based on a criterion for CSR assessment. However, we will not adhere to an approach that relies on the emergence of certain conditions rather than their metrics. Such a ranking approach may be applicable as an integral measure, but also to each and every criterion.

An interesting model is that of Desislava Serafimova (2009, p. 176), which incorporates the perfect sequence of stages in the process of social responsibility assessment for business organizations. A shortcoming of that model – in our view – is the exclusive use of qualitative factors, wherein the presence of each factor brings a single point. This does not allow the ranking of organizations (except when classified in fields) and will not stimulate the development of the CSR process. Serafimova's model allows some unresolved issues to be seen, but the real number of indicators is quite large, namely one hundred, divided into ten areas, and it relies on an honest declaration by the company of their presence or absence, which does not guarantee veritable information. The largest relative share – 25 in a maximum possible score of 100 – is awarded to the first field of *Management and Documentation*. We find this to be a shortcoming in that model since it makes it bureaucratic without guaranteeing social responsibility. A great number of factors included in the model are simply legal requirements and not voluntary socially oriented activities, which CSR is by default. For example, the use of child labour, the number of working hours, product labelling, and other practices are regulated by law and thus irrelevant as indicators.

### **Suggestion for a new model of Report on CSR with integral evaluation**

This work *proposes an innovative model of Reporting for CSR*. A starting point in the process of selecting suitable factors to measure the scale of social relationship development is:

- existing indicators that have had the highest support among researchers and analysed practices;
- ability for objective measuring;
- access to verifiable public information;
- a form for demonstrating or expressing specific relationships that are the goal or desired end result of corporate social responsibility;
- universality and compatibility for companies from different trades, forms of ownership, and size;
- simplified and easily applicable system.

*The model suggested by us includes three basic criteria that are measured by means of twelve indicators.*

#### *Criterion (A) – Relationships of Social Connectivity*

Social connectivity can be defined as the aggregate of effective behaviours in situations of social interactions among groups in the corporation, groups in

society, and with the world around us, which includes nature and the natural environment.

*Indicators for Criterion (A) – Relationships of Social Connectivity are:*

- A.1. A publicly announced mission

*The mission statement* is the essential ideology or the general concept of the activity of the firm. Its contents are its aggregate principal values and its general goal. *Principal values* are the essential, continuous convictions of the organization, a set of guiding principles which are not sacrificed to the goal of financial gains or short-term profit. *Value* is a term widely used to denote the human, social, and cultural meaning of particular real phenomena. A *general goal* is the fundamental reason for an organization to exist. It characterizes what the organization means, why it exists, and what its unique place is and its role overall. Interweaving the mission statement into everything the organization awakens a desire among the employees to share the greater good; it inspires them, unites them, and brings satisfaction. Giving the most means getting the most back as well; it gives employees the feeling that their work is just, natural, and sincere. When everyone in the organization openly and freely gives something of himself to others, they receive something very special at the same time – unity and harmony.

The mission statement is an insight into the future reality, a management tool, and an element of company culture; it drives behaviour of the head of the company and the management of human resources; it gives meaning and purpose to the company's actions; it motivates employers and employees alike and sheds light on their shared path. All of the above assigns to the mission statement the role of a leading tool for social connectivity. In order to activate the mechanisms of influence of the mission statement and its implementation, it is necessary for it to be written and communicated to all stakeholders. For this reason, it is suggested to have a mission statement that is certified with documentation through which it can be made public.

- A.2. The fairness coefficient expressed as a ratio of the annual gross profit of an owner to the annual gross salary of an employee.

By gross profit of an owner we mean the taxed profits of the enterprise (Corporate Tax – 10%, Income Tax for Sole Proprietor – 15%), or *the net profit of the company*. The statement above may be criticized on the subject of legal entities since that profit is not the income of the owners themselves. To make it a personal income, an additional tax of 5% is due (Dividend Tax). We may ignore that fact since the net profit of a company is the potential real income for owners, but oftentimes in practice it is “reinvested” and it is actually distributed “under the table”.

The gross salary of an employee includes the basic salary and benefits for labour as a percentage on professional expertise, night shifts, overtime, working on official holidays, bonuses, and other recurrent or one-time benefits.

One of the fundamental reasons for social division and opposition is a lack of fairness. The correlation of the valuation of the contribution of the two sides in the production process – the owners and the workers – is a basic indicator and expression of the ratio of fairness. The mechanisms that balance giving and taking in public

production can improve the huge social stratification and tension in modern society. An optimal coefficient of 10 is emerging in some developed market economies. A similar coefficient or another consensual value can be the basis for ranking evaluations by this indicator.

●A.3. Publicly disclosed code of ethics

The code of ethics harmonizes director-employee, employee-employee, and corporation-general public relationships. Experience unambiguously proves that the more deeply embedded the idea that our actions towards others really do matter, the more likely it is for these actions to be successful. With increasing frequency, managers, brokers, advertising agents, and entrepreneurs point to company culture as a basic component of and an essential condition for financial prosperity. The definition and communication of values and rights helps the organization and the personnel to remain true to that which they believe, and it protects the reputation of the firm. People love to work for and with people who share their values, and with this tool, the company can attract personnel, clients, suppliers, and investors who support their principles. It is good to encourage high standards in the workplace and to treat the interest and concerns of the personnel, clients, suppliers, and the local community positively. A starting point is with clearly defined values. As a general rule, the system of values provides clear and consistent guidelines for dealing with situations which may create dilemmas or conflicts of interest.

The presence in a business organization of a company code of ethics, or of an accepted code of ethics for the international organization that is promoting social responsibility, is an expression of its desire and resolute engagement with upholding ethical principles on levels of hierarchy within and outside the company.

●A.4. Presence of a CSR unit: committee, council, health and safety office, etc.

The presence of managing, administrative, and non-management personnel who are responsible for the company's social policies conveys a systemic social responsibility. The direct engagement of personnel in internal company assignments and community or public causes ensures risk minimization, security, transparency, and quality execution of the company's social mission.

●A.5. Teamwork

Teamwork is proclaimed by activities that help personnel get to know each other, to come together, and to build effective relationships, thereby increasing motivation and empathy within the organization and developing habits that can be integrated into all areas and levels of the company. Such examples include traditions, rituals, team-building events, celebrating holidays, sporting events, a system for making suggestions, etc. Being aware of humanity not as an obligation but as a something to celebrate means knowing that you are here to serve, without feeling like a servant; giving, without feeling like a benefactor; and acquiring wisdom, without considering yourself a sage. People get along and work better in a company when there is good communication among departments, informal connections, and friendly relations and teamwork among colleagues. These connections become even stronger when they are formed in the great outdoors, in competitive teambuilding games or

extreme experiences. Building morale, trust, productivity, and teamwork in the group is the primary goal of teambuilding.

- A.6. Certification according to standards of social responsibility

It should be verified whether the business organization is certified according to a standard of social responsibility and/or a similar standard (i.e. SA 8000, AA1000, OHSAS 18001:2007, etc.).

Having such certification expresses the company's clear intention toward responsible social behaviour and its high level of engagement to adhere to social principles of fairness.

*Criterion (B) – Attitude to staff development*

If the indicators for first criterion can be defined as the formation of prerequisites for social connectivity, then indicators under this criterion are the actual activities of social networking.

*Factors for measuring the second criterion (B) – attitude toward staff development are:*

- B.1. Average annual gross salary of an employee compared to the average annual salary within the country.

An indicator for the social orientation of a company's activity is the proportion of the average annual salary of an employee from the average payroll of the company compared to the average salary within the country. Bulgarian National Statistical Institute (NSI) reports show that as of 2016 the average monthly salary amounts to 881.75 BGN.<sup>6</sup>

- B.2. Average annual amount of social payments per employee

The management of a company may take a decision whether to further stimulate their employees by providing and allocating funds for social expenditures. Social expenditures may be given as money (i.e. money to pay for commute) or as payment in kind (i.e. food vouchers). Additionally, social expenditures be given directly (i.e. benefit directed to an individual, such as supplemental health or other type of insurance) or indirectly (common benefits for employees such as the availability of company-owned holiday homes). Payments of this sort include means for health and safety within the workplace; food vouchers; recreation and leisure facilities for employees and their families; one-time aid in money or in kind; payment to labourers and other employees for medical prescriptions; payment in case of prolonged sickness, childbirth, a death in the family, or other accidental occurrences; assets for voluntary pension plans and healthcare, etc.

The Government stimulates companies' social expenditures through a series of tax deductions or refunds that are listed in the Law for Corporate Income Tax.

- B.3. Number of employees trained and re-certified during the year

The development of the Bulgarian economy, oriented toward the European and world economy and based on knowledge, calls for reconsidering and strengthening

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<sup>6</sup> <http://www.nsi.bg/bg/content/3928>

links among the sectors of education, science, and business. Making a product with high added value and innovation requires above all a sufficient number of prepared personnel who can develop new products and technologies, and help apply them in practice. The training and re-certification of personnel is not only in the interest of the firm, but also a concern and a responsibility toward the personnel and the community.

●B.4. Fairness coefficient in the distribution of compensation

This is expressed as the ratio of the average annual salary from an individual of the administrative management staff to the average annual salary of an individual labourer. This coefficient indicates whether the upper management or administration is united with or in opposition to non-managerial staff.

●B.5. Encouraging a healthy lifestyle

Encouraging a healthy lifestyle in the workplace makes for labour quality, encourages durable manpower, and increases the speed and quality of problem-solving at work. Encouraging a healthy lifestyle is accomplished by providing opportunities for healthy eating, preventive healthcare, sports, work breaks, and facilities for relaxation.

●B.6. The presence or absence of lawsuits or complaints claiming discrimination because of gender, age, race, or a publicly disclosed and adopted policy of “equal treatment” within the company

Given the current state of human development and nations’ growing desire to increase their wealth and care for their well-being, there is a growing demand for policies for sustainable economic development, social equality, and equal production opportunities for both genders. Whether a company has had lawsuits or complaints alleging discrimination brought against it can be easily ascertained through the public register of verdicts by notifying the Committee on Protection against Discrimination.

*Criterion (C) – Attitude toward local, national, and global communities*

This criterion reveals attitudes toward social connectivity by the corporation toward the outside public, including competitors and consumers.

*Measures of the third criterion (C), attitude toward local, national, and global communities, are the following indicators:*

●C.1. Number of charity programs, annual causes

Marketing connected with a cause is considered as strategic positioning and a marketing tool which connects companies or brands with appropriate social causes or problems to benefit the company and the cause. Cause-related marketing initiatives are a form of connection with the public, a partnership of business and charitable organizations with the goal of collecting means for a specific cause through promoting the firm’s products or services. The most comprehensive definition of cause-related marketing is that of Business and the Community: “a commercial activity by which businesses and charities or causes form a partnership with each other to market an image, product or service for mutual benefit.”

Regardless of the different ways in which cause-related marketing can be defined, it differs from other forms of corporate social initiatives in *three fundamental ways*: First, such initiatives are usually built on the principle of buying one or several products for



the purpose of charity or support of a given cause, and the level of compassion by the company depends on the actions of the customers and their activity. Second, cause-related marketing initiatives often require more formal contracts and coordination with a charitable organization. It is important to create specific promotional offers, developed through co-branding campaigns and tracking purchases and user activity. Third, to promote cause-related marketing initiatives, far more paid advertising is usually necessary, since the support of the cause depends on sales of the product.

Cause-related marketing – if the cause is really in the first place, and the benefits to the company are the result of good intentions – can be defined as modern people-oriented marketing. The support of a social cause creates positive attitudes among the participants in the process of production, which adds additional utility to the product, heightening its implementation. Uniting the corporation and the user in a common goal – the support of a given cause – replaces the final desired result or goal of the firm from profitability to humanity and unity.

Charitable programs and causes can take different forms. Whether activities are campaigns or a regular part of the business, the benefits to companies of doing good are serious and significant, and are manifested in the form of: reduction of expenses, increase in the market share of sales, improvement of the corporate image, positioning and easy differentiation of the company brand, increased interest and recognition on the part of stakeholders.

- C.2. Annual expenditures on charities and other social programs

Besides the number of charitable programs and causes, the attitudes towards compassion and social entities shown to the larger community are demonstrated by the amount of funding shared outside the company.

Taxable expenditures for donations by the company are dealt with in Article 31, Pa 1-4 of the Corporate Income Tax Act (CITA). The size of tax concessions depends on the legal status of beneficiaries. Depending on this, this may be 10%, 15%, or 20% of the declared profit. The only limitation according to CITA is the total amount of donations should not exceed 65% of the declared profit.

- C.3. Certificates for environment protection standards for the organization

These are certificates related to the prevention of pollution (i.e. harmful emissions in the air and/or water, noise reduction, protection of national natural resources, etc.), the use of technologies designed for environmental conservation, reduction of the use of electrical power (ISO 50001:2011), as well as tracking and presenting information on the management of raw materials and waste according to laws and standards (ISO 14001:2004, ISO 14001:2015, EMAS, etc.).

- C.4. Publicly disclosed social report

The presence of an annual report on corporate social responsibility is proven by its public disclosure on a web site or other publication. This act is an expression of transparency, responsibility, and good faith toward all stakeholders.

- C.5. Consumer product health and safety

The attitude toward health is an attitude toward life and the community. The safety of the end product for the user is verified through the certificates of quality

obtained and the lack of complaints from the buyers. These are certificates that guarantee the quality and safety of food products (e.g. the British Retail Consortium, IFC, etc.). Lawsuits and complaints concerning low quality products and products posing a health risk for consumers are logged in the Complaints Register and the Bill of Indictment of the Consumer Protection Commission (CPC).

●C.6. Communication with consumers and the general public

The methods of communication with interested parties, information transparency, and opportunities for feedback are ways to develop clear, stable, and loyal relations with the stakeholders. There are various means for interaction with consumers and the general public: a company website, email marketing, social networking, etc.

●C.7. The company gives clear and not misleading information on its warranty and after-sales service

Correct information on warranty service provides for good relationships with end users. Deceitful actions concerning the warranties may lead to hostile opinions, bad advertising, and a negative image. Complaints due to unclear or deceitful information on warranty and after-market service can be found in the Complaints Register of the Consumer Protection Commission (CPC).

Acting improperly in honouring warranties provokes hostile attitudes and serves as bad advertising, creating a negative image for the company. Complaints about unclear or misleading warranties or service show up in the Complaints Register and the Complaints Register of the Consumer Protection Commission.

●C.8. Absence of sanctions for claims and complaints

The number of claims can be found within the Claims Register that every business has to keep in accordance with Article 127, Pa 2 of the Consumer Protection Act, and the number of complaints and sanctions can be found within the Complaints Register and the Complaints Register of the Consumer Protection Commission.

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In the model we offer – as in the predominant models worldwide – the maximum integral score for corporate social responsibility (IGCSR) is 100 points: The score for social relations (GSR) brings 30 points, the score for attitude to staff development (GASD) – 30 points, and the score for relations with communities outside the corporation (GRCOC) – 40 points. The equal weighting of the first two scores is due to prioritizing the problems concerning the corporation and the community: varying degrees of social status, the working poor, the lack of values. The transformation of relationships within the corporation creates prerequisites for external transformation of new capabilities to develop relationships with outside stakeholders; this is the reason why the last grade receives less weight than the sum of the first two criteria.

$$IGCSR = GSR + GASD + GRCOC$$

Our model includes 20 indicators, the first two criteria being measured with six indicators, and the third with eight indicators. The maximum score for each factor of this model is 5 points. Each quality and quantity factor has a measure that is transformed into a number of points. The measure provides actual and accurate

information on the state of the indicator in the relevant metrics. The score in points aims to measure the factors so that an integral grade will be given to provide ranking of companies according to their CSR.

A detailed account of all sources of information provision is available for the metrics of indicators.

The Report on Corporate Social Responsibility enables a company to present concise information of how they carry out their corporate policies; that information may be of use to a wider range of interested parties (stakeholders). The common integral measure ensures and creates incentives for corporate social orientation in business activities, and with this, for economic growth. The information contained within this measure will enhance motivation for sustainable growth and strengthen ties between economic entities, society, and the environment.

We have prepared a form in the MS Excel worksheet format that asks respondents to fill in their answers on all twelve factors of the three criteria in accordance with a guide for filling out the form. The report consists of two pages: Report on CSR, and a Help Page. The Help Page includes quantitative information to assist respondents in filling out their report. Information that is filled in and modified (through formulae and carrying over) for the purpose of the report may be imported into the Help Page through a company's annual report. However, that might prove much more time-consuming for respondents. To save time and effort, instead of complex formatting and automatic calculations, respondents to the report are provided with direct measures for some of the factors. The MS Excel native format allows for automatic transformation of text answers to measures. In this way measures and quantitative indicators will be automatically transformed into points.

Modelling of the form confirms the hypothesis on clarity, accuracy, and speed when working on the report, as well as applicability to different types of companies. The end results simplify the comparison of companies according to their integral score as well each criterion.

When necessary, the integral score in points can be transformed to a text grade according to the following scale:

Scale for final grade of CSR

0 to 20 points	No CSR
21 to 43 points	Low level of CSR
44 to 66 points	Average level of CSR
67 to 89 points	High level of CSR
90 to 100 points	Very high (extreme) level of CSR

A review of specialized literature and analysis of current information sources on corporate social responsibility and the ways to measure it resulted in the following conclusions:

1. There are no clear criteria and indicators for measuring social regulation of relations with others and fair corporate treatment of the environment as defined by other authors on corporate social responsibility.

2. Current report models for corporate social responsibility are difficult to fill in by administrative staff other than employees from a CSR department.

3. Current report models on corporate social responsibility employ too many indicators that makes for an unwieldy report that is complicated to fill out.

4. The metrics of the indicators is not convincingly substantiated; measures with equal weight are presented for indicators with different values to society and degrees of influence over the environment.

5. There is a lack of an integral measure allowing for comparability among companies.

This present work describes a different approach as our focal point for the economic category of corporate social responsibility. Our empirical study and the testing of our new report model suggest the following results:

- A new definition is provided for corporate social responsibility: it is seen as a process of voluntary development (beyond the legal requirements) of community relations within the company, with the community, and towards the environment.

- A selection was made of the optimal number of criteria and indicators connected with our understanding of the end results or the end goal of CSR and the problems CSR may solve – a transformation and establishment of optimal community relations (those of fairness, honesty, responsibility care for the environment, empathy, etc.).

- A universal version of report is suggested – in accordance with the development of a new Strategy for Corporate Social Responsibility on the state level as a necessary measure for stimulating business to a more responsible attitude toward environment.

- A thesis statement is defined and a proposal is made to formally adopt and administer the new report on CSR for the stakeholders.

- The proper selection of the most appropriate criteria and factors has resulted in a common integral measure for corporate social responsibility.

- The report is to be filled in in an MS Excel template that simplifies the transformation of measures into points, thus guaranteeing correct results. To help respondents fill in their reports and measure quantities, we have included a second Excel template containing automated formulae.

- Detailed guidelines are included for the report form, showing the information sources for the provision of metrics for the indicators.

- The main advantage of our model is that the common integral measure ensures for and provides incentives for a corporate social orientation in business activities, as well as for economic growth and motivation for sustainable development. The information that is contained within this measurement is clear, precise, comparable, and structured with an optimally limited number of factors expressing socially responsible behaviour of a company toward all stakeholders and to the environment.

A report on corporate social responsibility with integral evaluation

Annex

Report on CSR by ..... (SP, LTD, etc.) for (year) .....

№	Criterion	Factor	Answer	Measure	Points	Note
1	Social connections	Publicly announced mission	available	1	5	Please provide a web address or attach file
2		Fairness ratio	6,48		4	To calculate, please refer to the Help Page
3		Ethical Code	n/a	0	0	Please provide a web address or attach file
4		CSR Department availability	two dept. max	0	3	Please describe the CSR departments in your company
5		Staff Unity	more than two activities	1	5	Please describe your company's activities
6		Certification under CSR standard	n/a	0	0	Please list your company's certificates and attach files
7	Attitude to staff development	Gross annual salary of an employee compared to the average salary within the country	5142,86		2	To calculate, please refer to the Help Page
8		Average annual amount of social bonuses for an employee	720,00		3	To calculate, please refer to the Help Page
9		Number of trained and retrained in percentage	14%		4	To calculate, please refer to the Help Page
10		Fairness of payment distribution	2		5	To calculate, please refer to the Help Page
11		Promoting a healthy lifestyle	one activity	0	1	Please describe your company's activities to promote a healthy lifestyle
12		Launched / lack of lawsuits or complaints of internal discrimination	Please describe the most adequate measure within your company	2	5	To fill in properly, please refer to the report guidelines
13	Attitude to local, national, and global communities	Number of charitable activities, cause of the year	three causes		5	Please describe your company's causes
14		Annual amount of resources for charity and expenditure on external social programs	2 000		2	To fill in properly, please refer to the report guidelines
15		Certificates to standardize the company for environment protection	Please describe the most adequate measure within your company	1	2	To fill in properly, please refer to the report guidelines
16		Publicly announced social report (CSR Report)	available	1	5	Please provide a web address or attach file
17		Health and safety of products	Please describe the most adequate measure within your company	0	0	To fill in properly, please refer to the report guideline. Here you can list your certificates on health and safety of end products.
18		Communication with users and the community	n/a		0	Please provide a web address or attach file
19		The company provides clear and undecitful information on warranty and aftermarket service	available	1	5	Please provide a web address or attach file
20		Lack of sanctions due to claims or complaints	n/a	1	5	
		<b>Total:</b>			<b>61</b>	
Respondent: _____						
//Names and position/						

## Help Page

Amount of company net profit	100 000
Number of company owners (partners)	3
Gross annual profit of one owner	33333,33
Salaries of all employees	360000
Average listed company staff	70
Gross salary of one employee	5142,86
Average monthly salary within the country according to NSI reports	881,75
Average annual salary for the country	10581
Number of staff trained throughout the year	10
Number of staff trained and retrained throughout the year	14,29%
Social expenditure	50400
Average annual salary of a member of executive staff	1000
Average annual salary for a member of maintenance staff	500

### Proposal for instructions on filling in and submitting an annual corporate social responsibility report

#### *Who makes the report*

- The annual report on corporate social responsibility (CSR) by this model is filled in and submitted by all socially engaged companies and corporations.

#### *Filling in the report*

- The information is filled in for the previous calendar year.
- The annual report on corporate social responsibility is signed by the compiler of the report.
- When completing the report, follow the guidelines strictly and answer precisely.
- The fields marked with a grey background on a Help Page are for automatic calculation.

Please do not enter information in these fields!

- Detailed instructions for each criterion and indicator:

#### *For the first criterion Relationships of social connectivity*

*1.1. Public disclosure of the mission statement (indicator 1, line 3 from the report on CSR):*

- in the absence of a mission statement in column D of line 1 *write the answer none*;
- if there is a mission statement in column D of line 1 *write the answer yes*.

#### *1.2. Fairness coefficient:*

The annual gross profit of an owner is obtained by dividing the net profit of the company by the number of owners. *Enter the net profit value on Help Page of the CSR report – line 1, column B. In line 2, column B on the Help Page, enter the number of company owners (partners). On the Help Page for line 3, column B, the annual Gross Profit per Owner is automatically calculated for your convenience.* You can also find the value of the net profit for the previous year on line 05500, column 1 of the balance sheet of the company's annual financial statement – current profit and loss.

The gross wage per employee is obtained by dividing expenditures on wages for all employees on the company's average payroll. *Enter the value of the salary expenditures for all employees on the CSR report Help Page for line 4, column B. On the Help Page for line*

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5, column B, enter the company's average size. On the Help Page for line 6, column B, the Gross Wage per Employee is automatically calculated for your convenience. An alternative way of obtaining this information is to divide the expenditures for worker pay and other labour expenditures – line code 100, column 3 (expenditures on worker wages – gross wages) by the line with code 1001, column 1 (average number of persons regularly employed on the payroll, excluding those on maternity leave).

**1.3. Publicly disclosed code of ethics:**

- in the absence of a code of ethics – in column D of line 3 write the answer none;
- if there is a code of ethics in column D of line 3 write the answer yes.

**1.4. Presence of a CSR unit committee, council, health and safety office, etc.:**

- if there are up to two CSR units in column D of line 4 write the answer up to two units;
- if there are three or more CSR units in column D of line 4 write the answer more than two units.

**1.5. Teamwork (the presence of traditions, rituals, and teambuilding events):**

- if there are up to two teambuilding activities a year in column D of line 5 write the answer up to two activities;
- if there are three or more teambuilding activities a year in column D of line 5 write the answer more than two activities.

**1.6. Certification according to standards of social responsibility:**

- in the absence of a certificate of social responsibility – in column D of line 6 write the answer none;
- if there is a certificate of social responsibility – in column D of line 6 write the answer yes.

**For the second criterion Attitude to staff development**

**2.1. Average annual gross salary of an employee:**

The value of the average annual gross salary of an employee is obtained by dividing the expenditures on salaries and wages of all employees by the average payroll list of the company. Enter the value of the expenditures for salaries and wages of all employees into the Help Page of the CSR report Help Page, line for, column B. On the Help Page of line 5, column B enter the company's average payroll worker count. The average gross salary of a worker will automatically be calculated on the Help Page, line 6, column B, for your convenience. An alternative way of obtaining this information is to divide the expenditures on worker salaries and other labour expenses from the company's annual financial statement – the line coded 1000, column 3 (wages and salaries – gross salary) by line 1001, column 1 (average number of persons regularly employed on the payroll, excluding those on maternity leave). Its value has already been calculated and can be used directly from indicator 1.2., fairness coefficient.

For your convenience, the average monthly salary for the country is entered in the Help Page, line 7, column B, and the value of the average annual salary for the country is automatically calculated in the Help Page, line 8, column B.

**2.2. Average annual amount of social payments per employee:**

Please enter the value of the company's social expenditures on the Help Page of the CSR report – Help Page, line 11, column B.

An alternative way to obtain this variable is from the company's annual financial report; in the employee accounts report of the annual activities of nonfinancial enterprises on the line coded 3180, costs are indicated for social payments such as subsidized food, maintenance of vacation facilities, non-uniform clothing, transportation, one-time payments to employees for medicines, childbirth, etc. For social payments made in kind, the value of the goods and services provided by the employer to the employees is indicated as the value of the goods and services at their purchase prices, or at their production prices, if produced within the enterprise.

In order to calculate the average annual amount of social payments per employee, the line coded 3180 of the employee accounts report is divided into line 1001, column 1 (average number of persons regularly employed on the payroll, excluding those on maternity leave).

### *2.3. Number of employees trained and re-certified during the year:*

The number of employees trained and re-certified annually (NTRA) is expressed as a percentage.

Enter the number of employees trained during the year in the Help Page of the CSR report – Help Page, line 9, column B. The relative value of the variable is automatically calculated on the Help Page on line 10, column B for your convenience.

An alternative method of calculating this variable is to divide the absolute value of the number trained by the average number of employees on the company's payroll (the line coded 1001, column 1 of the report on employees from the annual report of nonfinancial activity – average number of persons regularly employed on the payroll, excluding those on maternity leave).

$$NTRA = \text{absolute value of number of employees trained} / \text{average payroll list} * 100$$

### *2.4. Fairness in the distribution of compensation:*

Fairness in the distribution of compensation is expressed as the ratio of the average annual salary of one administrative management employee to the average annual salary of one non-managerial employee.

The information required for calculating the average annual salary of an administrative management employee is found in the employee accounts report in the company's annual report. The variable is the sum of the salary expenditures from the lines with codes 1010, 1020, 1030, and 1040, column 3 of the employee accounts report; the sum obtained is then divided by the average number of workers on the payroll, obtained by summing up the lines with codes 1010, 1020, 1030, and 1040, column 1. Enter the value of the average annual salary for one employee from the administrative management staff onto the Help Page of the CSR report – Help Page line 12, column B.

The information necessary to calculate the average annual salary of one non-managerial employee is found in the employee accounts report in the company's annual report. The variable is the sum of the salary expenditures from the lines with codes 1050, 1060, 1070, 1080, and 1090, column 3 of the employee accounts report; the sum, once obtained, is divided by the average number of workers from the payroll list, obtained by adding up the lines with codes 1050, 1060, 1070, 1080, and 1090, column 1. Enter the value obtained for the average annual salary for a non-managerial employee on the Help Page of the CSR report – Help Page line 13, column B.

### *2.5. Encouraging a healthy lifestyle:*

• if there is one activity for encouraging a healthy lifestyle during the year in column D of line 11 *write the answer one activity*;



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- if there are two activities for encouraging a healthy lifestyle during the year in column D of line 11 *write the answer two activities*;
- if there are three or more activities for encouraging a healthy lifestyle during the year in column D of line 11 *write the answer three activities*.

**2.6. Having or lacking lawsuits or complaints claiming discrimination of gender, age, race, or a publicly disclosed and adopted policy of “equal treatment” within the company:**

- if there *is* a lawsuit or complaint *and there is no* publicly disclosed and adopted policy for “equal treatment” within the company, *write the value 0* in column D, line 12 of the CSR report;
- if there *is* a lawsuit or complaint *and there is* a publicly disclosed and adopted policy for “equal treatment” within the company, *write the value 1* in column D, line 12 of the CSR report;
- if there *is no* lawsuit or complaint *and/or there is* a publicly disclosed and adopted policy for “equal treatment” within the company, *write the value 2* in column D, line 12 of the CSR report.

*For the third criterion – Attitude toward local, national, and global communities*

**3.1. Number of charity programs, annual causes:**

- if there is one charitable cause or program during the year in column D of line 13 *write the answer one cause*;
- if there are two charitable causes or programs during the year in column D of line 13 *write the answer two causes*;
- if there are three charitable causes or programs during the year in column D of line 13 *write the answer three causes*;
- if there are four charitable causes or programs during the year in column D of line 13 *write the answer four causes*;
- if there are five or more charitable causes or programs during the year in column D of line 13 *write the answer five causes*.

**3.2. Annual expenditures on charities and other external social programs:**

Fill in the annual amount of donations in whole levs in column D, line 14 of the CSR report.

**3.3. Certificates for environmental protection standards for the organization:**

- if there is no certificate, *write the value 0* in column E, line 15 of the CSR report;
- if there is one certificate, *write the value 1* in column E, line 15 of the CSR report;
- if there is more than one certificate, *write the value 2* in column E, line 15 of the CSR report.

**3.4. Publicly disclosed social report (CSR report):**

- if there is no publicly disclosed social report in column D of line 16 *write the answer none*;
- if there is a publicly disclosed social report in column D of line 16 *write the answer yes*.

**3.5. Consumer product health and safety:**

- if there *is* a lawsuit or complaint *or there is no* certificate of quality, *write the value 0* in column E, line 17 of the CSR report;

- if there *is* a lawsuit or complaint *and there is* a certificate/certificates of quality, write the value 1 in column E, line 17 of the CSR report;

- if there *is no* lawsuit or complaint *and/or there is* a certificate/certificates of quality, write the value 2 in column E, line 17 of the CSR report.

### *3.6. Communication with consumers and the general public:*

- if there is no website or any other form of communication with the consumers and the general public in column D of row 18 write the answer none;

- if there is a website or any other form of communication with the consumers and the general public in column D of row 18 write the answer yes.

### *3.7. The firm gives clear and not misleading information on its warranty and after-sales service:*

- if there is not clear and not misleading information about the warranty and service after sale – in column D of row 19 write the answer none;

- if there is clear and not misleading information about the warranty and service after sale – in column D of row 19 write the answer yes.

### *3.8. Lack of sanctions for claims and complaints:*

- if there are claims and sanctions in column D of row 20 write the answer yes;

- if there are neither claims nor sanctions in column D of row 20 write the answer no.

### *Deadline for filling in and disclosing report*

- The annual report on corporate social responsibility is filled in and submitted before the deadline of April 30 of the next calendar year.

### *Place and method of disclosure*

- The annual report on corporate social responsibility is made public on the company's website or is provided in some other way accessible to all interested parties.

### *Documents to be disclosed together with the report*

*(if a no web address is indicated where the documents listed below are available)*

- Company mission statement.

- Company code of ethics.

- Certificate/certificates of social responsibility standards.

- CSR report for the calendar years preceding the reporting year.

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