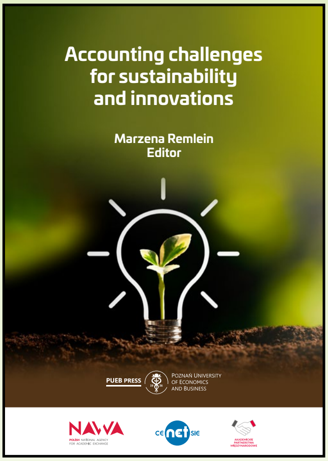

Accounting challenges for sustainability and innovations

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Editor

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5.

NON-FINANCIAL REPORTING IN SELECTED EUROPEAN COUNTRIES

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Abstract: Directive 2014/95/EU gave the EU Member States a certain flexibility when transposing it into national law. Each Member State could, therefore, decide to introduce regulations of varying degrees of stringency. According to Directive 2014/95/EU, large companies have to publish reports on the policies they implement in relation to environmental protection, social responsibility and treatment of employees, respect for human rights, anti-corruption and bribery, diversity on company boards (in terms of age, gender, educational and professional background).

In order to satisfy the EU rules, the Republic of Croatia has implemented into its legislation the provisions of the Directive 2014/95/EU regarding the disclosure of certain non-financial reporting, by amending the Accounting Act. Some companies registered in Croatia have been disclosing some of the required non-financial information in their reports even before the effective date of the Directive, but conducted studies conclude that there is still a room for improvements.

This chapter provides a short overview of regulation of non-financial reporting in the Czech Republic as well as overview of previous research on non-financial reporting in this country. The results of the research present that few Czech companies publish standalone corporate responsibility report. More popular is the disclosure of non-financial information within annual financial reports but even this approach is pursued by less than half of respondents. The amount of disclosed information in annual reports is mostly up to 5 pages. 11 companies (10.38%) provide more than 5 pages of environmental information and only 7 companies (6.60%) provide more than 5 pages of social information.

In Poland, the requirement to present non-financial information relating to CSR was introduced by the Accounting Act. Public trust entities are required to present in the report on the activities a separate part called "Statement on non-financial information". In 2017, the Polish Standard of

Non-Financial Information (SIN, 2017) was published to help enterprises fulfil their obligations under the EU Directive.

Keywords: Directive 2014/95/EU, annual reports, non-financial reporting, questionnaire research, standalone corporate responsibility reports, web pages, Statement on non-financial information, Polish Standard of Non-Financial Information (SIN).

5.1. Legal regulations—Directive 2014/95/EU

European Union law requires large companies to disclose certain information on the way they operate and manage social and environmental challenges. This helps investors, consumers, policy makers and other stakeholders to evaluate the non-financial performance of large companies and encourages these companies to develop a responsible approach to business. Directive 2014/95/EU—also called the non-financial reporting directive (NFRD)—lays down the rules on disclosure of non-financial and diversity information by large companies. This directive amends the accounting directive 2013/34/EU. Companies are required to include non-financial statements in their annual reports from 2018 onwards. 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 (Directive 2014/95/EU, art. 19a.1):

a) a brief description of the undertaking's business model;
b) a description of the policies pursued by the undertaking in relation to those matters, including due diligence processes implemented;
c) the outcome of those policies;
d) 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;
e) non-financial key performance indicators relevant to the particular business.

EU rules on non-financial reporting only apply to large public-interest companies with more than 500 employees. This covers approximately 6,000 large companies and groups across the EU, including (Non-financial reporting):

- listed companies,
- banks,
- insurance companies,

- other companies designated by national authorities as public-interest entities.

According to Directive 2014/95/EU, large companies have to publish reports on the policies they implement in relation to:

- environmental protection,
- social responsibility and treatment of employees,
- respect for human rights,
- anti-corruption and bribery,
- diversity on company boards (in terms of age, gender, educational and professional background).

Directive 2014/95/EU gives companies significant flexibility to disclose relevant information in the way they consider most useful. Companies may use international, European or national guidelines to produce their statements—i.e. they can rely on[1]:

- the UN Global Compact,
- the OECD guidelines for multinational enterprises,
- ISO 26000.

The introduction of Directive 2014/95/EU was meant to increase the usability, consistency and comparability of non-financial information disclosed by companies throughout the EU. However, as La Torre, Sabelfeld, Blomkvist, Tarquinio and Dumay (2018, p. 606) state, "the regulation is flexible in terms of how it can be transposed into different local contexts by the States". This means the possibility of adopting more or less stringent solutions in the national law of a given EU country regarding the disclosure of non-financial information, as part of the obligations imposed by Directive 2014/95/EU. This in particular applies to such issues as (see La Torre et al., 2018; Śnieżek, Krasodomska, & Szadziewska, 2018; Aureli, Magnaghi, & Salvatori, 2018):

- The scope of the non-financial information published (while maintaining the minimum indicated); specific standards containing unified solutions for measurement and reporting of such disclosures have not been defined.
- The manner of presenting non-financial disclosures; depending on the practices adopted in individual countries, non-financial information may be included in an annual report or in a non-financial report prepared additionally; other communication channels are not considered; consequently, as La Torre and others (2018, p. 604) note, "the regulation is a backward and old-fashioned policy because, in the era of Big Data, where digitalization, technological advances and new media offer several, arguably, better routes for communicating information".
- The use of various frameworks and guidelines for non-financial-information reporting; international and national organizations have developed a number of frameworks for sustainability reporting; the Directive does not indicate a single framework only, but provides the option of selecting international and national

[1] The non-financial reporting standards are described in Chapter 2.

reporting frameworks and guidelines to ensure legal compliance; moreover, individual guidelines are focused on both the different stakeholder groups and the aspects of the organization's activities; consequently, problems with the comparability of the non-financial information published by companies will remain.

- Verification of the non-financial information presented in the reports; the Directive did not impose any external audit obligation regarding non-financial disclosures; it allows the choice of a mandatory or a voluntary audit, as part of the national law; this affects the stakeholders' confidence in the reliability and completeness of the non-financial information published.
- Adoption of the "comply or explain" principle allows non-publication of non-financial information if, in accordance with the opinion of the head of the entity and the members of the supervisory board or another supervisory body, disclosure of such information would have negative impact on the market situation of the company; this allows the information to be withheld, if the entity deems it as sensitive data violating its business secrets.

The possibility to choose the solutions regarding the transposition of the above-mentioned matters into national law is not conducive to achievement of the objectives adopted in Directive 2014/95/EU, i.e. increasing the consistency and comparability of non-financial disclosures.

Considering the above, it should be stated that the need for further changes in the field of non-financial-information reporting still exists. As indicated by Mion and Loza Adaui (2019, p. 9) introduction of Directive 2014/95/EU "is only a part of a larger process aimed at creating an increasingly transparent European economic zone to guarantee the interests of all stakeholders who are concerned with corporations' behavior" (Szadziewska et al., 2020, p. 132).

5.2. Disclosing of non-financial information in Croatia

The most important act in the national legislation of the Republic of Croatia regarding financial reporting is the Accounting Act. The Accounting Act prescribes that all business entities registered in Croatia regardless of their size have to prepare and publicly disclose the balance sheet, profit and loss account and notes to the financial statements. The structure of the balance sheet and profit and loss account are prescribed under the Ordinance on the structure and content of the financial statements. Since its accession to the EU in July 2013, Croatia, as well as other member states, had to harmonize its legislation with the EU regulation. In that context, among others, Croatia has harmonized national legislation with the Directive 2014/95/EU which prescribes, *inter alia*, the obligation of presentation some non-financial information for certain companies. Likewise, the Accounting act has been amended in accordance with the Directive 2014/95/EU at the end of

2016. Related with the non-financial reporting, "Croatia has directly adopted and transferred into its legislation, *inter alia*, the Article 1 of the Directive 2014/95/EU and by doing so, aligned its legislation in accordance with the CSR Directive" (Meeh-Bunse, Rep, & Schomaker, 2019, p. 46). Accordingly, Croatian public companies with more than 500 employees are obliged to disclose the non-financial information on an annual basis as of 1st January 2017.

In order to evaluate the effect of a formal obligation for certain companies to disclose non-financial information within their management report, annual report or other kind of reports, several studies have been observed in Croatia. Dečman and Rep (2018) conducted an empirical research on non-financial information disclosures on a sample of Croatian largest companies for FY 2016 (before the legislation amendments). The overall conclusion was that there was room for improvement of non-financial information disclosures since Croatian companies still did not fully recognize the benefits of integrated (financial and non-financial) reporting. Meeh-Bunse and others (2019) conducted similar research after the effective date concerning the non-financial disclosures, which showed a slight improvement compared with the disclosures before FY 2017 (Table 5.1).

Table 5.1. Non-financial information disclosed by Croatian companies before and after the effective date

ASPECTS					Average disclosure (%)
Environmental concerns	Employee concerns	Social concerns	Respect for human rights	Combating corruption and bribery	
Companies with the highest revenue in the financial year 2016, based in the most developed Croatian county, Zagreb City					
1*	1	1	1	1	100
1	1 (0)***	1	0**	0	60 (40)
1	1	1	1	1	100
1	1	1	1	1	100
1	1	1	0	0	60
1 (0)	0	0	0	0	20 (0)
1	1	1	1	1	100
0	0	0	0	0	0
1	1	1	1	1	100
Average disclosure (%)					
89 (78)	78 (67)	78	56	56	71 (67)

* 1—disclosed
** 0—not disclosed
*** Labels in brackets reflect the state before the effective date (1st January 2017) only if it differs from the disclosures after the effective date.

Source: (Meeh-Bunse et al., 2019, p. 53).

Besides, in 2019, business, public, and civil sector organizations prepared a *National Study on the State of Non-Financial Reporting in Croatia*. The subject of the study were non-financial reports of 74 companies (13 companies compiled that report voluntarily) for FY 2017 and 2018 (after the legislation amendments). The results show that 37% of them use GRI Standards as framework for non-financial reporting, 11% use GRI G4 guidelines, 4% use EU guidelines, 4% use UNGC principles, 3% use IR, while 34% of them do not use any framework for non-financial reporting. Most companies have met the obligation of legally prescribed content. In that context, 87% disclosed non-financial key performance indicators relevant to the particular business, 92% described the policies pursued by the undertaking in relation to society and environment matters, including due diligence processes implemented, while 67% presented the outcome of those policies too. On the other hand, most companies did not present set goals (only 21% did), only 26% described the dialog with stakeholders in a process of content determination, and only 28% identified the principal risks of climate and social impacts (*National Study on the State of Non-Financial Reporting in Croatia*, 2019).

Furthermore, formal legislation as well as an increasing trend of voluntary CSR reporting noticed in practice have had an impact on raising awareness of the benefits of non-financial reporting. Nowadays, it is not sufficient to present only financial information since investors seek non-financial information regarding company's impact on social, environment, anticorruption, and many more fields. To meet shareholder needs, financial as well as non-financial statements preparers should put more effort while using professional accounting materiality judgment. By doing so, reports would contain more relevant and less irrelevant information.

5.3. Regulation and research of non-financial reporting in the Czech Republic

Regulation is often mentioned as a crucial factor influencing the amount of non-financial reporting (KPMG, 2017, p. 9). In this context it is necessary to underscore the fact that at present, the Czech regulation of non-financial reporting is in accord with European legislation.

There are two cornerstone directives regarding reporting obligations. The first is Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings (further referenced as Directive, 2013) and the second is 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 (further referenced as Directive, 2014). Both these directives are now transposed into the Czech legislation.

Regarding financial and non-financial reporting in the Czech Republic, the key document is Act No. 563/1991 Coll., on Accounting (Act on Accounting, 1991), especially its section 18, section 21, section 21a (publication of corporate documents), section 22, and sections 32f-32i (non-financial reporting according to Directive, 2014). Some non-financial information is required by the other sections of this act as well, but these requirements are rudimentary. Non-financial information can be published as a part of annual report or in a separate report. The obligation to publish non-financial information according to sections 32f-32i relates to large public interest entities with more than 500 employees.

Disclosure of financial and non-financial information is addressed also by Act No 89/2012 Coll., the Civil Code, Section 120 and 121 (Civil Code, 2012) and the in-detail regulation is provided by Act No 304/2013 Coll., on Public Registers of Legal and Natural Persons (Act on Public Registers, 2013). It is above the scope of this text to address these regulations in detail, but it is worth mentioning that the public register includes a document register and is freely available on the Internet.

So far, it could seem that regulation regarding non-financial reporting is sufficient. The problem is that the transposition of the European directives was implemented in such a way that only minimal requirements on non-financial reporting were imposed on corporations. Moreover, in the context of the Czech Republic it is estimated that the number of corporations obliged to report non-financial information according to Directive (2014) is low (around 30 companies), which accounts for about 1.15% of large companies based in the Czech Republic. These facts, together with the long-term averseness of a majority of Czech companies to disclose more information than necessary, leads to a relatively low level of non-financial reporting.

Disclosure of information in the area of corporate governance is requested from the issuers of securities by Act No. 256/2004 Coll., on Business Activities on the Capital Market (Act on Capital Market Business, 2004). In addition to general regulation of reporting, there are some industry-specific regulations. For example, Act No. 458/2000 Coll., on Business Conditions and Public Administration in the Energy Sectors (Energy Act, 2000), requires electricity generators to report selected information (the quantity of CO_2 emissions, environmental impacts, etc.) in a way enabling remote access.

It is possible to advocate that prior to 2007, research on non-financial reporting in the Czech Republic was very limited. There were some research outputs, but mostly in the Czech language and therefore inaccessible to the broader English-speaking research community. Since 2007, both non-academic subjects and several researchers started to investigate this topic more closely. Unfortunately, relatively large portion of this research was presented solely in the form of conference papers with no full texts available. In the rest of this chapter, selected outputs prepared by non-academic subjects and articles published in academic journals are primarily addressed.

KPMG has been monitoring corporate responsibility reporting since 1993, but the Czech Republic was included into their publications as late as from year 2008. KPMG (2008, pp. 73–74) highlighted that corporate responsibility reporting in the Czech Republic was in its early phase but growing. Among top 100 Czech companies only 14% published stand-alone corporate responsibility report in period 2005–2008 and 67% of companies did not report on corporate responsibility at all (KPMG, 2008, p. 73). Another mention of the Czech Republic can be found in a KPMG report (2015, p. 33) which stated that the amount of non-financial reporting in the Czech Republic was low with only 43% of top 100 Czech companies; average rate of corporate responsibility reporting across the globe was 73%. The report by KPMG (2017) indicated strong growth in reporting in the Czech Republic resulting in reporting rate amounting to 51% in 2017.

The amount of academic research on non-financial reporting reflects a growing, but fragmented interest in sustainability issues. Early research usually found a low level of reporting (Kasparova & Skapa, 2007). Since 2010, multiple studies appeared. Kasparova (2011) analysed annual reports of manufacturing and construction companies and found that majority of annual reports dealt with environmental and social issues, but not beyond legal requirements (typically were disclosed only one or two sentences or one paragraph). Striteska and Bartakova (2012) analysed the reporting of 47 highly responsible companies and found that only 30% published standalone sustainability reports. This result was obviously influenced by the sample, which included solely highly responsible companies.

Kunz, Ferencova, Hronova, and Singer (2015) investigated non-financial reporting in web pages and the same topic was addressed by Tetrevova, Patak and Kyrylenko (2019). Reporting in more traditional media (annual reports, standalone corporate responsibility reports) was recently investigated by Sedlacek (2020) and Pelikanova (2019).

Our team of researchers based in the management accounting department, faculty of finance and accounting, Prague University of Economics and Business, has started to intensively investigate the area of non-financial reporting since 2014 and this activity resulted in numerous conference papers and journal articles (e.g. Horvath et al., 2017; Petera, Wagner, & Bouckova, 2014; Petera, Wagner, & Knorova, 2016; Petera & Wagner, 2017; Petera, Wagner, Paksiova, & Krehnacova, 2019). Considering the amount of this research, it is impossible to describe our results in detail, but it is feasible to sum up that from a quantitative point of view, our research (which included various methods of data gathering and analysis) repeatedly confirmed the low amount of non-financial reporting in standalone corporate responsibility reports, relative low amount of non-financial reporting in annual reports and a relatively high occurrence of non-financial information in web pages. From the qualitative point of view, the majority of reports of Czech companies do not follow any internationally accepted non-financial reporting standards. On the other hand, the quantity and quality of non-financial reporting in the Czech Republic is slowly increasing.

In this chapter, the results of our latest (February 2018—April 2019) survey-based research into issues of sustainability management are presented. Only the part of the questionnaire related to non-financial reporting is addressed.

In total, 1,000 companies classified as for-profit, medium and large were randomly selected from Albertina CZ Gold Edition database and after removing companies with missing contacts, 984 companies were contacted. The questionnaire was distributed to one person in a given company and in total, 106 usable responses were obtained, which amounts to a response rate of 10.77%.

Basic characteristics of the respondents are as follows: the average number of full-time employees amounts to 943, average total assets are 177,544 thousand EUR, and average turnover equals to 208,246 thousand EUR.

Reporting practices in annual reports, standalone non-financial (sustainability, corporate responsibility) reports, web pages, press releases, and finally in other media are analysed.

5.3.1. Non-financial reporting in annual reports

Regarding annual reports, respondents were asked if their company published information on the environmental and social issues beyond the minimal legal requirements and graphical representation of results can be found in Figure 5.1.

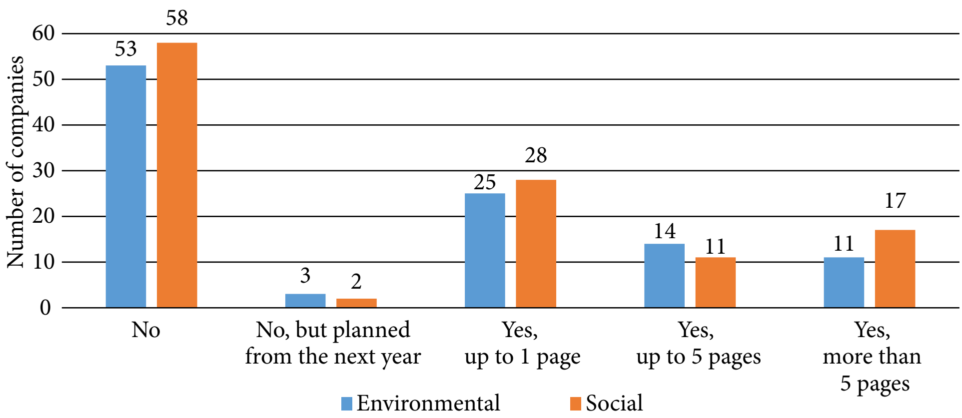

Figure 5.1. Non-financial information in annual reports

Source: The authors' own elaboration based on original empirical research.

The results depicted in Figure 5.1 show that 56 companies (52.83%) do not report environmental information beyond legal requirements in their annual report and social information beyond legal requirements is not reported by 61 companies (56.60%). Only 11 companies (10.38%) report on environmental issues on more than 5 pages of their annual reports and only 7 companies (6.60%) report on social issues on more than 5 pages of their annual reports.

These values confirm the relatively low amount of non-financial disclosure in annual reports. In this particular research, the type of reported information was not investigated. Nevertheless, our previous studies (e.g. Petera et al., 2019) discovered that reporting of Czech companies on environmental and social issues is mostly of narrative character. Similarly, KPMG (2017, p. 16) found that non-financial information was reported by only 51% of the investigated Czech companies.

5.3.2. Non-financial reporting in standalone corporate responsibility reports

Respondents were asked if their company publishes a standalone corporate responsibility (CR) report and their answers were measured on a 5 point scale, where (1) stands for "No", (2) for "No, but we assume to publish standalone corporate responsibility report from the next year", (3) for "Yes, but the report does follow any internationally recognized standards", (4) "Yes, the report follows an internationally recognized standard (e.g. GRI) but is not audited by a third party", (5) "Yes, the report follows an internationally recognized standard (e.g. GRI) and is audited by a third party". The overview of answers can be found in Figure 5.2.

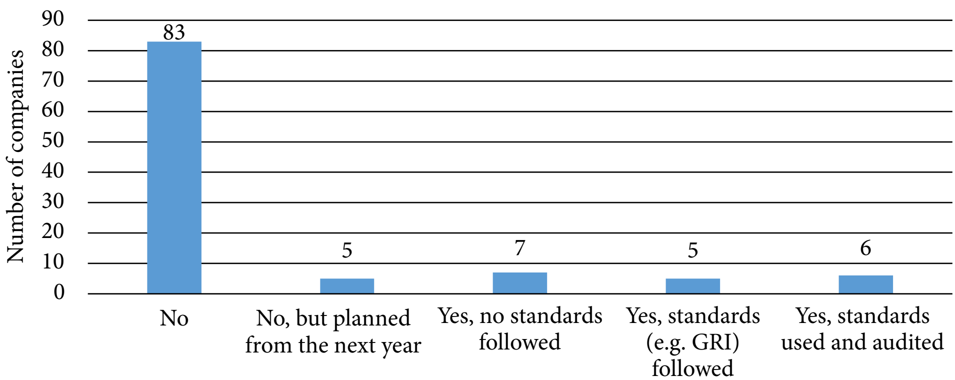

Figure 5.2. Non-financial information in standalone corporate responsibility reports

Source: The authors' own elaboration based on original empirical research.

The results confirm that standalone CR reports are scarce among Czech companies. In total, 88 companies (83.02%) indicated that they do not publish standalone CR reports. On the other hand, the fact that 5 companies (4.72%) intend to start publishing such report from the next year confirms assumption that the amount of non-financial reporting in the Czech Republic will grow. In total, 18 companies (16.98%) publish standalone CR reports. Seven companies (6.60%) issue CR reports without following any internationally recognized standard. Although the quality of reports was not investigated in this research, not following standards often leads to narrative reports with low informative value. Standalone CR reports following internationally acclaimed standards was seen in 11 companies, which amounted to 10.38%.

It is possible to assert that these findings indicate low utilization of standalone CR reports and are in accord with previous research. For example, Petera and others (2014) analysed reporting practices of the 50 largest companies with their seat in the Czech Republic and found that standalone CR reports were published by 7 companies (14%). Habek (2017, p. 8) mentioned that in 2014 there were 20 CSR reports from Czech Republic in the GRI database, which amounts to 19.6 reports per million enterprises.

Furthermore, the respondents were asked which kind of information was included in their standalone CR reports (economic, environmental, social) and how often the standalone CR report is published, responses are summarized in Tables 5.2 and 5.3.

Table 5.2. Content of standalone corporate responsibility reports

Type of information	Number of reports
Economic	12
Environmental	17
Social	15

Source: The authors' own elaboration based on original empirical research.

Table 5.2 informs that 12 out of 18 companies (66.67%) report economic information, 17 companies (94.44%) report environmental information and 15 companies (83.33%) report social information. The more in-detail analysis revealed that the majority of companies (11) include both economic, environmental and social information in their standalone CR reports.

Table 5.3. Publication frequency of standalone corporate responsibility reports

Frequency of publication	Frequency	Percent
Irregularly	2	11.11
Every year	15	83.33
More often	1	5.56
Total	18	100.00

Source: The authors' own elaboration based on original empirical research.

Table 5.3 shows that the vast majority (83.33%) of respondents publish their standalone CR report yearly, which is a standard approach.

5.3.3. Non-financial reporting in web pages, press releases and other media

Ultimately, respondents were asked whether they publish any social or environmental information in their web pages, press releases or other media. Majority of respondents (91 companies, i.e. 85.85%) indicated that they publish social or environmental information in their web pages and 44 companies (41.51%) indicated that they publish such information via press releases. Regarding other media, the most often mentioned were various social networks.

Results regarding non-financial information in web pages corroborate findings published in prior studies and indicate a high popularity of non-financial disclosure via web pages. Petera and others (2014) found that some information related to sustainability is included in web pages of the majority (around 82.00%) of the 50 investigated companies. Kunz and others (2015) found a bit lower albeit still significant share of companies with corporate responsibility information on their web pages (49.08%). Tetrevova and others (2019) investigated websites of top 100 companies in the Czech Republic (according to revenues) and found that all these companies have at least some information on corporate responsibility on their websites. All these results reflect the popularity of web pages as a media for communication of non-financial information in the Czech Republic.

5.4. Non-financial reporting in Poland

Poland is a member of the European Union, therefore Polish enterprises are obliged to present non-financial information in accordance with the Directive 2014/95/EU[2]. Moreover, in Poland, the requirement to present non-financial information relating to CSR was introduced by the Accounting Act. In accordance with the provisions of the Act, so-called public trust entities are required to present in the report on the activities a separate part called " Statement on non-financial information " (Act of 15 December 2016, Art. 49b. 1).

The statement should contain at least (Act of December 15, 2016, Art.49b. 2):

1) a brief description of the entity's business model;
2) key non-financial performance indicators related to the entity's operations;

[2] Details on the Directive 2014/95/EU are contained in subchapter 5.1.

3) a description of the policies applied by the unit in relation to social and labour issues, the natural environment, respect for human rights and counteracting corruption, as well as a description of the results of applying these policies;
4) description of due diligence procedures;
5) description of significant risks related to the activities of the entity that may have an adverse effect on the issues referred to in point 3, including risks related to the products of the entity or its relations with the external environment, including contractors, as well as a description of the management of these risks.

The information contained in the "Statement on non-financial information" is intended to help in assessing the development, performance and condition of the entity and the impact of its activities on the entity's environment. The above assessment will significantly help investors to make decisions regarding socially responsible investing by selecting companies implementing CSR concept.

Non-financial information may be presented in:

- a report on the company's operations as a separate part (statement on non-financial information), or
- a separate report, e.g. social report, CSR report, integrated report, impact report.

Decisions on the choice of the non-financial information presentation variant are made by the interested entities. The company may establish its own reporting rules or use any national, EU or international guidelines / standards. The reporting organization is required to indicate which principles or standards / guidelines have been used in preparing the statement or a separate non-financial report.

In 2017, the Polish Standard of Non-Financial Information (SIN, 2017) was published to help enterprises fulfil their obligations under the EU Directive.

SIN is designed to be a simplified form of the Global Guidelines Reporting Initiative. The internal structure of SIN is as follows:

1. Basic part which includes (SIN, 2017):
   - non-financial reporting and its scope,
   - national and industry specification,
   - significance of indicators and their selection from the point of view of capital markets,
   - scope of the standard and descriptions of individual reporting areas.
2. Appendix 1—legal interpretations of Directive 2014/95/EU—description of criteria, resulting in development of non-financial information reporting obligation.
3. Appendix 2—significance matrix—matrix connecting areas and indicators defined in the SIN standard regarding their potential significance with division into industries.
4. Appendix 3—interested parties and key responsibility areas—stressing the fundamental significance of relations between a company and its interested parties.

5. Appendix 5—significance of indicators and its selection from the point of view of capital markets, which as established are to make it possible to verify the degree of carrying out the goals and plans of a company.
6. Appendix 6—detailed description of areas: managerial (G), environmental (E), social and labour (S).

According to the SIN polish entities should disclose non-financial key performance indicators (KPIs). Key Performance Indicators relate to those aspects of the company's operations that are most important for its success now and in the future (Parmenter, 2010, p. 4). Non-financial KPIs are used by the entity's managers to monitor compliance with regulations and standards, make decisions on social and environmental issues, and inform stakeholders about achievements in these areas (Henri & Journeault, 2010). Table 5.4 shows the scope of the SIN along with the number of KPIs.

Table 5.4. Scope of the Standard of Non-Financial Information

Symbol	Reporting area	Numbers of indicators
G	**MANAGERIAL AREA**	**15**
G1.	Description of business model and strategic directions of development	2
G2.	Management order	3
G3.	Social and environmental risk management	2
G4.	Ethics management	8
E	**ENVIRONMENTAL AREA**	**30**
E1.	Direct and indirect impact: stock and materials	2
E2.	Direct and indirect impact: fuels and energy	3
E3.	Direct and indirect impact: water	3
E4.	Direct and indirect impact: biodiversity	4
E5.	Direct and indirect impact: atmospheric emissions	4
E6.	Direct and indirect impact: wastes and sewage waters	5
E7.	Other aspects of direct and indirect environmental impact	6
E8.	Extended environmental responsibility: products and services	3
S	**SOCIAL AND LABOUR AREA**	**72**
S1.	Using public help and public orders	2
S2.	Employment rate and salary level	15
S3.	Relations with employees and freedom of association	6
S4.	Occupational health and safety	11
S5.	Development and education	2
S6.	Diversity management	4
S7.	Human rights	6
S8.	Child labour and forced labour	4
S9.	Local communities and social engagement	6
S10.	Anti-bribery actions	3
S11.	Safety of products and consumers	2
S12.	Marketing communication	2
S13.	Privacy protection	2
S14.	Product labelling	2
S15.	Other social and market matters	5

Source: (Błażyńska, 2020, p. 11).

An example of a Non-financial report of “Zwykła spółka” S.A. according to SIN can be found at: https://seg.org.pl/sites/seg13.message-asp.com/files/przyklad-raportu-niefinansowego-zwyklej-spolki-wg-sin_0.pdf

The results of J. Błażyńska’s research show that 55% of the surveyed companies did not comply with the Standard of Non-Financial Information. In 17% of companies, the potential in striving for better non-financial information reporting is clear, and in their cases the right approach postulation for them should be to start using KPIs. Such an approach will increase the comparability of reports, and their usefulness. Only 28% of the surveyed companies had added ideas of communication with interested parties with respect to non-financial reporting to their reports (Błażyńska, 2020, p. 17).

Another research conducted in 2018 by P. Biernacki shows that 96% of polish companies required to prepare a non-financial report prepared their own non-financial report. 51% of the surveyed companies applied the developed standards for reporting non-financial information (30%: GRI, 17%: SIN, 4%: other). On the other hand, 26% of the surveyed companies applied their own rules and 23%—no rules (Biernacki, 2018).

Questions / tasks

1. How is the Directive 2014/95/EU often called?
2. How has the Republic of Croatia harmonized its legislation with the Directive 2014/95/EU?
3. Which sustainability reporting standards are most commonly used for the preparation of non-financial reports in the Republic of Croatia?
4. Explain if Czech legislation in the area of non-financial reporting is in accord with European legislation.
5. Since when does KPMG include the Czech Republic into their international surveys of corporate responsibility reporting?
6. Is research conclusive regarding the amount of non-financial reporting in web pages of Czech companies?
7. Does the majority of Czech companies publishing standalone corporate responsibility reports follow internationally accepted standards (e.g. GRI)?
8. Describe the main weaknesses of non-financial reporting in the Czech Republic.
9. Would you agree with claim “The Czech Republic transposed Directive 2014/95/EU of the European Parliament including numerous changes, which demand companies to report very specific and detailed non-financial information”?
10. Describe the attitude of the majority of Czech companies towards disclosure of non-financial information?
11. Explain Polish legislation in the area of non-financial reporting.

12. Describe the parts that should be included in Polish "Statement on non-financial information".
13. Explain the scope of Polish Standard of Non-Financial Information.
14. What are the similarities and differences between Croatia, Czech Republic and Poland considering the harmonization of national legislations with the Directive 2014/95/EU?

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