



Univerza v Mariboru

Ekonomsko-poslovna fakulteta



# **State interventions to the corporations' management and governance process: the case of non-financial statements of Slovene corporations**

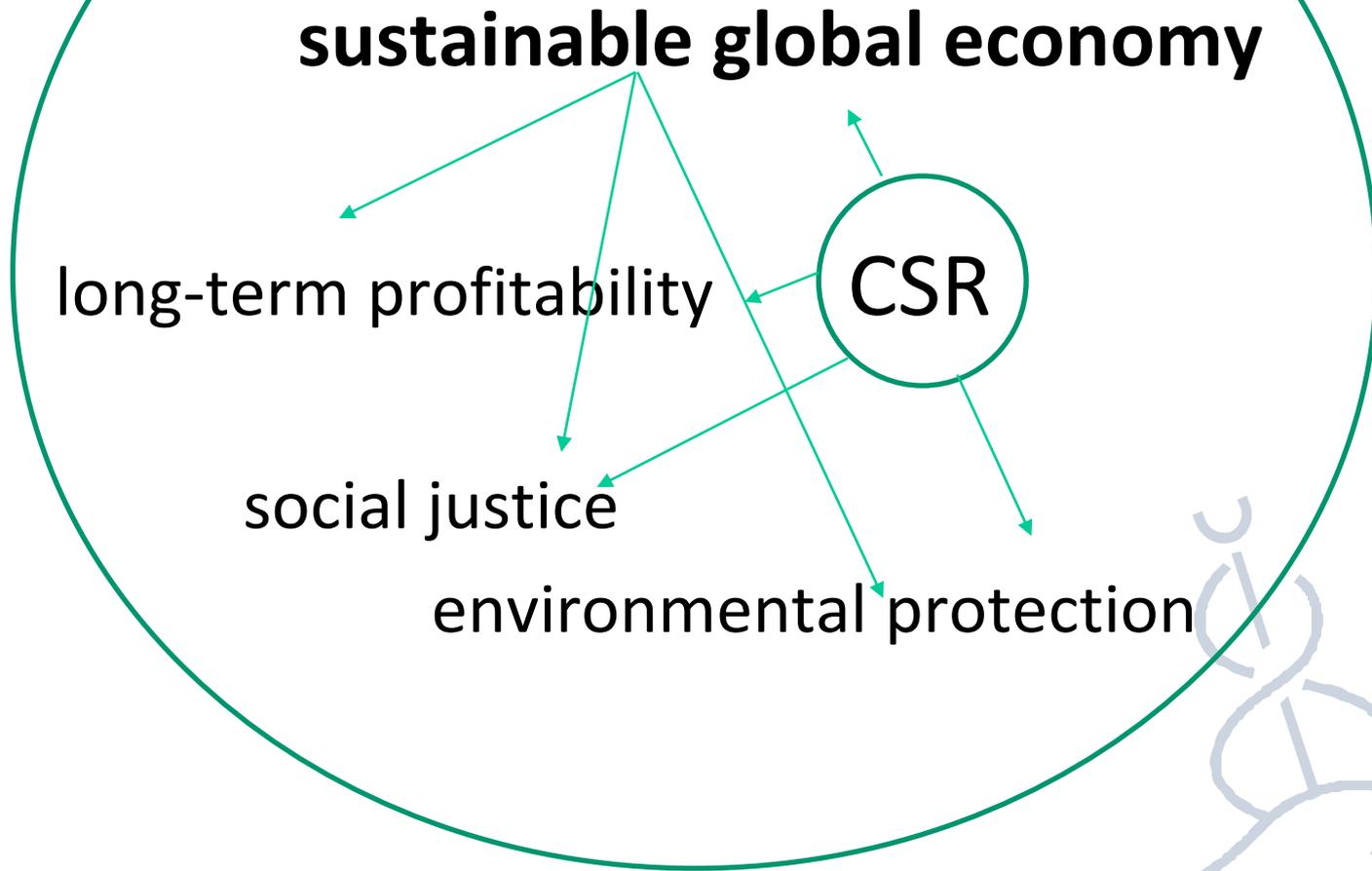
PROF. DR. JERNEJ BELAK

PROF. DR. ANDREJA PRIMEC

ZAGREB, 07. 12. 2018



# Europe 2020



# EU and Slovenian legal framework

- Directive 2014/95/EU

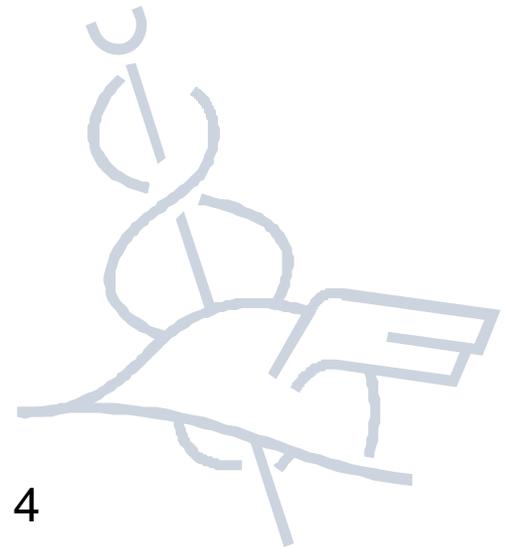
(to improve social responsibility) as  
amendments to Directive 2013/34/EU

- The amendment of the Companies Act in  
2016 (ZGD-1J)



# Disclosure of non financial data

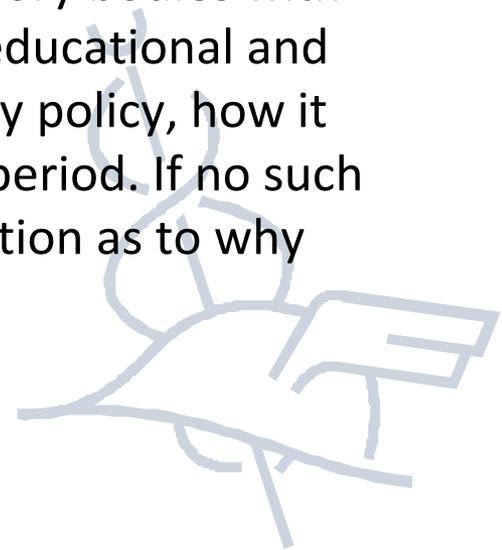
1. Diversity policy
2. Non-financial statement



# Diversity policy as a part of CGS content

Article 20 (The amendment of the Companies Act in 2016 (ZGD-1J)) is amended as follows:

a description of the diversity policy applied in relation to the undertaking's administrative, management and supervisory bodies with regard to aspects such as, for instance, age, gender, or educational and professional backgrounds, the objectives of that diversity policy, how it has been implemented and the results in the reporting period. If no such policy is applied, the statement shall contain an explanation as to why this is the case.'



# THE CONTENT OF NON-FINANCIAL STATEMENT (NFS)

This statement contains information about the company's development, performance, position and impact of its activity, relating to /as a minimum/

environmental, social and employee matters, respect for human rights, anti-corruption and bribery matters.



# Diversity policy is an obligation

- for the companies whose annual reports are subject to audit (large, medium-sized and dual companies) and
- companies which are obliged to draw up a consolidated annual report.



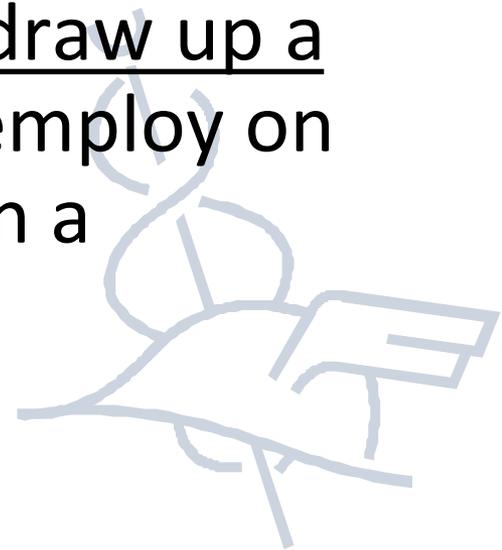
# Non-financial statement

is an obligation

- for large corporations which are public-interest entities

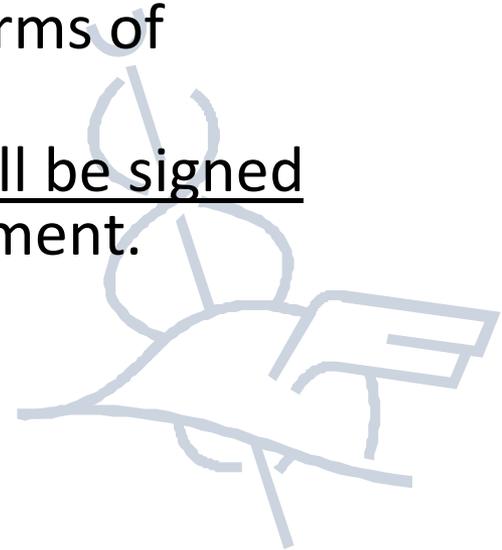
(public companies, banks, insurance companies) employing more than 500 people on average and

- companies which are obliged to draw up a consolidated annual report and employ on average more than 500 people on a consolidated level.



# Article 60 a ZGD-1

- The company's management and control bodies shall jointly ensure that annual reports with all their component parts, including the corporate governance statement and non-financial statement, are drawn up and published in accordance with Companies Act, the Slovenian Accounting Standards or International Financial Reporting Standards. In this respect, they shall act within the scope of their powers, with due care and responsibility as provided for individual forms of companies by Companies Act.
- The annual report and its components shall be signed by all members of the company's management.



# The role of the auditor

- the auditor has to verify if the business report contains a CGS and non-financial statement and to check them for completeness.



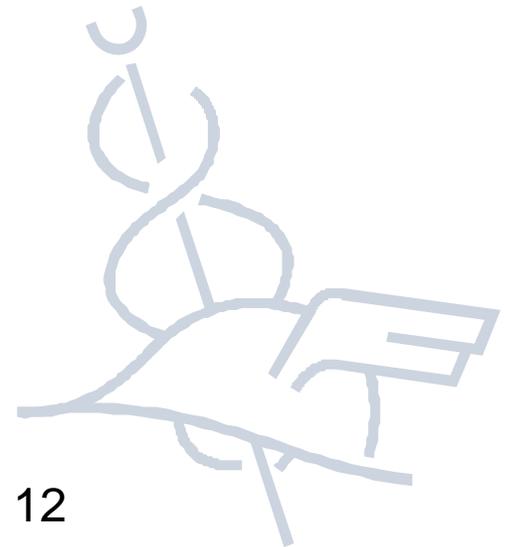
# Non-financial statement

- 1. Large undertakings which are public-interest entities exceeding on their balance sheet dates the criterion of the average number of 500 employees during the financial year shall include in the management report a non-financial statement containing information to the extent necessary for an understanding of the undertaking's development, performance, position and impact of its activity, relating to, as a minimum, environmental, social and employee matters, respect for human rights, anti-corruption and bribery matters, including:



# Non-financial statement

- a brief description of the undertaking's business model;
- a description of the policies pursued by the company in relation to those matters, including due diligence processes implemented;
- the outcome of those policies;



# Non-financial statement

- the principal risks related to those matters linked to the undertaking's operations including, where relevant and proportionate, its business relationships, products or services which are likely to cause adverse impacts in those areas, and how the undertaking manages those risks;

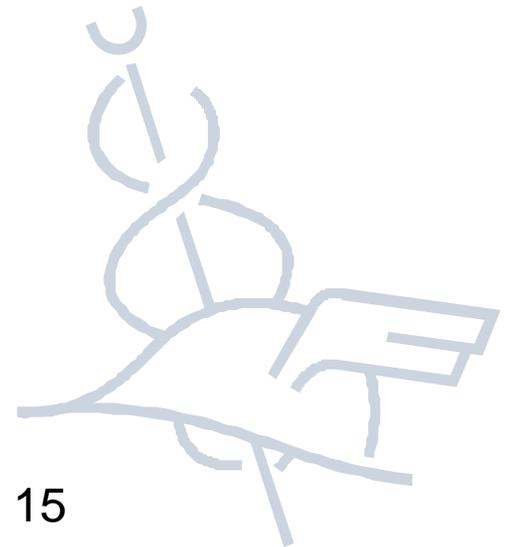
# Non-financial statement

- non-financial key performance indicators relevant to the particular business.
- Where the company does not pursue policies in relation to one or more of those matters, the non-financial statement shall provide a clear and reasoned explanation for not doing so.



# Case study

- 3 slovenian (serious) companies
- Companies, listed at SLO stock exchange
- 3 various activities



# Research cognitions and debate

- WEEK and POOR content of the observed reports– despite the fact that observed cases are respected SLO companies with strong impact to the environment of their functioning
- Their non-financial reports do not follow the legal requirements – the required business policies are not entirely described

# Research cognitions and debate

- The reports as such will require too much work load for the auditors
- The purpose of the updated legislation (EU as well as national level) is to standardize the non-financial reporting
- Looking forward to auditors' feedback on the non-financial reports in general
- How the control over non-financial reporting will be organized?