



MEETING A CHALLENGE OF NON-FINANCIAL REPORTING ON SOCIAL ISSUES IN CROATIA

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INTRODUCTION

1. INTRODUCTION

- 2. THEORETICAL BACKGROUND
- 3. METHODOLOGY
- 4. RESULTS
- 5. DISCUSSION & CONCLUSIONS

- Directive 2014/95/EU: Disclosure of non-financial & diversity information



Quality of information of social issues in non-financial (sustainability) reports

- National, supranational, international frameworks

National frameworks

Supranational frameworks

International frameworks

Aspirational Principles & Codes of Conduct		Management systems & Certification Schemes		Rating Indices	Accountability & Reporting Framework
					
					
					

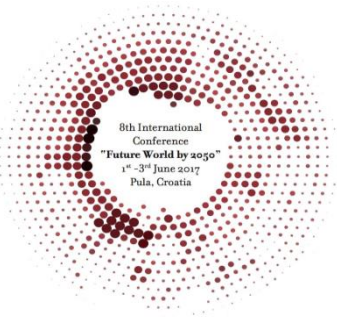
INTRODUCTION

Research question

Do Croatian companies disclose social information in the non-financial (sustainability) reports that are suitable for benchmarking and competitive assessment according to the provisions of the Directive 2014/95/EU on non-financial and diversity information?



DIRECTIVE 2014/95/EU OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 22 October 2014 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups.



THEORETICAL BACKGROUND

Social impact - DEFINITION

1. INTRODUCTION

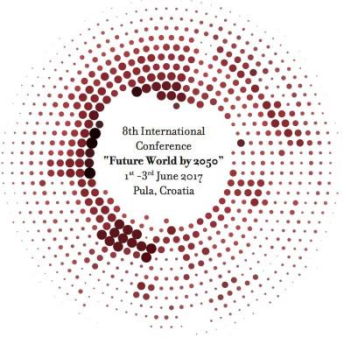
2. THEORETICAL BACKGROUND

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- Any of the great variety of changes in physiological states and subjective feelings, motive and emotions, cognitions and beliefs, values and behaviour, that occur in an individual, human or animal, as a result of the real, implied, or imagined presence or actions of other individual (Latané 1981)
- People's way of life, their culture, community, political systems, environment, health and well being, personal and property rights, fears and aspirations (Vanclay 2003; 2015)
- The difference between what would happen with a given action, and what would happen without it (IAIA, 2009)
- The extent to which a change arises from the intervention (GECES Sub-group on Impact Measurement, 2014)
- The reference of four key elements: the value created as a consequence of someone's activity, the value experienced by beneficiaries and all others affected, an impact that includes both positive and negative effects, an impact that is judged against a benchmark of what the situation would have been without the proposed activity (OECD, 2015)
- The sum of or a net of synergies of positive or negative, intended or unintended, financial and non financial outcomes (Migliavacca, 2016)



THEORETICAL BACKGROUND

Social impact – MEASUREMENT

Maas, 2014

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QUALITATIVE

- Non-metric measures: textual data

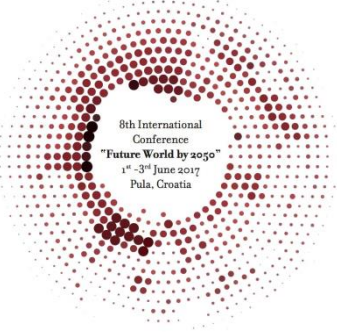
QUANTITATIVE

- Acumen Scorecard
- Atkinson Compass Assessment for Investors
- BSC
- Best Available Charitable Option
- Bottom of the Pyramid Impact Assessment Framework
- Social Footprint
- Social Return on Investment

GUIDELINES, PRINCIPLES & STANDARDS

- UN Global compact
- Sullivan principles
- OECD guidelines for MNEs
- SA 8000
- EU Eco-label
- DJSI
- ECPI Ethical Index Euro
- FTSE4GOOD
- GRI

Maas, K. (2009) Corporate Social Performance - From Output Measurement to Impact Measurement. Erasmus University Rotterdam. Available at: <http://blog.han.nl/gwem/files/2015/11/Maas-K.-2009.-Corporate-social-performance-measurement.pdf>.



THEORETICAL BACKGROUND

SOCIAL IMPACT – MEASUREMENT (TRASI)

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BEST PRACTICE

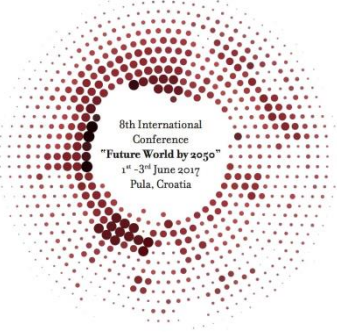
- Assessing & Building Your Organization’s Capacity;
- Charting Impact;
- Cluster Evaluation;
- Due-Diligence Framework for Scaling Initiatives;
- Evaluating Development Co-Operation,

METHODS

- Appreciative Inquiry Approach;
- BSC;
- Base of pyramid Impact Assessment Framework;
- Blue-Print 1.0;
- Building a Performance Measurement System
- ...

TOOLS

- Assessment and Improvement Indicators,
- BACO Ratio,
- Operational Benchmark Report,
- Benefit-Cost Ratio, ...

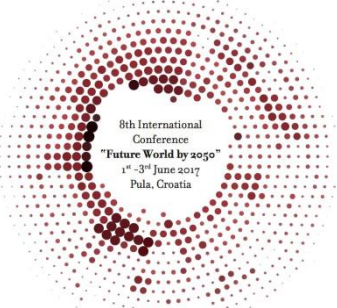


THEORETICAL BACKGROUND

GRI - FRAMEWORK

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Categories / Sub-categories	GRI aspects / topics
Social – Labor practice and decent work (LA)	<i>Employment, labor/management relations, occupational health and safety, training and education, diversity and equal opportunity, equal remuneration for women and men, supplier assessment for labor practices, labor practices and grievance mechanisms</i>
Social – Human rights (HR)	<i>Investment, non-discrimination, freedom of association and collective bargaining, child labor, forced or compulsory labor, security practices, indigenous rights, assessment, supplier human rights assessment, human rights grievance mechanisms</i>
Social – Society (SO)	<i>Local communities, anti-corruption, public policy, anti-competitive behavior, compliance (SO), supplier assessment for impacts on society, grievance mechanisms for impacts on society</i>
Social – Product responsibility (PR)	<i>Customer health and safety, product and service labeling, marketing communications, customer privacy, compliance (PR),</i>



METHODOLOGY

MEASUREMENT FRAMEWORK

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Attribute	Measure
Relevance	Identification of stakeholders and their needs
	Dialog with stakeholders to define their needs
	Analysis of risk factors specific to the company
Comparability	Temporal features and comparisons with previous/next-period sustainability report
	Comparison with previous/next- period sustainability report
	Clear definition of the report perimeter and boundaries
Verifiability	Verifiability of information presented
Clarity	Clear definition of presented data and indicators
	Explanation about the methods of elaboration, calculation, and/or reporting mechanisms.



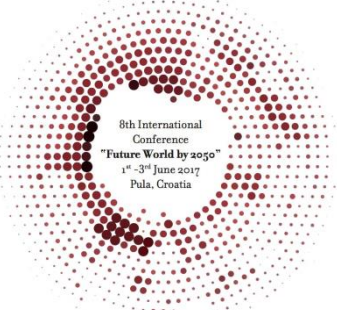
METHODOLOGY

SAMPLE DESIGN

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2014 / 2015 / 2016

Company size (no of employees)	Number of companies retrieved	Number of companies reporting (merging with the group)	Number of reports for analysis
500	172	142	37
400 – 499	49	42	1
TOTAL	221	184	38

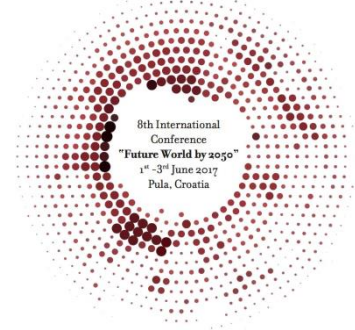


RESEARCH RESULTS

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(Sub)-Categories // ATTRIBUTES	Human rights	Labor practice	Community / Society	Product	Average score - attributes (range: 0, 4)
Relevance - Identification	23	23	22	23	2,39
Relevance - Identification	19	19	19	19	2,39
Relevance - Dialogue	16	18	17	13	2,00
Verifiability (of info presented)	13	17	15	12	1,50
Comparability - Temporal	12	17	14	9	1,37
Comparability - Others	11	16	14	10	1,34
Comparability - perimeters, boundaries	11	15	10	11	1,24
Relevance - Analysis	9	8	7	12	0,95
Clarity - Methods	5	9	9	3	0,68
average score - categories (range: 0, 9)	3,13	3,74	3,34	2,95	13,16

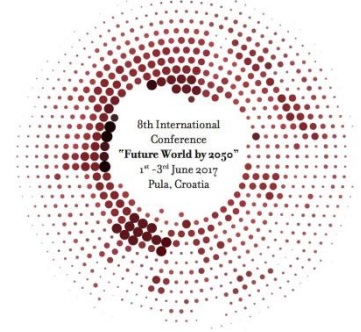
(range: 0, 36)



DISCUSSION

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- low quality of disclosed social information (13.16 / 36.00)
- recognizing the impact of an organization on society (disclosing textual data)
- different approach to understanding of social impact & reporting on it
- organization's control: inside impact vs. outside impact
- complexity: way of life, culture, political system, health & well being, personal & property rights, fears & aspirations, physical safety



CONSLUSIONS

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- Information disclosed: in accordance with the Directive 2014/95/EU; not good enough for benchmarking and competitive assessment
- consider the social impact at the industry level (synergy of key areas)
- need for measurement methods & metric system suitable for disclosing social information at the industry level: categorical-scaled measures, ordinal-scaled measure, interval-scaled measured, ratio-scaled measures



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***It takes 20 years to
build a reputation
and five minutes to
ruin it.***

Warren Buffet

Thank you!



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