



## Topic: Corporate Responsibility Report

### Dozens of Companies in Slovakia Are Required to Disclose Information about Their Corporate Responsibility

In 2015, the National Council of the Slovak Republic passed an amendment to Act No. 431/2002 on Accounting, as amended (hereinafter referred to as "the Act on Accounting"), which introduced a new obligation for companies to disclose information from the area of Corporate Social Responsibility and diversity policies in their annual report.

#### The Area of Corporate Social Responsibility

The content of the information from the area of Corporate Social Responsibility is determined by mandatory provisions in the Act on Accounting. Some companies include this required information in a report known as the CSR report. The amendment of this law is based on the EU Directive\*\* on **disclosure of non-financial and diversity information**. The disclosure of information about non-financial performance of companies is important in order to change the mindsets of the companies and to help them understand the responsibility of companies for social and environmental impacts as well as the compliance with human rights and fight against corruption. The disclosure of non-financial information helps measure, monitor and control the behaviour of companies and their impact on society. Such a report contains information which can help us understand the development, behaviour and impact of company activities on the environment, employees, customers, suppliers or other partners – company stakeholders.

According to the amended Act on Accounting, the obligation concerns those public interest companies which average number of employees exceeds 500. This means that the obligation concerns certain banks, insurance companies, health insurance companies, management companies or even pension fund management companies. This obligation also concerns companies which have issued securities that have been accepted for trade on the regulated market of any EU member state.

#### The Area of Diversity Policies

Certain companies have additional obligations. Diversity reporting concerns companies which have issued securities that have been accepted for trade on the regulated market of any EU member state and which also meet at least two of the following requirements: the total value of their assets is more than 20 million euros, their net turnover exceeds 40 million euros or they have more than 250 employees. The annual reports of these companies must also include a description of the diversity policies that they apply in their administrative, management and supervisory bodies, especially in regard to age, sex, education and professional experience of the members of these bodies, the aims of these policies, the way they are executed and the results achieved in the reported period.

A complete list of public interest entities is presented in the box. It is estimated that based on these criteria the new requirement would apply to approximately 18,000 companies in the EU, out of which several dozen are located in Slovakia.

\* Act No. 431/2002 on Accounting, section 20

\*\* Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014:  
<http://eur-lex.europa.eu/legal-content/SK/TXT/?uri=celex%3A32014L0095>

An advantage for the company is that the CSR report can be prepared for the whole group of companies and not individually for each company. Subsidiary companies are not required to present information about Corporate Social Responsibility in their annual report if this information is included in the annual report of their parent company.

Companies will be allowed to use international, European or national regulations of management or reporting, depending on which regulations they consider the most appropriate (e.g. GRI, UN Global Compact, ISO 26000 or the German Sustainability Code). The goal of the directive and its related laws in member states is to increase transparency in all areas of business. However, this law will also indirectly affect small and medium-sized enterprises since large companies will require them to adhere to the basic principles of CSR.

Several EU member states have already established the legal requirement for companies to report on CSR. This is the case in countries such as Sweden and Denmark (applies to state-owned companies) or France (applies to large companies).

### List of Public Interest Entities

- any accounting entity which has issued securities that have been accepted for trade on the regulated market of any EU member state, any bank, subsidiary of a foreign bank, the Export-Import Bank of the Slovak Republic, any insurance company, subsidiary of a foreign insurance company, reinsurance company, subsidiary of a foreign reinsurance company, health insurance company, management company, subsidiary of a foreign management company, pension fund management company, complementary pension insurance company, the Bratislava Stock Market, the Central Securities Depository, any securities trader, payment institution, electronic money institution (ELMI), collective investment public interest entity, pension fund, subsidiary of a foreign financial institution
- any accounting entity which meets at least two of the following conditions in at least two subsequent accounting periods: a) the total value of its assets exceeds 170,000,000 euros, b) its net turnover exceeds 170,000,000 euros, c) its average number of employees exceeds 2,000.

# Recommendations: Corporate Responsibility Report

## What is a Report on Corporate Social Responsibility?

Most typical consumers or even company employees are not aware that a large number of companies are required to publish annual reports on their performance. However, this information is not meant for everybody. It is mainly financial analysts, stock brokers, executives of large companies and bankers who can make use of this information. The number of bonds sold or the value of a company's assets are not of interest to everyone.

On the contrary, the ordinary employee is interested in other matters. For instance, women employed in a company can be interested in whether they receive the same salary as men in the same position. The surrounding community wants to find out if the company plans to expand its factory in the following period or if it finally stops being so dusty near the factory. All of this information should be available from the CSR report. The report should cover the performance of companies in non-financial indicators in the social and environmental areas. Naturally, economic data is also part of the report, albeit to a more limited extent. It is balanced by information about the impact of the company on the environment and society.

Some companies have already started providing information about their impact on the area of Corporate Social Responsibility in their CSR reports. However, this information now has to be included in the company's annual report. The main information to be included is:

- a) a brief description of the business model of the company;
- b) a description and the results of the policy which the company enforces in the area of Corporate Social Responsibility;
- c) a description of the main risks that the impact of company activities has on the area of Corporate Social Responsibility if such an impact could have negative consequences; if appropriate, also a description of business relationships, products and services that the company provides, as well as a description of the method the company uses in order to manage such risks;
- d) important non-financial information about company activities categorized by each individual activity;
- e) a reference to the information about the sums of money stated in the financial statements and an explanation of these sums in regard to their impacts on the area of Corporate Social Responsibility, if appropriate.

## What Should the Report Contain?

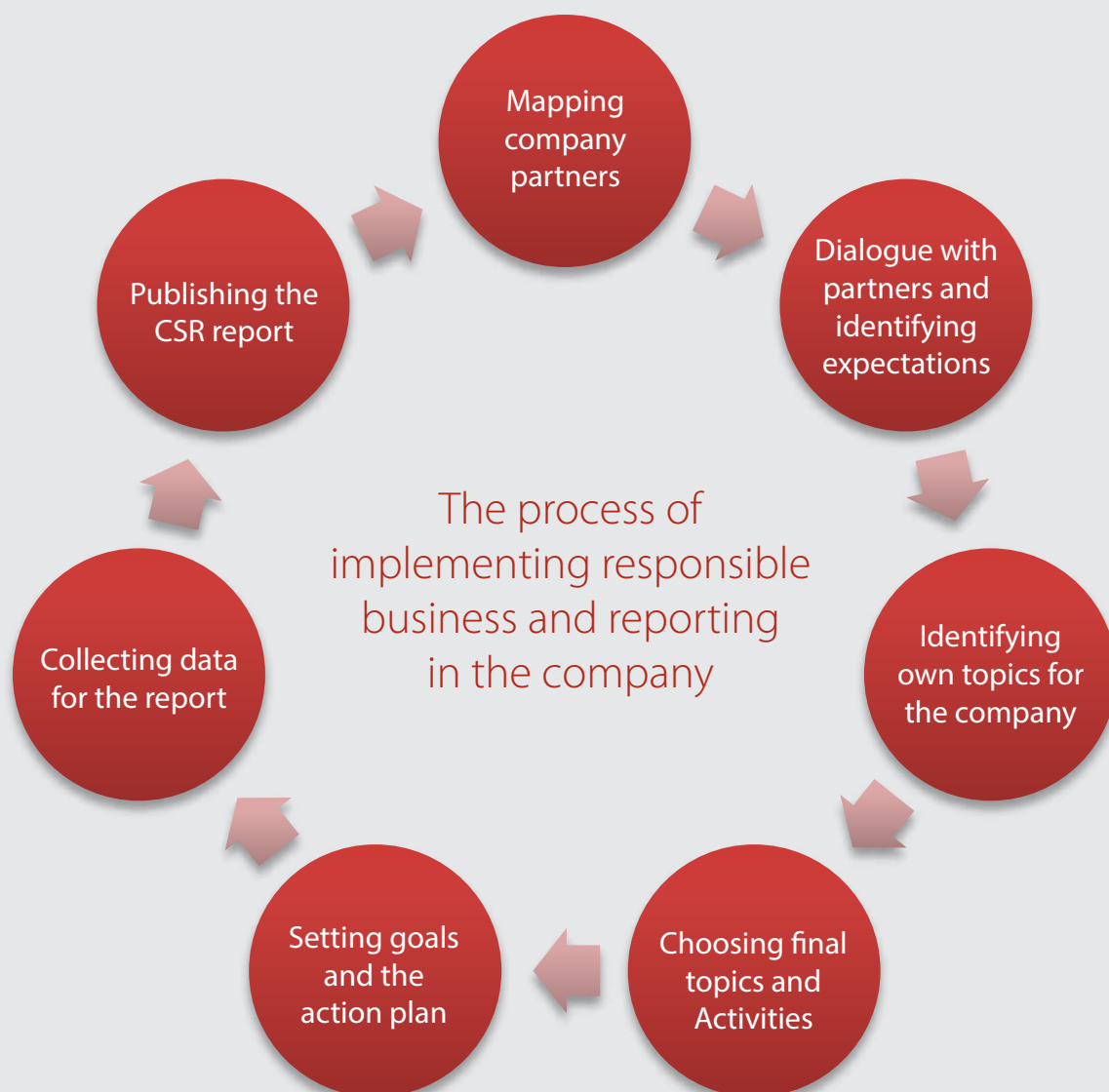
The report should include the information that readers are most interested in. This is why it is advisable to find out what expectations our partners have before choosing individual topics. The report should then be based on these expectations. In addition to economic matters, we must not forget topics in the area of environmental protection, such as waste management, greenhouse gas emissions, consumption of raw materials, energy and water and last but not least the protection of biodiversity. It should include topics such as employee care, health and safety at work, collective bargaining, ethics, fight against corruption, advertising and communication as well as others.

There are plenty of topics. All that remains is choosing the ones that are the most important for the company stakeholders and the company itself. The report should describe what has happened during a so-called reporting period. It is defined as the time period for which the company describes its results – usually one calendar year. Companies most often report in annual cycles, although bi-annual and tri-annual reporting cycles are used often as well. In order to make comparison easier, it is good if the data is disclosed in such a way which makes it possible to compare it with the company's performance from previous years. This way, it is possible to observe trends and identify areas which require more work and improvement.

A data collection or calculation method should be clearly defined and this method should be used the same way every time so that it is possible to make comparisons between individual reporting periods. There are several guides on how to prepare a CSR report. Currently approximately 4,500 global companies publish such reports, which is few compared to the total number of international companies (approximately 80,000). However, 93 % out of the 250 largest global companies publish reports. Although Europe is the best at reporting, companies in the USA, Brazil, India, South Africa and China are starting to deal with this topic more and more as well. In certain countries, reporting is obligatory for large companies (Denmark, France) or state-owned companies (Sweden).

## Implementing Responsible Business and Reporting in the Company

Stakeholders (i.e. company partners) create the environment in which the company functions. The choice of the most important partners depends on the focus of the company. However, good relations with partners are vitally important for the company. We should be able to identify the partners' expectations of the company as well as whether the company's products and services fulfil their expectations. Dialogue with partners (so-called stakeholder dialogue) is used in order to collect this information. The dialogue can have various forms – satisfaction surveys, interviews, press research, etc. Using this dialogue, we find out which topics are important for our partners and what information they require. In the next step, it is necessary to combine these topics with the company priorities and choose those that the company can focus on with its current personal and financial capacity. After choosing the topics it is advisable to set the goals that we want to achieve as well as to choose the way these goals are to be achieved. This is done by creating an action plan and appointing responsible persons. The last phase of the cycle should be informing about the achieved results, i.e. preparing the CSR report.



# Types of Reports

## What Format Is Appropriate?

In the era of the Internet and electronic media, printing CSR reports is unnecessary and wasteful. An easier and cheaper way of delivering the report to its readers is publishing it electronically. The cheapest option is uploading the document in a PDF format. Some of the disadvantages of this option are the lack of interactivity and no possibility to provide immediate feedback. Thus the company that has written the report loses the option of receiving valuable customer opinions. A better solution is creating a custom application or interactive website which contains easily accessible information about the performance of the company. This format makes it possible to use videos, interactive graphs and to ask for immediate feedback from readers. However, certain basic principles should be followed:

- The CSR report has to be accessible for all company stakeholders/partners.
- The report can even include information that is not required by law or the directives used for report preparation but that the company or its stakeholders consider important.
- Reports (or the information found in the reports) should be available in a form that is familiar to the target audience. For instance, employees can use the local intranet or the company notice boards, investors prefer having an electronic version at their disposal while the communication between the company and its customers can be realised via social media, the company website or the company marketing materials.

## Verification and Auditing

In order to improve the trustworthiness of the report, it is important to use data verification or ensure the proper use of a chosen methodology. During an external verification process, the content of the report is verified by a third party. The verification checks the truthfulness and completeness of the report or the appropriateness of its preparation. The interested parties can also be part of the verification process.

### Forms of verification

1. Data verification	2. Verifying the usage of a reporting manual
Either randomly chosen data samples are verified or all the data is verified	The formal aspect of the report is verified in order to find out whether the report satisfies the conditions given by the report preparation manual
(+) Increasing the credibility of the report	(+) A quick and relatively cheap process
(-) A very expensive method of verification	(-) No data verification, only the method used is verified

## Integrated Reporting

One of the new trends is so-called integrated reporting. In this case, the company no longer prepares two individual reports. It only prepares one report which includes all mandatory financial information while also showing the results of the company in the area of environmental protection and its impact on society. This method puts reporting on non-financial results on the same level and indicates that the company is not primarily profit-oriented but one of the goals of its existence is also having a positive impact on its surroundings, supporting innovations and providing work for its employees. A typical practice of larger companies is having their reports verified by an independent auditor. Just like the verification of company performance results by a financial audit increases the trustworthiness of financial reports, the results in the area of non-financial information stated in the annual report are also subject to the opinion of an auditor. This way we demonstrate that truthful results matter to us.

# The Reporting Method of GRI



The tool which is most commonly used to prepare reports on corporate responsibility are the Global Reporting Initiative Guidelines. These guidelines can be used to write the report by any company or organisation. Using them is free. As a supplement to these guidelines, there are several manuals specially prepared and published for individual types of business (e.g. the mining industry or banks). The manual is very detailed and the data sets that the companies provide using the guidelines can be easily compared with each other. The guidelines are used by several thousand companies all over the world. The first version was published in 2002 and the currently (2016) valid version can be found under the G4 label. The GRI database contains almost 24,000 reports by more than 9,000 companies. The guidelines consist of three parts:

- **The principles of report preparation (content and report quality)**
- **Publishing general information**
- **Publishing specific information**

## The Principles for Defining Report Content

If a company wants its report to include relevant content, it should follow the following principles:

- **Stakeholder Inclusiveness**  
The company should identify its interested parties (stakeholders) and the report should include information about how the company has reacted to their requirements and needs. These groups include customers, employees, shareholders, suppliers, communities as well as the environment.
- **Sustainability Context**  
The information in the report should be presented in the context of sustainable development.
- **Materiality**  
The report should also include areas in which the company has a significant economic, environmental and social impact and where its decisions influence the decision-making of its stakeholders.
- **Completeness**  
The report should include all relevant information that would paint the reader a comprehensive picture of the performance of the company.

## Principles for Defining Report Quality

The report should contain data that has been published with the following principles:

- **Balance**  
The report should include both positive and negative impacts of the organisation.
- **Comparability**  
The data in the report should be reported consistently so that it can be compared with other time periods.
- **Accuracy**  
The data in the report should be accurate.
- **Timeliness**  
The report should be prepared in regular intervals (1–2 years).
- **Clarity**  
The data should be reported in a way that is understandable to the intended stakeholders.
- **Reliability**  
The data in the report should be verifiable



## Example from Slovakia

### HEINEKEN Slovensko



*"In a report that we prepare every year, you will be able to read about our measures towards better results in the areas of water resource protection, reduction of CO2 emissions, use of local raw materials, responsible consumption of our products, protection of health and safety of our employees and support for the communities in which we live and work. All of us at HEINEKEN Slovensko believe in the philosophy of permanently sustainable business. We value experience and, with a common effort, we will continue to look for opportunities for a stable growth of our company while respecting our colleagues, partners and the surrounding environment."*

Odin Goedhart  
Managing Director



◀ The Report on Responsible Business of the company HEINEKEN Slovensko  
<http://bit.ly/2cQlr6C>

## Example from Slovakia

### VÚB banka



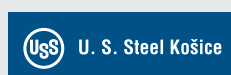
*"The economic results for the previous twelve months have been traditionally reviewed in the Annual Financial Report. An integral part of this report is the Report on Responsible Business, which shows our effort to contribute to sustainable development and improving the quality of life for people. We consider 'success' a synonym for the responsibility that we feel towards Slovakia."*

Alexander Resch  
Chairman of the Board of Directors and General Manager of  
Všeobecná úverová banka, a.s.



◀ The Report on Responsible Business of the company VÚB:  
[https://www.vub.sk/sk/spolocenska-zodpovednost/#tab\\_2](https://www.vub.sk/sk/spolocenska-zodpovednost/#tab_2)

## Members of the Business Leaders Forum



Volkswagen Slovakia



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Zelinárska 2, 821 08 Bratislava 2 | Contact: [cr@nadaciapontis.sk](mailto:cr@nadaciapontis.sk)