Evaluation of the annual financial reports, as for the implementation and the performance of the non-financial indicators, in the framework of harmonization to the Greek Law of European Directives 2013/34/EU & 2014/95/EU

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I hereby declare that the work submitted is mine and that where I have made use of another’s work, I have attributed the source(s) according to the Regulations set in the Student’s Handbook.
Abstract

In recent years, businesses come across with a huge number of economic, social and environmental issues. In order to find a balance between them, it is considered useful to set the risks down along with the measures every company should take, and publish the necessary information, under the supervision of the European Union and more specifically according to the European Directives 2013/34/EU and 2014/95/EU (CSR Initiatives). Businesses that are established or operating in Greece are obliged to follow the EU Directive 4403/2016.

The main purpose of this dissertation was to study and evaluate the level that Greek businesses integrate non-financial information into their annual financial reports through reviewing a quiet representative sample of 50 businesses with a presence in the Greek Stock Market for the reporting period 1/1/2017-31/12/2017.

After the analysis, the comprehensiveness of the non-financial information provided in the sample is quantitatively and qualitatively evaluated based on the corresponding legislation requirements. Lastly, a qualitative evaluation is conducted so to extract the conclusions and to suggest some important changes regarding businesses operation, in order to fulfill the EU Directive’s requirements.

After a long and deep research, it is noticeable that entities who are obliged to follow the Law 4403/2016, abstain from reporting non-financial information at a large scale. It is remarkable that most businesses prefer to present information about the environmental and the social impacts of the company rather than performing a total portrayal of the company’s performance according to the Greek Legislation.

Keywords: Directive 2014/95/EU, Non-Financial Reports, Greek Businesses, Law 4403/2016

Sotiria Peristeropoulou
20/01/2019
Preface

This dissertation was devised in the framework of the completion of the requirements for the acquisition of my Master’s degree from International Hellenic University, from the School of Economics, Business Administration and Legal Studies and the Department of Environmental Management and Sustainability. It is a result of constant work and effort through this topic from the period of September 2018 to December 2018.

The main goal of this dissertation was not only the correct and complete review of the topic but also a great effort was put as for the content to be fully understood and clear.

As far as it is known, there is no other similar research in Greece, so it was especially interesting and innovative to look through this topic and discover unexpected outcomes.

I want to thank everyone who contributed with a creative way to the completion of this project.
Acknowledgments

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Abbreviations

CSR Corporate Social Responsibility
EU European Union
GRI Global Reporting Initiative
ISO International Standardization Organization
NGO Non-Governmental Organization
TBL Triple Bottom Line
UNGCU United Nations Global Compact

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1. Introduction

Much discussion regarding the responsibilities of businesses has taken place. The economic productivity affects the quality of life of a society and other social, political and environmental factors. This is where Corporate Social Responsibility connects and contributes to a more balanced situation, including all the above sectors (Cragg, Schwartz & Weitzner, 2009). The term CSR has become more and more common in the business world over the last decades. Nevertheless, does anybody know what CSR is or what the exact definition of CSR is? Apparently, there is no established definition for CSR. The International Organization for Standardization (ISO) has addressed, that CSR is a concept that it is difficult to explain and for that reason, there is no specific definition to determine it (Schwartz, 2011).

According to the European Commission, Corporate Social Responsibility (CSR) refers to companies taking responsibility for their impact on society. The European Commission believes that CSR is important for the sustainability, competitiveness, and innovation of EU enterprises and the EU economy. It brings benefits for risk management, cost-savings, access to capital, customer relationships and human resource management” (European Commission, 2018a).

There is a big discussion on how CSR managed to grow within a short time over the last two decades. One of the main reasons is the globalization and how this has managed to expand and fasten both the benefits and the costs of the economic development across the world (Visser & Tolhurst, 2010). Also, other issues such as climate change, global warming, human rights, abuses, and terrorism are some examples on how the corporate entities are affected on how to conduct their operational practices (Idowu & Filho, 2009).

CSR means giving value to the mutually reliant relationships that exist between businesses, their stakeholder groups, the economic system and the society they exist in. It is a mediator between the business and the society and the way for discussing their obligations, a way of proposing solutions on how these obligations can be met and more simply, CSR addresses a firm’s connection with its stakeholders (Werther & Chandler, 2011).
In today’s market, customers want to buy products from companies and businesses they trust, suppliers want to have the best business relationships with companies they can rely on, employees want to work for a company that does the best it can and they have respect for it and NGO’s want to have partnership with companies who have the same aims. All these are the reasons why CSR is important because it affects most companies’ operations (Werther & Chandler, 2011).

Some of the CSR initiatives, like managing the environmental, social and economic costs of production are an essential part of the private sector’s response. An important, also, element of CSR is managing the economic impacts of businesses and apart from that is an opportunity to ensure a company’s competitiveness and profitability (Canada Industry, 2014).

With non-financial reporting significant information and the main targets of a company can be accessible to the community and especially to numerous stakeholders, in order to have a clearer view on environmental and social issues. Also, non-financial reports can boost the productivity and efficiency of a company, as non-financial information leads to financial improvement and for that reason, most large businesses conduct non-financial reports (Ernst & Young & Boston College Centre 2014).

EU law requires large companies to disclose certain information on the way they operate and manage social and environmental challenges. This helps investors, consumers, policymakers and other stakeholders to evaluate the non-financial performance of large companies and encourages these companies to develop a responsible approach to business (European Commission, 2018).

Recently, in 2014, the EU Directive 2014/95/EU has been introduced and it basically requires companies, with specific operational characteristics, to report on their non-financial performance. Directive 2014/95/EU, which has been considered as a historic step forward, is about reporting on corporate non-financial information and must be differentiated from financial reporting. Financial reports include the balance sheet, cash flows, and other related information, whereas the Directive 2014/95/EU includes the company's social, environmental, and human rights information (Catelle, 2018).

The most important aspect of the Directive is that it made it mandatory for businesses to report larger pieces of their business model, policy and operational risks, something much more different and detailed in relation to the CSR reporting, where only
environmental, social and employee matters were analyzed voluntarily. (Gergely & Sorensen, 2015)

The Directive forms a large and innovative step towards the EU law because before that there has been given very little attention to the disclosure of non-financial information, as it was not obligatory for businesses. (Gergely & Sorensen, 2015)

The aim of this research is to evaluate the disclosure level of Greek businesses’ non-financial information, which are included in their annual financial reports, and to highlight the barriers that companies face on their effort to adjust to the current regulations and comply with the EU Directives. Moreover, any potential gaps or deficiencies regarding the current legislative framework and businesses’ disclosing practices are detected and commented.

One of the main questions that shall be answered is whether Greek businesses and organizations, which are obliged to publish non-financial annual reports, follow law’s requirements and if they do, what is their compliance level. Another important question might be if the non-financial reports vary between organizations.

Qualitative and quantitative methods are going to be established throughout the data processing of non-financial information that Greek companies are obliged to present in the framework of the Directive 2014/95/EU. More specifically, issues like the comprehensiveness and the nature of the non-financial data, which are included in the reports, will be evaluated taking into consideration data which are describing the field and the magnitude of the firm.

The knowledge derived from this work aspires to help businesses enforced by the EU law in their effort to appropriately implement the communal Directive 2014/95/EU and, thus, lead to the empowerment of their position in the global market, suggesting policies and initiatives for further improvement.
2. Literature Review

Nowadays, the world must deal with significant issues with great economic, environmental and social impacts, such as climate change, economic crisis, and human rights. All these and many more, necessitate a better and qualitative responsibility of companies for sustainable and transparent operations. (Ernst & Young & Boston College Centre, 2014)

2.1. Corporate Social Responsibility (CSR)

Some of the main goals of sustainability reporting are to increase the brand name of the company, so as to acquire positive reputation and as a result being a tough competitor against the other entities. Also, sustainability reporting can bring motivation to the employees and be a good supporter of corporate information. (Herzig and Schaltegger, 2006). Moreover, it is notable that sustainability reporting somehow contributed to corporate sustainability, a factor which is really important for the great operation of a company. (Hahn & Kühnen, 2013)

Corporate social responsibility (CSR) is a field of great research and activity for both managers and academics. As all the interesting members of an entity and the consumers ask for responsible activities, it is natural consequence for companies to conform to these demands and implement CSR activities and publish CSR information. (Holder-Webb et al, )

Corporate Social Responsibility, which was much discussed and difficult to establish since the beginning of its appearance, includes a wide variety of issues, such as human rights, pollution, and environmental protection. The first studies which made references about Corporate Social Responsibility were published in 1950. Over the years, and as the society, the people and the highest demands of this world change, CSR evolves and conforms with these changes but one thing remains the same: CSR is defined as a purely voluntary effort. (Sørensen & Szabó, 2015)

In Figure 1, are presented the results of sustainability reports over time. It is clear that from the year 199 to 2004 no sustainability reports were conducted. Instead, from year 2005 to 2011, sustainability reports managed to purchase a great position to annual reports published from companies.
One of the main causes of the development of CSR nowadays, is globalization. Many businesses are turning to foreign markets, in order to expand their activities and therefore their profits. Reporting tools and Standards of CSR are expanded also, so it is normal for CSR to be affected and be upgraded, according to these developed sources. (Kulkarni, 2014)

CSR is a concept with numerous aspects. Mainly are the economic, legal, ethical and philanthropic responsibilities of entities. In recent research, these aspects of CSR are integrated in a pyramid with four layers, in order to be clear for companies which CSR measures should be taken in order to meet these four indicators. (Carroll, 1991)

If companies, especially in Europe, start and improve their CSR performance, Europe’s power, according to Sustainability Performance, will rise significantly. (European Commission 2011)

As CSR is developing, non-financial reports that includes mostly environmental, societal and ethical indicators, is becoming more and more essential. Financial reports include this non-financial information such as environmental and employee matters. Businesses that conducted CSR reports, continue with non-financial reports which are based on specific standards and guidelines. (Lament, 2015)

### 2.2. Non-Financial Information

There is much discussion on why non-financial reports are considered to be so important to the European Union. One of the main significant benefits of non-financial
information is that it can benefit decision-making processes in businesses. For that reason it is needed that non-financial information follow appropriate criteria in order for faithful presentation and comparability to other reports to be established. (Lament, 2016) Non-financial information can bring numerous benefits to a company, as stakeholders and investors can easily have access to valuable information about the company and form an attractive image to them (Commission of the European Communities 2009). The European Commission mentions that non-financial information can bring benefits to tasks like risk management, cost savings, access to capital, customer relationships, human resource management, and innovation capacity. (Catelle, 2018)

Non-financial information can perfectly bind the relationship between the stakeholders and the company, but also can bring public approval, boosting the company’s position and most importantly the employee’s trust. These conditions can be feasible for a company, only if this non-financial information would be verified, real and cost-effective. (European Commission 2016).

Non-financial reports are increasing rapidly, while in 1992 were less than 50 and in 2005 touched the number of 1,906. The result is that the number of non-financial reports published was increasing by 39% every year, for 13 years. The biggest numbers were marked in the UK, the US, and Japan. (Palenberg, Reinicke and Witte, 2006)

Due to the expansion of the globalization and the changes in legal, social and ethical frameworks, reporting of non-financial information has been developed over time. (Kulkarni, 2014)

After the rise of non-financial reports, academics decided to put more effort on the field and investigate further the matter of corporate performance management and external communication. A particular part is making research on the quality and comprehensiveness of these reports for more than 30 years. From the 1980s, the publication of environmental, health and safety and CSR/triple bottom line (TBL) reports, presented new opportunities for the evaluation of non-financial information. (Skouloudis et al, 2013)

European Commission (2011) highlights that there are plenty of international reporting frameworks about the disclosure of non-financial information, which companies are
able to use in order to have accurate guidelines for non-financial reporting. The most prestigious with precise information are the following:

2.2.1. The UNGC Framework
The UN GC made its first appearance in July 2000 (United Nations, 1999). The motivation of UN GC is basically ethical. It is globally the largest voluntary network. The role of the UNGC is to invite companies to become a part of this organization and follow the ten principles connected to human and labor rights, environmental protection, and transparency. The percentage of companies following this framework is by far the largest in Europe, as it reaches 45% of all the participants (Cetindamar & Husoy, 2007). The UNGC refers to every business, regardless of the size and location and offers a sustainability framework that matches with a company around the world. A total of 81% companies who embraced the UNGC principles, showed unique progress on their sustainability performance. (UNGC 2017)

2.2.2. ISO 26000
ISO 26000, a standard that was published back in November 2010 by the International Standardization Organization (ISO), reflects perfectly the main element of CSR. ISO 26000 is a global and commonly acceptable instrument, as it consists of guidelines for Sustainability Reporting. Also, it contains contemporary guides which lead to a successful reporting on the field of Sustainability. (Castka, Balzarova, 2008) The exact title of this ISO Standard is ‘ISO 26000 – Guidance on Social Responsibility’ and, in fact, is the provider of the missing ‘area’ to enable every organization change its environmental management system into a sustainability management system. So, ISO 26000 is a new standard for businesses to consider when they want to create their CSR performance. (Pojasek, 2011)

The cause of creation for ISO 26000, was to provide businesses with guidelines in order to publish Sustainability Reports, which were fully informed and contained all the necessary data, so stakeholders and all the interesting members could be completely updated about the company’s actions and policies. Some of the most important goals of the ISO 26000 were to guide firms on how to present their results and
improvements, so as to attract all the interesting members and customers and boost their pleasure. (Castka, Balzarova, 2008)

2.2.3. The GRI- Global Reporting Initiative
Sustainability Reporting was a challenging activity for companies for almost a decade. Global Reporting Initiative is one of the most known guidelines for the preparation of sustainability reports and has been proved a really helpful tool for businesses. From the year 1997, the date that GRI was founded, this reporting methodology has become the leading guideline for voluntary reporting. (Brown et al, 2009) One of the main goals for the GRI is to empower the quality of information published to stakeholders and as a result, bring much more benefits to the company. Moreover, it helps companies present both their positive and negative offerings in the direction of sustainable development goals (Global Reporting Initiative 2016).

European Union (EU) was the first tried to establish the reporting of non-financial information globally with the adoption of the Directive 2014/95/EU of the European Parliament, following the Directive 2013/34/EU which obliged large entities and groups to publish non-financial and diversity information. (Maj, 2016)
Non-financial reporting was referred in the 2013/34/EU Directive. The directive describes that businesses should publish financial reports, including a review of the development of the company and the position that this company owns, and also this review should be in parallel with the size and the complexity of the business itself. This information should include environmental and social issues in order for the position and the development of the company to be fully understood. Furthermore, the article 19 of Directive 2013/34/EU notices that for a better understanding of the development and the position of the company, the study should include both financial and non-financial information, such as environmental and employee issues. (European Union Council 2013)
One of the main issues about the reporting of non-financial information, was the inaccuracy of the presented data, which caused due to the existent regulatory gap. According to this issue, EU made a deep research on reporting accurate information on
non-financial reports. The Directive 2014/95/EU was the solution to this problem, although it was applied only to large entities with more than 500 employees. (Lament, 2016)

The *Directive 2014/95/EU* is an amendment of the past Directive 2013/34/EU. This rapid transition from the one directive to the other brought, as a result, the disregarding from many Member States of mandatory reporting requirements and only the number of 2,000 companies (<10% of the largest EU companies) managed to reveal non-financial information. This difference between the reporting style and the mandatory information that businesses should include, led to great diversity and thus limited comparability between the reports. (Catelle, 2018)

Another component of this Directive is that it suggests companies with an average number of 500 employees, should include non-financial information about the company’s development, performance and position and also impacts of its activity. Moreover, environmental, social, employee and bribery matters, human rights and anti-corruption shall be mentioned (European Union Council 2014).

Directive’s 2014/95/EU main goal is to enhance transparency, importance, and cohesion of non-financial information. According to article 4 of the Directive, legislative and administrative measures should be taken from the member states in order to strengthen their business’s role (Lament, 2015).

Directive 2014/95/EU forms a next step to the reporting of CSR in Europe, as it forces large companies to report non-financial information and applies a common standard for these entities in the framework of reporting. Another significant aspect of the Directive is that indirectly it forces companies to rethink their actions and therefore publish them in the report. As a result, businesses should discover new and sustainable ways of practicing. (Ogrean, 2017)

The Greek Law about the non-financial reports is implemented according to the *Law 4403/2016* and it is aligned with the EU Directives 2014/34/EU and 2014/95/EU. Greek companies will have to adopt this law and present non-financial statements, in order to fulfil their obligations (Dalietou, 2017).

As far as it is known, the only research about the topic of evaluation of non-financial reports of Greek companies, was conducted by Dionisios Karaiskos on July of 2018, about the reporting period from 01-01-2016 to 31-12-2016.
3. Methodology

3.1. Description of Methodology

The methodology implemented in this research, consisted of a set of steps, resulted in a successful outcome, which responds to the requirements of the study. It should be mentioned that the methodology which was followed in this research, was based on the methodology that was conducted by Dionisios Karaiskos in his dissertation in July 2018 and it was referred to the reporting period started from 01-01-2016 to 31-12-2016. The main reason following this type of methodology, was to use it as a yardstick with the results of the methodology followed in this research.

As a first step, it was necessary to list the companies, which were obliged to report non-financial information in their financial reports, according to the Greek Law 4403/2016, during the period of 01-01-2017 to 31-12-2017. This sample was selected from the Greek Stock Market. The sampling criteria consist of the corporate size – in terms of turnover and total workforce - and nature of operations, aiming to detect potential differences regarding the disclosure level between companies operating in different industrial sectors and with various scales of operation.

The total amount of businesses, which belong to the Greek Stock Market and are obliged to perform non-financial reports, are two hundred and twenty-eight (228) companies. From all these, one hundred and forty-one (141) have financial reports which include non-financial information, twenty one (21) have financial reports that do not contain non-financial information and at last there are sixty-six (66) businesses which do not have financial reports at all. In order for the results of this research to be accurate, personal messages were sent to these entities asking about the financial reports.

In this research, the amount of twenty-two (Appendix A) entities was chosen to be evaluated and also another amount of twenty (Appendix B) companies, which were of the same field and size of the low score entities from the first table, was examined in order to test if most companies of the same field follow the same pattern on reporting non-financial information.
Consequently, it was important to make a choice about the evaluation system. The bulletin with protocol number 62784/07-06-2017 of the General Business Portal was selected as a base. According to the minimum demands that were defined from the bulletin, the evaluation criteria were determined and a rating scale with grading from «0» to «4» was implemented. The evaluation criteria are presented in the table below and described in the following lines.

Table 1: Evaluation Criteria

<table>
<thead>
<tr>
<th>BUSINESS MODEL</th>
<th>POLICY OF DUE DILIGENCE</th>
<th>POLICY RESULTS</th>
<th>POLICY &amp; MANAGEMENT OF DANGER</th>
<th>FI &amp; NFI</th>
<th>ENVIRONMENTAL ISSUES</th>
<th>SOCIAL &amp; WORKPLACE ISSUES</th>
<th>RESPECT OF HUMAN RIGHTS</th>
<th>ANTICORRUPTION &amp; BRIbery</th>
<th>ISSUES OF SUPPLY CHAIN</th>
</tr>
</thead>
</table>

*Business Model:* The business model describes how an entity creates and maintains its value, through its products or services in the long term. In addition, the entities can present their business environment, the organization and their structure, the markets they take action to and their goals.

*The policy of Diligence:* It is commonly known that policies of due diligence, which are taken over by companies, aim to ensure the support of a very special goal. This goal might be for the detection, the prevention and the mitigation of the existing and potential unfavorable impacts.

*Policy Results:* The policy results can provide useful information, as for the strong and the vulnerable parts of an entity. The non-financial report should reflect the results of the tasks and the activities of the firm. The review of the results should include relevant references, about the non-financial indicators.

*Policy and Management of Dangers:* The entities owe to present a fair, connective and complete description of the most serious dangers that they have to deal with, along with a clear explanation of the way they handle these dangers and also how these are moderated.

*Financial and Non-financial indicators:* The entities can present a mix of general financial and non-financial information, according to the situation in terms of their strategic goals, that are presented in the report of non-financial information.
Environmental Issues: The entity should provide information as for the prevention and
the control of the pollution, the environmental consequences from the energy use, the
direct and indirect emissions in the atmosphere, the protection of the biodiversity, the
aquatic pores and the waste management.

Social and Workplace Issues: The entities should provide information regarding social
and workplace issues. Additionally, firms owe to refer to matters like the dissimilarity
of genes and the equal treatment in the working area.

Respect to Human Rights: The information an entity can provide may be about
employee rights, small or large communities that deal with the company’s activities.
They also owe to crack down on violence and human rights.

Anticorruption and Bribery: The entities are expected to provide information on the
way they handle anticorruption and bribery. Also, they can, explaining how they
evaluate the anticorruption and bribery, take measures for the prevention or the
mitigation of these hostile impacts.

Issues of Supply Chain: The entities owe to present material regarding with issues of
the supply chain that might have important consequences to the development, the
performance, and their position.

<table>
<thead>
<tr>
<th>GRADE</th>
<th>EVALUATION CRITERIA</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>There is not a non-financial report or it does not mention the under-grading criterion</td>
</tr>
<tr>
<td>1</td>
<td>Only an epigrammatic reference (one or two sentences) to the under-grading criterion, without any reference to standards</td>
</tr>
<tr>
<td>2</td>
<td>Extensive reference to the under-grading criterion. Possibly reference is made to standards, but not widely popular, without presenting them</td>
</tr>
<tr>
<td>3</td>
<td>The non-financial report illustrates the under-grading criterion with relevant completeness. It refers to standards but it does not mention countable results.</td>
</tr>
<tr>
<td>4</td>
<td>The non-financial report illustrates the under-grading criterion, with a regular, clear and consistent way. It refers to standards widely popular and mentions countable results.</td>
</tr>
</tbody>
</table>
After this procedure, the qualitative and quantitative review of the sample chosen follows. Taking into consideration the criteria that the Law has established for reporting on non-financial information (huge entities, of common interest, with an average number of 500 employees), some firms were excluded from the initial sample, because they did not fulfill the requirements and limitations. Additionally, entities excluded from the presentation because of their size (medium or small), as they were not obliged to report non-financial information in the report. After the evaluation of a sample of entities, arose some firms with an importantly low score. Taking into consideration these firms, a new table was created, including entities of similar size and of a similar field. The aim of this method was to test if firms of same branch or size, tend to refer at a low level on non-financial information and follow accurately the Greek Law.

After, the average from the grading of the testing criteria is going to be estimated. This method will point which criteria are mainly analyzed from the companies and the reason why entities avoid publishing information about the rare published criteria. Then, the sum from the grading of the businesses is going to be calculated. In that way, it will be clear which fields present better publishing of non-financial reports. Also, this result would be much beneficial for future research about a specific branch.

The next step consists of the qualitative and quantitative analysis of the results, which are going to be presented with the form of tables and diagrams in the chapter “Results”.

In the chapters following, methods like the detection and recognition of the problems and the evaluation of the attribution of the non-financial information of the firms, and due to the guidelines of the relevant law, are going to be analyzed and presented.

**3.2. Obstacles during Methodology**

During the process of this research, slightly there were obstacles which made difficult the well-tempered flow of the survey. Nevertheless, even these difficulties managed to delay the completion of the research. Further down, some of the main matters are described.
The first problem was that there is not an official database with all Greek companies’ balance sheets and with a free access, from which valid data could pump out. In order to overcome this issue, annual financial reports of the year 2017, that are listed in the Greek Stock Market, as it is mandatory by the law, were used. Later, during the research, it was noticed that plenty of entities, which fulfilled the requirements, did not have financial reports that included non-financial information. For that reason, personal messages were sent to these companies, for further information and clarification, but from most of them, there is no answer yet. Furthermore, the relative vagueness and partial coverage of the handling report, which is mandatory for all entities, despite of the size, made difficult the evaluation of the non-financial information in the non-financial reports. The law defines that the publication of non-financial information is mandatory for big entities of common interest and that these entities also employee more or less 500 employees the last year. As big entities are being considered these that meet the criteria of the law for two periods in a row. It is not clear where these entities are classified when their rank negative position, like bankruptcy. Additionally, a few entities did not provide non-financial information inside their financial reports. Nevertheless, they provided this information with an additional report, usually called sustainability report or CSR report. So, it was essential to find the non-financial information included in these external sources, having as a reference year the reporting period 01-01-2017 to 31-12-2017. Also, the optional preparation of non-financial reports from small and medium-sized businesses made difficult the continuity of the project. Finally, the law refers vaguely for information or statements, letting businesses freely decide if they would adopt CSR policies, without being clarified what impacts this would have on the company.
4. Results

After deep research on how Greek businesses respond to the Greek law 4403/2016 on reporting non-financial information, an extensive presentation of the results is provided below.

4.1. A sample of Businesses taken from the Greek Stock Market

The information about the entities, that are being evaluated below are available in the Appendix A.

Table 3: Businesses from the Greek Stock Market

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Average: 2.2, 2.2, 2.1, 2.7, 2.0, 2.6, 2.6, 2.0, 1.7, 1.1
In the Table 4 below, the appearance of each grade and per criterion is presented.

Table 4: Quantity of each grade per criterion

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<th>BUSINESS MODEL</th>
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<th>POLICY RESULTS</th>
<th>POLICY &amp; MANAGEMENT OF DANGER</th>
<th>FI &amp; NR</th>
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<th>SOCIAL &amp; WORKPLACE ISSUES</th>
<th>RESPECT OF HUMAN RIGHTS</th>
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From 22 businesses following the Greek law 4403/2016, it can be understood that a quite adequate number of companies describe well the business model of their firm in the non-financial report as it can be seen from the diagram below. In total, 9 businesses present a high score (3), 9 businesses are in a very low level of presenting their model and 4 follow precisely the law.

The next criterion is about the policy of due diligence. In this level, companies present more or less the same grading, as 15 of them present a decent image and only 7 have a lower grading. That means that a great number of companies, seek to present the goals that protect them from potential unfavorable impacts.
As for the policy results, it is of great awe that most of the firms present a high level of reporting their results after following certain policies within the frames of their business plan. The policy results can provide useful information, as for the strong and the vulnerable parts of an entity. The non-financial report should reflect the results of the tasks and the activities of the firm. The review of the results should include relevant references, about the non-financial indicators. Almost all companies (16), introduce a very good policy of results report while only 6 have a significantly low grading.

Entities are seemed to present a very high level on describing their dangers and also the ways they come up with these They owe to present a fair, connective and complete description of the most serious dangers that have to deal, along a clear
explanation of the way they handle these dangers and also how these are moderated. 16 companies have an impressive score, 3 of them are in moderate scale and only 3 are still below the medium level.

![Figure 5: Policy and Management of Danger (own diagram based on conducted research, 2018)](image)

As for the financial and non-financial indicators, entities present a low level of reporting them. They are obliged to publish a mix but most of them have a low-grade presence. An amount of 9 companies have a low level of reporting the financial and non-financial indicators, 3 present a medium situation and 10 have a very impressive attribution.

![Figure 6: FI & NFI (own diagram based on conducted research, 2018)](image)

As for the environmental issues, it is obvious that most companies refer extensively to the environment and its impacts, accordingly to business’s activities. Almost 13 firms have really high performance on this subject, as for many stakeholders and the society
the environment forms a priority. 5 businesses present a medium grade and only 4 are at a very low level.

Next, it follows the social and workplace issues. Entities owe to present issues that are connected with the employees and the environment they work in and also the differences between them. From the table, it is clear that companies make a worthy try to present these features as it is also very important for their image to others like stakeholders, society and also the competitors. 14 entities are graded with a high score, only 4 with a low score and 4 are at a medium scale.

A criterion that is really important has to do with human rights. Businesses tend to refer to this manner but not as completely as it should be. It is considered a best
practice if entities express their commitment of respecting human rights. A commitment like this can define what the firm is, what is needed from the employees and the business partners in relation to human rights. 6 out of the 22 present a really full report on human rights, 5 a poor one and 11 of them, that means the half (50%), is on a medium scale.

The anti-corruption and bribery criterion is the one that presents almost the same numbers in every scale, having the low grades taking an advantage. The entities are expected to provide information about the way they handle anticorruption and bribery but it seems like they do not have it as a priority. 11 of them have the lowest grade, 5 belong to the medium scale and 6 present a better view of that point.
The entities owe to present material regarding with issues of the supply chain that might have important consequences to the development, the performance, and their position. As it seems from the table, very few businesses follow this strategy when 13 out of the 22 have the lowest score, 5 are in a medium scale and 4 of them seem to seek to the rules and develop an extensive report about the supply chain issues.

![Issues of Supply Chain](image)

Figure 11: Issues of Supply Chain (own diagram based on conducted research, 2018)

According to Figure 12, criteria that are mostly described in non-financial reports are those who refer to environmental and social / workplace issues. Also, policies for management of dangers is a part of frequent reference. This situation is due to the ease that companies come across, as mostly environmental and social issues are easily described because usually there is no need of presenting numerical data. On the other hand, criteria like Financial & Non-financial information and issues of supply chain are difficult to be described because specific information is needed to be presented and appropriate staff, responsible for these fields, is essential to be company’s employ.
As it is clearly described in the diagram below, companies that present the most integrated, and according to the legislation non-financial reports, are those that belong to the Construction & Construction Materials field, like A.E. Cement TITAN and GEK Terna A.E. Also, of high total are companies that belong to the branch of Agencies of Common Profit, such as DEH A.E. and EYDAP.
4.2. A sample of low grading businesses taken from the Greek Stock Market

The information about the entities, that are being evaluated below are available in the Appendix B.

Table 5: Businesses of low grading taken from the Greek Stock Market

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From Table 3 arose some businesses with a serious low grading about the reporting of non-financial information. In order for these entities to be further evaluated, Figure 15 was created, which consists of firms that belong to the same sector as the previous ones and of firms that have more or less the same size or number of employees. The main purpose of this strategy is to examine how businesses of low score and of the same branch act in front of the law and if their non-financial reports look alike.
In the *Table 6* below, is presented the total quantity of each grade per criterion.

**Table 6: Quantity of each grade per criterion**

<table>
<thead>
<tr>
<th>SCALE</th>
<th>BUSINESS MODEL</th>
<th>POLICY OF DUE DILIGENCE</th>
<th>POLICY RESULTS</th>
<th>POLICY &amp; MANAGEMENT OF DANGER</th>
<th>FI &amp; AML</th>
<th>ENVIRONMENTAL ISSUES</th>
<th>SOCIAL &amp; WORKPLACE ISSUES</th>
<th>RESPECT OF HUMAN RIGHTS</th>
<th>ANTICORRUPTION &amp; BRIBERY</th>
<th>ISSUES OF SUPPLY CHAIN</th>
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<tr>
<td>0</td>
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<td>19</td>
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<td>1</td>
<td>0</td>
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</tr>
</tbody>
</table>

It is clear that entities of the business model category, pay no attention to the business model of their firm. Almost all, do not make any mention on what their firm is or what their purposes are during the operation of the business. This is much different from the previous table, as businesses from Figure 3, presented a much better attribution. That is why 16 out of the 20 entities from the sample given, have not made any reference in the report while 2 presented a better performance.

Figure 14: Business Model (own diagram based on conducted research, 2018)
Next is the policy of due diligence criterion. Here it is more than apparent that entities of this range, do not mention energies that should be taken from the company in order to serve a certain scope of the business. As in the previous criterion, all of the entities are evaluated with 0 grade because none of them is making a reference on the under-evaluation criterion.

![Policy of Due Diligence](image1.png)

Figure 15: Policy of due diligence (own diagram based on conducted research, 2018)

The same condition continues in the next criterion about the policy results. Entities do not make any reference about the policies they follow and the conditions they confront with on different fields inside the company. As before, all businesses make no comment on their policies and the way they come up with them. As a result, 18 of the companies appear with the grade of 0 and only 2 have a slightly detailed report.

![Policy Results](image2.png)

Figure 16: Policy Results (own diagram based on conducted research, 2018)
Another one criterion that entities are owed to report on is about the policy and the management of their internal dangers. They should give a clear explanation of the way they handle these dangers and also how these are moderated. These dangers could be associated with their activities, their products or services and finally with their business relations. The entities should show how these dangers affect their business model, their activities and their financial impact. 16 out of 20 entities present a zero (0) grading and only four (4) are on an average scale.

![Policy & Management of Danger](image)

Figure 17: Policy & Management of danger (own diagram based on conducted research, 2018)

Entities are obliged to report about the financial, non-financial indicators or even a mix of them, depending on their strategic plan and of the issues that are being presented in the non-financial report. Also, these indicators should be widely popular. As before, businesses do not present clearly this information or do not present them at all, as 18 out of 20 firms have a zero (0) grade and only 2 perform a better report.
Conversely, for the criterion of the environmental issues, the situation is much different. Entities seem that pay attention to the recording of environmental impacts and the prevention and the control of the pollution, the environmental consequences from the energy use, the direct and indirect emissions in the atmosphere, the protection of the biodiversity, the aquatic pores and the waste management. From the diagram below it is clear that most companies, 10 out of 20 present a full view of the environmental problems that they meet during their processes. Possibly this is because most stakeholders and the committee nowadays care more about the environment and firms aim to present a better image in this area.
Something much comparable is happening with the social and workplace issues. Companies are obliged to present matters like the dissimilarity of genes and the equal treatment in the working area, the work conditions, the right to unionism and the function of unionism organizations, human rights management as for the career, the education, the system of payment and promotion and at last health and safety inside the firm’s facilities. Businesses seem to follow that example and the result is that more than the half, report non-financial information about this sector in absolute accuracy.

![SOCIAL & WORKPLACE ISSUES](image)

Figure 20: Social and Workplace Issues (own diagram based on conducted research, 2018)

Next is the criterion of respecting human rights. Unfortunately, it is clear that most companies, 13 out of the 20 present a zero (0) performance on this category, whereas only four have a better report and three of them are in an average stage. It is considered a best practice if entities express their commitment of respecting human rights. A commitment like this can define what the firm is, what is needed from the employees and the business partners in relation to human rights. The information a company can present can be about employee’s human rights, small or big committees that are related to the company’s activities. Entities, at last, owing to be aware of the violation of human rights.
Entities are about to provide information on how they manage to fight against anticorruption and bribery. They can examine the related announcements in relation to the policies, the organization and the decisions for the fight against anti-corruption and bribery. Also, they can take measures for the prevention and the moderation of the unfavorable impacts. Sadly, seventeen entities do not report anticorruption and bribery information at all, while only three are making a small reference on this field.

Entities owe to present material that is related to supply chain issues, which can have significant impacts on the development, the results and the position of the firm. This
material would contain important information for a general understanding of the supply chain of the company as for how issues of non-financial information are taken into consideration for the management of the supply chain. Unfortunately, none of the businesses examined the report on issues of supply chain and this can have a negative impact on a company’s operations.

According to Table 5 about companies of low grading, it is clear that environmental and social issues are again mostly referred in non-financial reports. The rest criteria are hardly published, due to their complicated content.
As for the companies of low grading, according to the diagram below, it is clearly described that entities from Travel & Pleasure filed, like LAMPSA A.E., AUTOHELLES A.E. and ATTICA A.E. SYMMETOXON, present non-financial reports that mention environmental and social issues mainly. In the contrary, companies that belong to fields of Media, like ATTIKES EKDOSEIS and KATHIMERINI, and of Food & Drinks, like KYLINDROMYLOI SARANTOPOULOS and KRI-KRI, present poor reports with deficient detailed information.

Figure 25: Total sum of companies of low grading selected (own diagram, based on conducted research, 2018)
5. Discussion

5.1. Discussion of the results
Research findings show clearly that businesses do not follow, as required, the law 4403/2016 about the reporting of non-financial information and indicators and the most remarkable result is that their performance varies considerably regarding the different grading criteria. It is also crucial to note that low grades, from zero (0) to two (2), constitute more than the 50% of the sample in most of the criteria that are under examination. Remarkable is the point that criteria which are associated with environmental and workplace issues and with the policy and management of companies’ dangers, form an exception because their grades are in a higher level than that of the other criteria. The reason behind that is that recently environmental, social and workplace issues are in the limelight because a great part of the population is very interested in this kind of themes, so businesses put a lot of effort in making non-financial reports with great environmental, social and workplace information. The same conclusion was resulted from the second table, which was about businesses of low grading. It was noticed that most companies performed very good and high grades on these areas whereas there was incomplete or even worse a non-existent reference on the rest of the criteria. Additionally, this conclusion is verified from Figures 12 and 24, as they show that the environmental and social criteria are the ones mostly described in the non-financial reports of the entities. This situation is due to the ease that companies come across, as mostly environmental and social issues are easily described because usually there is no need of presenting numerical data.

On the other hand, criteria like Financial & Non-financial information and issues of supply chain are difficult to be described because specific information is needed to be presented and appropriate staff, responsible for these fields, is essential to be company’s employ. This finding matches well with the previous results and confirms our earlier findings.

Comparatively with the results from Dionisios Karaiskos’s research, it is clear that in both reporting periods, 2016 and 2017, were reported non-financial reports from entities with slightest differences. Few companies presented non-financial information
which were upgraded but the total performance still remains the same as in the previous reporting period.

Also, it is remarkable that specific fields present better performance. Some of them are the Construction & Constructing Materials branch and Agencies of Common Profit. Possibly, it is due to their size, because entities of these fields usually consists of a great number of employees and also they are not confined only to the Greek Market, but also abroad.

All the above results point that entities, which belong to the Greek Stock Market, are not complying with the relevant legislation. Very few businesses seem to have fully understood the term Corporate Social Responsibility (CSR) and are able to prove it with countable indicators. Interesting can be considered the fact that companies who follow CSR policies are mostly large industries of a specific field, with a large number of employees and mainly focused on external markets.

Mainly responsible for this situation is the legislation itself, as it is vague and unclear. According to the law 4403/2016, businesses can keep adopting CSR policies voluntarily but the assessment of it, is obligatory and above all on an annual base. It is a normal consequence for companies, not to present a report that is 100% in alignment with the law and strictly following the Greek legislation when the law is not clear and confuses the interested members. Additionally, it is obligatory from the law for companies to present both management exposition and non-financial report with relevant content. Fields that perform better results are those having already an obligatory and articulate identity from previous legislation and defined needs.

During the research, it was noticed that there was not a platform in order for the information to be crosschecked or the reports to be checked about their credibility. Business’s reports have to be acceptable as there is no other way of verifying the information included in them. It is also noticeable that entities seem not to take care of the existence of negative results. Almost all companies seem to have more or less the same results as in the previous year and some even better, according to the reports published in 2016. On the other hand, there is a case where this is not happening and some entities continue publishing information which is not credible. The problem here is that again there is not any reliable database in order to check the credibility of these data given and as a result all the interested members cannot be
sure about the information given and also for the companies it is risky not knowing the consequences of publishing non-reliable information. As follows from the figures shown above, the worst performance is being noticed in the field of corruption and supply chain. The main reason about this issue is that the meaning of those criteria differs from one branch to another. For example, the term corruption is much different in the field of banking than in the field of food businesses. As a result, the branch of the entities should be taken under consideration in the current and future legislation. Another observation, which arose during the research, is that the content of the non-financial reports of the entities is approximately the same and this conclusion can easily be understood from the tables and diagrams above. Businesses that belong to the same industry, had non-financial reports which were alike, as the information included in these reports was referred to similar data. Last but not least, the vagueness of the legislation gives businesses the opportunity to practice CSR policies, but at a low level. A great number of companies consider that they implement CSR policies, just by doing charities, sponsorships, and benefactions. Therefore, the conclusion about the content of the law 4403/2016 is that it is essential to change and be more specific for better understanding and implementation.

5.2. Limitations of the results

Limitations of this project include the lack of published information about the non-financial reports that industries are obliged to publish, according to the Greek legislation. Also, there is not an available and reliable database for all the interested members to take this information from. Many companies do not mention at all any non-financial information, and those that do provide very few details as for the extension and application of the necessary measures. Additionally, some entities that belong to the Greek Stock Market and as a result are forced to publish in their financial report non-financial information did not have their reports published so it was necessary to make personal contact for further information. Unfortunately, almost none of them contacted back. Lastly, this project was conducted as a student project with limited time and monetary resources.
6. Conclusions

According to the EU Directives 2013/34/EU and 2014/95/EU, Greece with the Law 4403/2016 tried to follow the equivalent legislation and implement the practice of non-financial reporting, in the framework of Corporate Social Responsibility policies. This legislation was followed in order for businesses to respond to stakeholder’s needs and to be able to provide consumers easy access to useful information, which are related with the impact entities have on society. Some of the main questions that were to be answered, were if Greek businesses and organizations that belong to the category of being obliged to publish non-financial annual reports, follow the law and if they do at what scale. Another question was if the non-financial reports, vary between the organizations. This research tried with the best objective and accurate methodology to answer the previous questions. The findings of the research are quite convincing, and thus the following conclusions can be drawn: According to the results, businesses do follow the law 4403/2016 but in a very low scale. Very few companies responded 100% to every criterion and according to the current legislations. Much more than the 50% of the entities reacted only to the environmental, social and workplace issues but not with an accurate way and fully responded to the law and almost never with numerical results.

Additionally, from the results is clear that the obligation of businesses to publish non-financial information in their annual financial reports did not provide stakeholders and all the other interested members with any helpful data, as the information provided were deficient and vague. The legislation forces companies to provide and present their energies and policies, and not acting or adopting new actions. From the results given, it is clear that all kind of companies, including those with very law grading, pay more attention to the environmental, social and workplace issues because it is easier to provide information of these fields and without numerical indicators. Also referring more on environmental and social actions, provides businesses with an attractive image.

The reason why entities are not able to follow precisely the legislation and practice CSR policies, are owed to the way the Greek law is structured. One of the most serious problems of the legislation content is the lack of a legislative evaluation system and a
system of punishment in case of untrue information. Also, the law, due to its vagueness, makes businesses misunderstand its provisions and it does not provide clear guidelines on how to report non-financial information. Moreover, the legislation contains individual laws, as for the employee rights. That fact creates confusion to entities, because it is not clear what they are obliged to follow and implement.

Summing up the results, it can be concluded that businesses in Greece and those that are obliged to follow the Law 4403/2016 do not comply with the rules, as the legislation itself is unclear and there are not penalties for those who do not follow at all or do publish untrue information. The quality of reporting does not form a priority for businesses and for that reason, most of them publish non-financial information, only for typical reasons.

It is commonly known that in Greece most businesses do not follow precisely the Law and one hypothesis of this project was claimed that, as for the non-financial information published from the entities to the annual financial reports, companies would present a quite disappointed level of reporting. The main reason of this matter is because Greek entities still do not implement environmental and social practices so the issue of reporting these information does not form a proper priority. This theory in association with the vague and unclear legislation, leads to the result of low level of reporting non-financial information. Finally, the non-existent punishment of untrue and fake information, makes businesses more permissive against the legislation. It is believed that if the law won’t be reformed and contain more strict terms and procedures and also if the general attitude against environmental and social issues won’t change, entities will continue providing fake information and giving insignificant meaning to current global issues. So, unfortunately the hypothesis made at the beginning of this research, is confirmed.

6.1. Recommendations

As a result of a deep research, a list of suggestions has been compiled to consider. In order for this situation to be edited, the legislation should force entities to comply with specific standards and specifications and not just refer to results, as long as these exist. Moreover, the legislative clarification and the specialization of CSR fields, per branch, is necessary so that businesses would be sure, and it would also be apparent what
information for each field should be published and the way this should be recorded. Additionally, the establishment of a punishment system, should be formed so that publishing invalid information would lead to an exemplary punishment. Also, a free database for all the interested members should be formed, with credible information about the non-financial reports of the entities, so that suspicions for invalid data won’t exist anymore. Finally, the previous regulations could be the answer to today’s situation.

6.2. Future Research

In further research were to be conducted, it would be interesting to evaluate the attribution of the non-financial information in every branch. With this process, the results would be more credible and clearer for the interested parties, stakeholders and the society. Also, these results will show how businesses of each field follow the legislation and the way they report this non-financial information. Future work would involve equivalent research for businesses that belong to the Greek Stock Market, so they are obliged to report non-financial information, but the number of employees does not overcome the number of 500. Finally, interesting would be the research of non-financial reporting for businesses per size. In that way, it would be clear if entities of large, medium and small size present similar types of non-financial reports.
Bibliography


Maj, J. (2016) Corporate Social Responsibility and Diversity Reporting in Polish Companies from the basic materials and oil & gas sectors listed on Warsaw Stock Exchange, Research Gate, pp.1-7


## Appendix

### Appendix A: Information about entities from *Table 3*

<table>
<thead>
<tr>
<th></th>
<th>ENTITY</th>
<th>SECTOR</th>
<th>TURNOVER</th>
<th>TOTAL WORKFORCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>DEH A.E.</td>
<td>Agency of common profit</td>
<td>4,943,001 €</td>
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<td>2</td>
<td>ANEK A.E.</td>
<td>Travel and Pleasure</td>
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<td>3</td>
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<td>24,422,203 €</td>
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<td>6</td>
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<td>OPAP A.E.</td>
<td>Travel and Pleasure</td>
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<td>AUDIOVISUAL ENTERPRISES</td>
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Appendix B: Information about entities from *Table 5*

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<th>TURNOVER</th>
<th>TOTAL WORKFORCE</th>
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<td>Travel and Pleasure</td>
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<td>4 EUROBANK AE</td>
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<td>5 GEV A.E.</td>
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<td>Food &amp; Drinks</td>
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<td>7 GRIVALIA</td>
<td>Real estate</td>
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<td>8 IKTINOS HELLAS A.E.</td>
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<td>11 KYLINDROMILIOI SANTOPOULOS</td>
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<td>13 LIVANI A.E.</td>
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<td>14 LAMPSA S.A.</td>
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