

FACTSHEET



Financial and non-financial information practices and reporting as tools for workers' involvement in the company's decisions. Bulgaria¹

Introduction. Financial and Non-financial information in multinational companies.

- With the entry into force of **Directive 2014/95/EU**, transposed in Bulgaria by Paragraph 83 of the **Law on Amendments to the Law on Value Added Tax**, large groups and listed companies are asked to be more transparent with respect to their activities and to provide specific information on company's policies and the impact generated by the economic activity on workers, the environment and in the community in which they operate. Directive 2014/95/EU has, in addition, amended **Directive 2013/34/EU** on annual financial statements, consolidated financial statements and sustainability reports, which was introduced to promote the convergence of accounting standards globally and ensure consistent and comparable financial reporting across the EU.

FINANCIAL INFORMATION

Data contained in annual or consolidated financial statements and in management reports on the basis of which the financial statements are prepared. The purpose of Directive 2013/34/EU (so-called *Accounting Directive*) is to harmonise national requirements on the presentation and content of annual or consolidated financial statements, their audit and publication, and management's responsibility for what is stated.

NON-FINANCIAL INFORMATION

Information about the company's policies on working conditions, gender equality, social dialogue, health and safety, board diversity, corruption and anti-corruption, environmental protection and respect for human rights, and social responsibility. Companies subject to the *Non-Financial Reporting (NFR) Directive* must provide a fair and comprehensive report of their policies on these issues and results.

Financial and non-financial reporting is an important opportunity for workers' representatives and trade unions to initiate or reinforce **social dialogue** and obtain key information on management policies adopted by the company that is useful for **information and consultation** processes. Prior information and consultation are essential to the involvement of workers and their representatives in company's decisions before they are taken. European legislation states that workers must be sufficiently informed and consulted upstream of the company's decision-making process.

¹ Edited by FCIW Podkrepa

Overview of reporting practices and of the different Bulgarian cultural and economic background

The EU Directives establishing a common framework setting out the minimum requirements for the information and consultation rights of employees in undertakings have been transposed into the Bulgarian legislation by the Law on Amendment and Supplementation of the Labour Code (LC), the Accountancy Act and other laws and regulations regulating the rights and obligations of the parties to information and consultation. They establish obligations for employers to conduct information and consultation procedures, deadlines for their conduct, the procedure and manner of appointing representatives of employees to conduct these procedures and their rights and obligations. In addition to trade unions, whose main function is to represent and protect the interests of their members, representatives of employees may also be the representatives under Article 7, paragraph 2 of the Labour Code. The process of information and consultation in enterprises is developing too slowly. No more than 8-10% of all companies with 50 or more employees are covered by these systems. In some companies the information and consultation functions are officially provided by the trade unions, but in many cases this did not happen according to the requirements of the Labor Code - after delegating rights from general meetings / meetings of proxies, and after agreements with employers (sometimes informal). In Bulgaria, the processes of information and consultation in enterprises without trade unions are developing relatively slowly. However, in some cases this is initiated by employers, including branches of multinational companies.

The *NFR Directive* came into force for all EU Member States in 2018.

It applies to large groups, such as listed companies, banks and insurance companies, with more than 500 employees, a minimum balance sheet of 20M euros and an annual net turnover of at least 40M euros.

It requires certain information to be made public on how social and environmental challenges are managed.



Analysis of the procedures and **social dialogue** practices

Environmental, social and governance information are important for workers' representatives and trade unions as key stakeholders to stimulate social dialogue or active social dialogue initiative and, above all, to learn about key issues on which management will have to take decisions that will inevitably affect all workers.

European Works Councils (EWCs), as European bodies representing workers in multinational companies, are entitled to **information and consultation rights on strategic, economic and social issues** interesting them.

Therefore, not only relevant information on the implementation of ILO Conventions, diversity and equal opportunity issues, employment issues, working conditions, labour relations and the exercise of trade union rights, career management and employability, the remuneration system, training, health and safety at work, but also purely economic and financial information enabling workers' representatives to find out about company trends, profits and losses, investments, and to know about restructuring, reorganisation and major structural changes. The subjects of the exercise of information and consultation rights must be negotiated when setting up or renewing the EWC and indicated in the negotiated agreements.

What is important in the context of social dialogue is the employees' representatives degree of knowledge and skills at all levels to interpret and understand technical documents and complex information. Knowledge and skills that put them in a position to be adequately informed and able to effectively express their positions within the negotiations.

By the interviews conducted with Italian EWC representatives and company's representatives within the framework of the **POWER** research, it emerged that in order for EWC representatives to understand the relevant financial and non-financial information submitted to them, **regular training** on shared topics and/or the support of **experts** for the EWC's members are necessary.



Best practises of workers' involvement in MNCs: procedures and tools pertaining to **information and consultation rights**

In the framework of the European **POWER** project, four companies took part in the translated analysis of the procedures and practices for social dialogue at company level.

Devnya Cement AD part of the **Heidelberg Cement Group**, **Ognyanovo-K AD**, part of the **Plena Group** and **two other multinational cement companies, referred to herein as Company 1 and Company 2**. In all four enterprises FCIW – “Podkrepa” has trade union structures that participate in social dialogue at the company level. In three of them / without Ognyanovo -K / there are active EWCs at European level. The level of unionization of workers is very low, with the exception of **Company 1**, where about 40% of workers are members of one of the two unions.

In all enterprises there are signed CLAs, which are signed for a period of 2 years. The level of social dialogue in enterprises is different, as well as the observance of the procedures for informing and consulting the employees in them.

In **Company 2**, the social climate is at a good level, there is a good organization of the meetings and readiness for assistance from the Management. Apart from information and consultation procedure, the EWC is also involved in activities such as the Working Group on Occupational Health and Safety. With the agreement of the Chair, other specialized working groups may be set up for a specified period of time and for a specific purpose. These working groups, whose program, objectives and responsibilities are defined jointly by the EWC and management, promote dialogue between management and staff on specific European issues.

The working groups report on their work to the members of the EWC.

In **Devnya Cement AD** for participation in the social dialogue between employer and employees there are three trade unions, as well as a representative of the employees, a member of the EWC. The process of consultation and information is carried out through organized meetings with representatives of management and employees' representatives, and in an emergency, through a conference call.

The situation with the social dialogue in **Company 1** is very different from that in the other enterprises, subject of the research.. There is no EWC at local level and the rights of employees to participate in the management and their interests to be represented are violated.

Ognyanovo-K is part of the **Plena Groupe**, which is an established investment management company through **Plena Holding S.A.** established in Luxembourg. There are no European Works Councils, but financial and non-financial information is given to trade union representatives at monthly meetings to discuss production issues. A collective labor agreement is signed annually.

To date, no refusal to provide information of any kind has been received, taking into account the questions raised by the workers' representatives.

A working conditions committee has been set up to discuss health and safety issues. The committee includes representatives of the company's management, as well as representatives of workers and unions.