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NON-FINANCIAL REPORTING AS PART OF SUSTAINABILITY ACCOUNTING WITH THE EXAMPLES OF GOOD PRACTICES

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ABSTRACT

Doing business today for a conscious entrepreneur is not only focused on profit but also on the social, environmental, and economic aspects of doing business together with the sustainable development. Therefore, non-financial reporting for involved stakeholders is a new source of information based on which key decisions will be made related to the further development of the company itself. It contains information on relevant measures that affect the development of business and its results, the effects of business from the environmental and social aspect, the necessary tools to understand the development, business results and position of the company and the effects of its activities. In the European Union, non-financial reporting became mandatory from 1 January 2017 for all large public-interest companies with more than 500 employees. The legal framework and the market are putting strong pressure on the development of sustainability accounting that is becoming more and more accepted in modern business practice. In this paper

Keywords: *non-financial reporting, sustainability accounting, non-financial reporting legislation, sustainable development, corporate social responsibility.*

1. INTRODUCTION

In the Republic of Croatia, several companies started with the non-financial reporting even before the legal obligation was introduced, and published their reports under various names such as the Sustainable Development Report, Corporate Social Responsibility (hereinafter CSR) Report or integrated with financial statements under the unique name Integrated Report. This trend started in larger corporations in 1993 and has been growing steadily since then. Republic of Croatia currently does not have a national framework for non-financial reporting. Therefore, companies apply international frameworks in their non-financial statements. Non-financial reports cover environmental, social and economic issues, human rights issues, the fight against corruption and bribery. In accordance with the above, a comparison of the published data was made between several Croatian taxpayers of these reports.

The aim of this research on non-financial reporting is compare published non-financial data in three non-financial reports in order to provide comparative analysis and show good practice. With the results of the research, interested stakeholders can make a detailed analysis of published data using established tools. Non-financial report consists of data like the structure of employees, cooperation with the local community and how company is taking care of the environment. With its report, the company directly answers the question of whether it adheres to the legally prescribed framework or pushes the set boundaries of its business and becomes more aware of its community.

As an example of good practice, three companies were selected whose non-financial statements were reviewed and studied. In addition, comparative analysis of the published data was prepared. The research on non-financial reports has identified the efforts and will of individual entrepreneurs who strive for years to improve their business in a sustainable way and make it positive for the work environment and socially responsible for their environment.

2. DEFINITION, MOTIVES AND FRAMEWORK OF NON-FINANCIAL REPORTING

In December 2014, the non-financial reporting Directive 2014/95/EU was adopted. With the adopted directive, non-financial reporting in the entire European Union became mandatory from 1 January 2017 for all public-interest companies with more than 500 employees. It includes environmental and social aspects, part dedicated to the employees and human rights, anti-corruption measures, describing one's own business model, policy outcomes and risks on these issues, as well as a variety of policies implemented by management and supervisory bodies.¹ Social and human resources issues include

¹ Osmanagić Bedenik, N. et. al. (2016)

guarantee of the gender equality and implementing basic conventions of international labor organizations, working conditions, social dialogue, respect for trade union rights, health and safety at work, and dialogue with local communities and/ or measures taken to ensure the protection and development of these communities. Human rights issues and anti-corruption and anti-bribery measures concern the prevention of human rights violations and/or the use of available instruments.

2.1. MOTIVES FOR NON-FINANCIAL REPORTING

The question arises as to why companies, large corporations, write in their reports about corporate social responsibility and what their motives are. Is their commitment and effort more appreciated when interested stakeholders (e.g. local communities) are aware of their charity work through a non-financial report or when their advertisements on radio/television motivate potential stakeholders to buy their products with the message that will distribute part of the purchase made as a donation to certain organizations (associations, local community).

There is a question of motive for socially responsible businesses. Does increased consumption cause greater environmental pollution and thus potentially threaten the future of future generations? The right motives exist as a good example of good practice in order to encourage others in a conscientious business.

There are many theories as well as justifications about the responsibility of a business entity, without involving financial responsibility to stakeholders. These include new stakeholder's awareness, growing and visible environmental pressures, a lack of politics for protection of public good as well as material risk, including the risk to the company's reputation.

Corporate social responsibility shows that some businesses are finding new opportunities to create added value and ensure long-term business, setting the goals clearly and taking into account global issues such as climate change, and as a way to differentiate towards less responsible companies.

2.2. NON-FINANCIAL REPORTING FRAMEWORK

The European Commission announced in its strategy on CSR from October 2011 entitled „A renewed EU strategy 2011-14 for Corporate Social Responsibility“ that it will „present a proposal on the transparency of data on social and environmental issues provided by companies from all sectors.“ On 16 April 2013, Commission published the Proposal of the Directive on non-financial reporting, and on 26 February 2014, the European Parliament and the Council of

Europe have reached a political agreement on the provisions of the Directive – the provisions on non-financial reporting will form an integral part of the „Accounting Directive“ (2013/34/EU), adopted on 26 June 2013.²

From 1 January 2017 or during that calendar year, non-financial reporting for public interest companies³ with more than 500 employees became mandatory. The legal reporting framework consists of the Accounting Act and Directive 2014/95/ EU. Directive 2014/95/ EU deals with the amendment of Directive 2013/34/EU, from 26 June 2013, in terms of publishing non-financial information and information on the diversity of certain large companies.⁴ Its aim is to identify and report on impacts and risks, and to increase the confidence of stakeholders (investors and consumers) in companies of public interest. According to the EU Directive, “Disclosure of non-financial information is vital for managing change towards a sustainable global economy by combining long-term profitability with social justice and environmental protection. In this context, disclosure of non-financial information helps the measuring, monitoring and managing of undertakings’ performance and their impact on society“⁵. The Directive requires the public disclosure of documents such as the annual report, the sustainability report and integrated reports that include the following topics or aspects, which ensure the identification of risks of the company’s business activities on issues belonging to the following categories: (1) Environmental issues, (2) Social issues and issues related to employees, (3) Respect for human rights, (4) Anti-corruption program and bribery, (5) The diversity in governance structures.

The disclosure must include a description of the company’s business model, a description of the policies adopted in relation to the above issues, their outcomes, the risks associated with the company’s business and relevant key performance indicators (as set out in the non-financial Directive).⁶

Companies subject to this Directive may rely on European frameworks such as the Eco-Management and Audit Scheme (EMAS) or on international frameworks, such as the United Nations Global Compact, to provide information,^{7,8} UN Guiding Principles on Business & Human Rights, OECD Guidelines for Multi-

² <http://www.hup.hr/EasyEdit/UserFiles/Petra%20Senti%C4%87/Prirucnik%20DOP%20HR.pdf> (last visited: 29 June 2020)

³ Companies whose shares are listed on the stock exchange, banks, insurance companies and alike.

⁴ <http://eur-lex.europa.eu/legal-content/HR/TXT/?uri=celex%3A32014L0095> (last visited 29 June 2020)

⁵ Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014

⁶ <https://www.datamaran.com/wp-content/uploads/2017/07/ESGC-EU-law.png> (last visited 1 November 2017)

⁷ The Global Compact Guidelines cover 10 principles in the areas of human rights, labor, the environment and anti-corruption.

⁸ Osmanagić Bedenik, N. et. al. (2016).

national Enterprises (OECD)^{9,10}, norms (ISO) 2600 of International organization for standardization^{11,12}, Tripartite Declaration of Principles concerning Multi-national Enterprises and Social Policy, Global Reporting Initiative (GRI)^{13,14} or other international recognized frameworks.¹⁵ In case the company relies on a certain framework (national, European or international) it is obliged to state it in its report.

In the Act Amending the Accounting Act (Official Gazette No. 120/2016), under Article 16, paragraph 5, an entrepreneur may rely on national, European or international frameworks or non-binding guidelines on the methodology for reporting non-financial information published by the European Commission.¹⁶ All global initiatives have in common joint aim – help the organization (society) to achieve a successful socially responsible performance of non-financial reporting while ensuring legitimacy, clarity of norm, functionality, learning and engagement, clear communication and relevance.

2.3. CONTENT OF NON-FINANCIAL REPORTING

The Accounting Act (Official Gazette, No. 78/15) published in July 2015 is in line with Directive 2013/34/ EU (the so-called Accounting Directive) of the European Parliament and of the Council of 26 June 2013.¹⁷ In December 2016¹⁸ in Official Gazette The Law on Amendments to the Accounting Act was published as an amendment to the aforementioned Accounting Act (Official Gazette No. 78/15), and is related to Directive 2014/95 / EU regarding the publication of non-financial information and information on the diversity of certain large companies and groups (Article 21 a).¹⁹ Companies are required to report

⁹ The OECD guidelines are intended for multinational companies and cover the social, environmental and risk dimensions, in addition to reporting financial success to owners and government.

¹⁰ Osmanagić Bedenik, N. et. al. (2016).

¹¹ ISO 26000:2010 provides guidance rather than requirements, so it cannot be certified to unlike some other well-known ISO standards and do not offer specific reporting guidelines

¹² Osmanagić Bedenik, N. et. al. (2016).

¹³ The GRI Standards are the first global standards for sustainability reporting. They feature a modular, interrelated structure, and represent the global best practice for reporting on a range of economic, environmental and social impacts.

¹⁴ Osmanagić Bedenik, N. et. al. (2016).

¹⁵ <http://eur-lex.europa.eu/legal-content/HR/TXT/?uri=celex%3A32014L0095> (last visited 2 July 2019)

¹⁶ http://narodne-novine.nn.hr/clanci/sluzbeni/2016_12_120_2612.html (last visited 2 July 2019)

¹⁷ <https://vlada.gov.hr/UserDocImages//Sjednice/2016/8%20sjednica%2014%20Vlade//8%20-%202.pdf> (last visited 2 July 2019)

¹⁸ The provisions of Directive 2014/95/EU should be incorporated into the Croatian Accounting system by 6 December 2016 at the latest.

¹⁹ http://narodne-novine.nn.hr/clanci/sluzbeni/2016_12_120_2612.html (last visited 2 July 2017)

on the procedures performed by in-depth analysis²⁰ related to environmental and social issues, about their business relationships and key performance indicators. The company is obliged to explain any non-compliance with the non-financial reporting policy in the report, and the protection of market-sensitive information is allowed in order to protect its own business.

3. SUSTAINABILITY ACCOUNTING IN THE CONTEXT OF BUSINESS REPORTING

Until now, accounting has been seen^{21,22} as an activity of recording business changes that have taken place, and accounting practices often lag behind global trends. By financial accounting, we mean the preparation of statutory reports intended for stakeholders. There are no provisions in IFRS²³ that require reporting in the field of environmental protection and sustainable development, which are the backbone of development and are not required to be developed according to local standards.

Financial reporting in the context of sustainable development is not enough; non-financial reporting is based on measuring, disclosing and making accountable to internal and external stakeholders in relation to organizational performance for sustainable development.^{24,25}

Sustainability accounting is considered to complement traditional accounting with the aim of assessing the environmental, social and managerial performance of a company and writing reports on these issues.²⁶ It measures, monitors the positive and negative effects of society itself in this context.²⁷ Sustainability accounting framework is based on two key components - determining internal financial inflows/outflows, and determining external financial

²⁰ The UN Guiding Principles on Business and Human Rights. Guiding Principle 17 discusses due diligence as a tool to help society identify, prevent, mitigate and address any negative human rights impacts. Due diligence is a well-known term in the business world, especially when it comes to mergers and acquisitions of the companies. There is therefore experience that we can rely on, but when it comes to human rights, we need to examine the risk that applies to people, not just the company.

²¹ Accounting is the art of interpreting, measuring and linking the results of economic activities, and its main purpose is to provide decision makers with information useful for business decision-making related to finding and using rare economic assets such as money, land and labor.

²² Meigs, R. F. i Meigs, W.B. (1999.). Računovodstvo: Temelj poslovnog odlučivanja, IX izdanje. Zagreb: MATE d.o.o., str. 5

²³ International Financial Reporting Standards

²⁴ According to OAKLEY, r., Buckland, I. (2004) What if Business as Usual Won't Work? U: The Triple Bottom Line ..., nav. dj., p. 135

²⁵ Ibid, p. 201

²⁶ Rogošić A., Čaljkušić A. (2015)

²⁷ ibid

inflows/outflows. While internal financial inflows/outflows are covered by the elements of the RDG, external financial inflows/outflows relate to positive and negative externalities from relations with other stakeholders.²⁸

External relations with the stakeholders can be economic, environmental or social in its nature. Social, environmental and economic impacts are largely intertwined, and the separation and reporting of individual impacts poses a challenge to society. However, it should be emphasized that non-financial indicators are a complement to financial indicators.²⁹ For quality performance of sustainability accounting, it is necessary to build and establish data collection systems (databases) and associated reporting processes in large corporations.

Increased accountability to a range of stakeholders implies that their requirements and interests must be contained in sustainability accounting databases. These databases consist of the opinions and interests of stakeholders in the form of reliable, systematic, and responsible measurements.³⁰ Specific sustainability accounting consists of four basic processes: (1) computing, (2) recording, (3) summarizing, and (4) reporting.³¹

Calculation refers to the identification and measurement of relevant facts or phenomena. Recording deals with the implementation of certain measurements (situations) in accordance with the conventions of accounting principles. The accounting data thus obtained have a certain importance (significance). E.g. the consolidation process distinguishes between current (short-term) and long-term liabilities and assets, and calculates net operating results. The final process represents reporting that refers to the transfer of information to the relevant internal and external audience, so that users of the report can evaluate, compare and analyze them. Reporting is only one (limited) part of accounting, which requires an "upgrade" by the organization.³² The basic reporting process enables the application of accounting information for audit, analysis, disclosure and decision making purposes. Accounting affects the attitudes and management, and access to specific information. On the other hand, this process can contribute to the creation of image, perception and judgment of stakeholders about the company itself. Shareholders consciously bear part of the risk in relation to their investment. According to the principle of participation in value creation arising from voluntary risk-taking, liability to shareholders is no different from liability to investors of financial capital.

²⁸ Osmanagić Bedenik, N. et al. (2010)

²⁹ *ibid*, p. 201

³⁰ Hall et al., 2015

³¹ Goldberg, 1965

³² Mitchell, et al. (2015)

All of these relationships are intertwined, and separating these relationships and their impact in reporting itself would be a challenge for corporations or companies. Their biggest undertaking in a three-balance sheet approach to reporting would be to turn these relationships into monetary values, especially in the area of the impact of social and environmental relationships. These relationships are currently receiving the most attention with the intention of defining their methodological approach. The next problem relates to the fact that it is difficult to convert these relationships into monetary values, because there is no benchmark through which to select companies that successfully manage economic, environmental and social elements from other companies.³³

4. COMPARATIVE ANALYSIS OF NON-FINANCIAL INDICATORS ON A SELECTED SAMPLE OF COMPANIES

There are several companies in the Republic of Croatia that have been publishing non-financial reports on a regular basis for many years. Most of them use recognized international standards and recommendations when preparing the report. When selecting the companies for the research in order to make possible to compare and show good practice, the availability of published data in the non-financial reports was considered, so the final stakeholders would have clear information about the company's businesses as well as credible insight into the documentation on their official website. With the examples of publicly available non-financial reports of the three companies, we will point out the good practice in their preparation. Following the above, companies that were selected as an example of good practice in non-financial reporting are INA d.d.³⁴, Jadran Galenski Laboratorij d.d.³⁵ and Zagrebački Holding d.o.o.³⁶. The reporting year selected is 2017 and according to the selected sample, companies prepared their non-financial reports according to the new guidelines of the GRI standards.

In table no. 1, it has been made a comparative analysis showing whether companies have published in their non-financial statements most of the information contained under the GRI Standard 102: General Disclosures, which is a mandatory Standard for the publication of non-financial reports under the GRI Standards.

³³ Ibid, p. 203

³⁴ https://www.ina.hr/UserDocImages/dokumenti/INA_AR_2017_cro_30_4%20FINAL_link.pdf (last accessed: 01.03.2019.)

³⁵ https://www.zgh.hr/UserDocImages/Marketing/DOP/zagrebacki_holding_izvjesce_o_odrzivosti_2017_HR_spread2.pdf (last accessed: 01.03.2019)

³⁶ <https://uploads.jgl.hr/uploads/2018/06/IOR-2017.pdf> (last accessed: 1 March 2019)

Table 1: Comparative analysis GRI 102 General Disclosures

GRI STANDARDS	INA d.d.	ZAGREBAČKI HOLDING d.o.o.	JADRAN GALENSKI LABORATORIJ d.d.
102 – GENERAL DISCLOSURES			
102-1 Name of the organization	✓	✓	✓
102-2 Activities, brands, products and services	✓	✓	✓
102-3 Location of headquarters	✓	✓	✓
102-4 Location of operations	✓	✓	✓
102-5 Ownership and legal form	✓	✓	✓
102-6 Markets served	✓	✓	✓
102-7 Scale of the organization	✓	✓	✓
102-8 Information on employees and other workers	✓	✓	✓
102-9 Supply chain	✓	✓	✓
102-10 Significant changes to the organization and its supply chain	✓	✓	✓
102-11 Precautionary Principle or approach	✓	✓	✓
102-12 External initiatives	✓	✓	✓
102-13 Membership of associations	✓	✓	✓
102-14 Statement from senior decision-maker	✓	✓	✓
102-15 Key impacts, risks and opportunities	✓	✓	✓
102-16 Values, principles, standards and norms of behavior	✓	✓	✓
102-17 Mechanisms for advice and concerns about ethics	✓	✓	-
102-18 Governance structure	✓	✓	✓
102-40 List of stakeholder groups	✓	✓	✓
102-41 Collective bargaining agreements	✓	✓	✓
102-42 Identifying and selecting stakeholders	✓	✓	✓
102-43 Approach to stakeholder engagement	✓	✓	✓
102-44 Key topics and concerns raised	✓	✓	✓
102-45 Entities included in the consolidated financial statements	✓	✓	✓
102-46 Defining report content and topic Boundaries	✓	✓	✓
102-47 List of material topics	✓	✓	✓
102-48 Restatements of information	✓	✓	✓
102-49 Changes in reporting	✓	✓	✓
102-50 Reporting period	✓	✓	✓
102-51 Date of most recent report	✓	✓	✓
102-52 Reporting cycle	✓	✓	✓
102-53 Contact point for questions regarding the report	✓	✓	✓

GRI STANDARDS	INA d.d.	ZAGREBAČKI HOLDING d.o.o.	JADRAN GALENSKI LABORATORIJ d.d.
102 – GENERAL DISCLOSURES			
102-54 Claims of reporting in accordance with the GRI Standards	✓	✓	✓
102-55 GRI content index	✓	✓	✓
102-56 External assurance	✓	✓	✓

Source: Prepared by the author based on a research of the non-financial reports

In the list of material topics from each module, two material topics were selected, because all three companies reported them. In the following section, material topics are compared according to GRI standards.

4.1. GRI 200 – ECONOMIC TOPICS

For the purpose of comparative analysis, the GRI Standard GRI 201 Economic Performance and GRI 202 Market Presence were elaborated.

Table 2: Comparative analysis of GRI 200 Economic Topics – GRI 201: Economic Performance and GRI 202: Market Presence

GRI STANDARDS	INA d.d.	ZAGREBAČKI HOLDING d.o.o.	JADRAN GALENSKI LABORATORIJ d.d.
MATERIAL TOPICS			
GRI 200 ECONOMIC TOPICS			
201 Economic Performance	✓	✓	✓
103-1 Explanation of the Material topic and its Boundary	✓	-	✓
103-2 The management approach and its components	✓	-	✓
103-3 Evaluation of the management approach	✓	-	✓
201-1 Direct economic value generated and distributed	✓	✓	✓
201-4 Financial assistance received from government	✓	✓	✓
202 Market presence	✓	✓	✓
103-1 Explanation of the material topic and its Boundary	-	-	✓
103-2 The management approach and its components	-	-	✓
103-3 Evaluation of the management approach	-	-	✓
202-1 Ratios of standard entry level wage by gender compared to local minimum wage	✓	✓	✓
202-2 Proportion of senior management hired from the local community	✓	✓	✓

Source: Prepared by the author based on a research of the non-financial reports

INA d.d. under the *Economic topic*, and *Direct economic value generated and distributed* in its report presents a consolidated statement of financial position, income statement and cash flow statement of INA Group.

Zagrebački **Holding** d.o.o. in its non-financial report elaborates on the GRI 201-1 *Direct economic value generated and distributed*. Apart from a detailed description of the data on financial indicators, it does not explain the economic impact of these material topics, their management approach and evaluation. There is no difference in basic salaries by gender, and all material rights from the collective agreement are equal for both genders in all three companies.

In Jadran Galenski Laboratorij d.d. (hereinafter JGL) Group there is no difference in starting salary for men and women, and they reflect their business performance to employees through various benefits. The local community employs 100% of the senior management³⁷ In their report; they appoint the members of the Management Board and the Supervisory Board, as well as the General Assembly of the company. However, the list of members does not specify which members are from the local community and the ratio of senior management from the local community. In its explanation of the material topic, JGL states that economic topics depend on the Russian market and the economic, political and other conditions in that particular country. JGL manages this topic by developing managerial skills and scheduling business responsibilities and independence in performing work duties with its employees.

4.2. GRI 300 – ENVIRONMENTAL TOPICS

For the purpose of comparative analysis, the GRI Standard GRI 302: Energy and GRI 303: Water were elaborated.

Table 3: Comparative analysis of GRI 300 Environmental topics – GRI 302 Energy and GRI 303 Water

GRI STANDARDS	INA d.d.	ZAGREBAČKI HOLDING d.o.o.	JADRAN GALENSKI LABORATORIJ d.d.
GRI 300 ENVIRONMENTAL TOPICS			
302 Energy	✓	✓	✓
103-1 Explanation of the material topic and its Boundary	✓	-	✓
103-2 The management approach and its components	✓	-	✓
103-3 Evaluation of the management approach	✓	-	✓

³⁷ <https://www.jgl.hr/o-nama/jgl-u-zajednici/izvjesca-o-odrzivom-razvoju> (last visited 3 September 2019)

GRI STANDARDS	INA d.d.	ZAGREBAČKI HOLDING d.o.o.	JADRAN GALENSKI LABORATORIJ d.d.
MATERIAL TOPICS			
302-1 Energy consumption within the organization	✓	✓	✓
302-4 Reduction of energy consumption	✓	✓	✓
303 Water	✓	✓	✓
103-1 Explanation of the material topic and its Boundary	-	-	✓
103-2 The management approach and its components	-	-	✓
103-3 Evaluation of the management approach	-	-	✓
303-1 Water withdrawal by source	✓	✓	✓
303-2 Water sources significantly affected by withdrawal of water	-	-	✓
303-3 Water recycled and reused	-	✓	✓

Source: Prepared by the author based on a research of the non-financial reports

In 2017, energy consumption in the INA Group increased compared to the previous year. In 2015, they implemented an energy management system, and despite the increase in energy consumption in refineries, they recorded energy savings and reduced emissions. In that year, the total amount of discharged and abstracted water increased compared to the previous year. Zagreb Holding lists *ZET* and *Vodoopskrba i odvodnja d.o.o.* as the largest consumers, with *ZET* being the largest consumer of energy due to the nature of its activities. In addition to IT monitoring of energy consumption, the components of Zagrebački Holding d.o.o. are taking various initiatives to reduce energy consumption and increase energy efficiency. JGL chose GRI 302 Energy as a material topic due to the interests of its stakeholders (employees, shareholders, end users and the local community). Through the energy management system ISO 5001: 2011, it successfully manages the energy aspect, and uses available tools in energy management and environmental protection. The management system is applied to the activities of development, production and distribution of medicines and other sales range. Only the monitoring of the energy management system is carried out by an external audit.³⁸

4.3. GRI 400 – SOCIAL TOPICS

For the purpose of comparative analysis, the GRI 402: Labor/Management relations and GRI 403: Occupational Health and Safety were elaborated.

³⁸ <https://www.jgl.hr/o-nama/jgl-u-zajednici/izvjesca-o-odrzivom-razvoju> (last visited: 3 September 2019)

Table 4: GRI 400 Social topic – GRI 402: Labor/Management relations and GRI 403: Occupational Health and Safety.

GRI STANDARDS	INA d.d.	ZAGREBAČKI HOLDING d.o.o.	JADRAN GALENSKI LABORATORIJ d.d.
GRI 400 SOCIAL TOPICS			
402 Labor/management relations		✓	✓
103-1 Explanation of the material topic and its Boundary	-	-	✓
103-2 The management approach and its components	-	-	✓
103-3 Evaluation of the management approach	-	-	✓
402-1 Minimum notice periods regarding operational changes	✓	✓	✓
403 Occupational health and safety	✓	✓	✓
103-1 Explanation of the material topic and its Boundary	-	-	✓
103-2 The management approach and its components	-	-	✓
103-3 Evaluation of the management approach	-	-	✓
403-1 Workers representation in formal joint management–worker health and safety committees	✓	✓	✓
403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	✓	✓	✓

Source: Prepared by the author based on a research of the non-financial reports

There is an Employees' Council in the INA Group. Employer informs the Employees' Council about business results, work organization, Group goals, movements and changes in salaries, number and type of employees as well as labor costs. In accordance with the Labor Act, the procedure for the election of Employees' commissioners for occupational safety in INA Group is defined.³⁹

Despite their goal, in 2017 there was an increase in injuries at work with lost time at the group level for own employees, and the frequency of injuries at work with lost working hours also increased.⁴⁰ Zagrebački Holding d.o.o. under the social topic *Occupational Health and Safety of health and safety* prepares an internal methodology for monitoring injuries at work with the aim of additional protection of its employees. In the reporting period, there were 307

³⁹ https://www.ina.hr/UserDocImages/dokumenti/INA_AR_2017_cro_30_4%20FINAL_link.pdf (last visited 4 September 2019)

⁴⁰ https://www.ina.hr/UserDocImages/dokumenti/INA_AR_2017_cro_30_4%20FINAL_link.pdf (last visited 4 September 2019)

injuries reported at work, out of which 195 injuries occurred in the process of work, and 122 outside that process. Of the total number of injuries, 44 were characterized as serious injuries at work.⁴¹ As the most important approach in the management of the social category, JGL emphasizes the communication that is carried out according to clearly defined principles, i.e. that all employees must be informed by the management about the policies and goals of the company and the achieved results. Every communication is prescribed by work procedures and is related to product quality, environment, energy management, health and safety of people. Every implementation of the activity must have a documented trace. Assessing the quality of dialogue is a continuous goal of JLG, which is analyzed through research on climate and employee satisfaction through the Employees' Council. JGL has an Occupational Safety and Fire Protection service.

It should certainly be noted that the companies included in this research did not fully comply with all the instructions of the selected reporting frameworks due to several possible reasons. The first reason may be that they were not sure how to apply the new GRI standards. The second reason was that they simply neglected instructions for reasons known only to the management of the company. The company always reserves the right not to answer some questions so as not to jeopardize future plans for further development.

5. CONCLUSION

A summary has been made out of the basic data from the financial and non-financial report based on the comparative analysis of non-financial reports of companies INA d.d., Zagrebački Holding d.o.o. and Jadran Galenski Laboratorij d.d.

Table 5: Analysis of basic data of non-financial reporting of selected companies

	INA d.d.	ZAGREBAČKI HOLD- ING d.o.o.	JADRAN GALENSKI LABORATORIJ d.d.
Year when the company was founded	1964	2007	1991
Company size	Large	Large	Large
Origin of capital	49% foreign capital	100% domestic capital	1% foreign capital
Ownership	Predominantly private ownership (over 50% of private capital)	Owned by the City of Zagreb	Private property
Number of employees	4225	8510	516

⁴¹ https://www.zgh.hr/UserDocImages/Marketing/DOP/zagrebacki_holding_izvjesce_o_odrzivosti_2017_HR_spread2.pdf (last visited 3 September 2019)

Average net salary (kn)	9.835,00	7.210,00	9.246,00
Total revenues (kn)	18.336.888.100,00	3.468.703.500,00	633.985.300,00
Net profit (kn)	1.424.695.400,00	55.613.300,00	70.804.500,00
Year of publication of the first non-financial report	1996	2016	2000
Integrated report	Yes	No	No
Non-financial reporting standard	GRI, SDG	GRI	GRI, SDG
Option	Core	Core	Core
Matrix of materiality	Yes	Yes	No, but there is a detailed description of the material topics
Audit of a non-financial report	Croatian Business Council for Sustainable Development, Mislav Ante Omazić, Faculty of Economic, University of Zagreb	Auditor	Croatian Business Council for Sustainable Development
Table of contents	p. 158	p. 138-142.	p. 29-31.
Publication on the official website	Yes	Yes	Yes
Award(s)	<i>Sjaj</i> , Green Frog Award	-	<i>Zlatni ključ</i> , <i>Zlatna kuna</i>

Source: Prepared by the author based on a research of the non-financial reports

After the data analysis, most companies have many years of experience in non-financial reporting and are continuously working on sustainable development. All these companies have published their non-financial reports on their official website. New GRI Standards were used in the reporting with the core option. All companies are familiar with the Sustainable Development Goals and INA d.d. and JGL d.d. stated in their reports which objectives they particularly support. Based on the selected companies and their non-financial statements, we can conclude that the separated non-financial statements from the financial statements are much more specific and transparent for the stakeholders for whom they are intended. They have a clear sequence with the necessary information and methods used. Privately owned companies are investing more effort in prevention of the safety and protection of employees' health, as well as in programs that will attract future employees.

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NEFINANCIJSKO IZVJEŠĆIVANJE KA DIO RAČUNOVODSTVA ODRŽIVOSTI S PRIMJERIMA DOBRE PRAKSE

SAŽETAK RADA

Poslovanje danas za savjesnog poduzetnika nije samo orijentirano na dobit već i na socijalne, ekološke i ekonomske aspekte, uključujući i održivi razvoj. Stoga je nefinancijsko izvješćivanje za udioničare novi izvor informacija pri donošenju ključnih odluka vezanih za daljnji razvoj tvrtke. Ono sadrži informacije o relevantnim mjerama poduzetim u cilju daljnjeg razvoja poslovanja i postizanju boljih rezultata. One utječu na poslovanje u ekološkom i socijalnom smislu, predstavljaju potrebne alate da bi se razumio razvoj, poslovni rezultati i položaj tvrtke i njezine aktivnosti. U Europskoj Uniji nefinancijsko izvješćivanje postalo je obvezatno 1. siječnja 2017. za velike tvrtke od javnog interesa koje imaju više od 500 zaposlenika. Pravni okviri i tržište inzistiraju na razvoju računovodstva održivosti, koje se sve više primjenjuje u modernoj poslovnoj praksi.

Ključne riječi: *nefinancijsko izvješćivanje, računovodstvo održivosti, nefinancijsko izvješćivanje, zakonodavstvo, održivi razvoj, društveno odgovorno poslovanje*

