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# How compliant are state-owned enterprises in Austria and Slovenia with regard to their sustainability reports?

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# Agenda

- Motivation and Research Questions
- Prior research
- Theoretical background
- Methodology and Sample
- Findings
- Discussion and Conclusion

# Motivation

- Emerging crises (financial crisis, Covid-19 and now Ukraine crisis) have put the state at the heart of strategies to solve public and private sector problems
- SOEs operate in a different world in which they have a public mission, although they are often profitable and have new governance mechanisms
- SOEs have adapted to modern business models, consequently facing several socio-economic challenges
- Despite the strict provision of the NFI Directive, SOE are lagging behind in their sustainable reporting practices compared to large stock exchange listed, shareholder-value orientated for-profit enterprises
- SOEs miss the chance to report on the triple bottom line dimensions in line with their public missions
- Key stakeholders and the society are not sufficiently informed about their public value creation

# Research Questions



1. How intensively do the public companies of the SDH and the ÖBAG comply with GRI standards?
2. To what extent do these companies report on their contributions to sustainable development goals (SDG)?



# Prior research

- Contrary to professional studies (Fusco et al. 2019; Manes-Rossi et al., 2020), the academic interest in SR it is still on low level
- Sustainable reporting quantity and quality of SOEs has increased in the last decade (Manes-Rossi et al, 2021, Montecalvo et al., 2018), while drivers for disclosure in SR significantly differ among studies
- The studies exposed the predominance of the GRI standards or the Integrated Reporting Framework (Cohen & Karatzimas; 2015, Manes-Rossi, 2019)
- SDG reporting is a topic that is just emerging and developing within the SR practice of SOEs, and is not uniform (Bauer and Greiling, 2023; Krantz and Gustafsson, 2021; Kumasaka et al., 2022; Manes-Rossi et al., 2021; Nicolò et al., 2020)

# Theoretical background

- Public value (PV) theory (Moore, 2013) => PV is created by the managers of public sector organisations for the citizens (Hartley et al., 2017), while government bodies have the role of PV authorising agencies;
- Aim was to translate the results into the PV Account framework as a practical and useful framework for measuring PV performance.

Theoretical Framework	Pillars	Research Purposes – to understand how SOEs
Strategic Triangle of PV	Defining PV outcomes	preserve and disseminate PV
	Gaining authorisation	gain legitimacy and support from stakeholders
	Building operational capacity	build operational capacity

Source: Adopted according to Valenza and Damiano (2023)

# Methodology and Sample (1/2)

## 1) Sample:

- 8 Slovenian companies owned by the state and managed under the Slovenian State Holding (SDH)
- 6 Austrian companies managed by Austrian State Holding (ÖBAG) + 2 additional, strategic SOEs in Austria (ASFINAG and ÖBB)

Company/Holding	Business	State ownership (in %)
Verbund AG (A1)	Energy	51.00
OMG AG (A2)	Energy	31.50
A1 Telekom Austria AG (A3)	Telecommunications	28.42
Post AG (A4)	Traffic	52.85
Bundesimmobiliengesellschaft (BIG) (A5)	Infrastructure	100.00
Casinos Austria (A6)	Gambling	33.24
<b>ÖBAG total</b>		
Autobahnen- und Schnellstraßen-Finanzierungs-AG (A7)	Traffic	100.00
Österreichische Bundesbahnen (ÖBB) (A8)	Traffic	100.00

Company/Holding	Business	State ownership (in %)
Dars d.d. (S1)	Traffic	100.00
GEN energija d.o.o. (S2)	Energy	100.00
HSE d.o.o. (S3)	Energy	100.00
Zavarovalnica Triglav d.d. (S4)	Finance	63.53
Slovenske železnice d.o.o. (S5)	Traffic	100.00
Telekom Slovenije d.d. (S6)	Telecommunications	72.89
Pošta Slovenije (S7)	Traffic	100.00
Krka d.d. (S8)	Pharmacy	29.87
<b>Total</b>		

\* In terms of book value of ownership share (on 31 December 2022).  
Source: Own, 2023 (according to SDH webpage).

\* In terms of book value of ownership share (on 31 December 2022).  
Source: Own, 2023 (according to ÖBAG webpage).



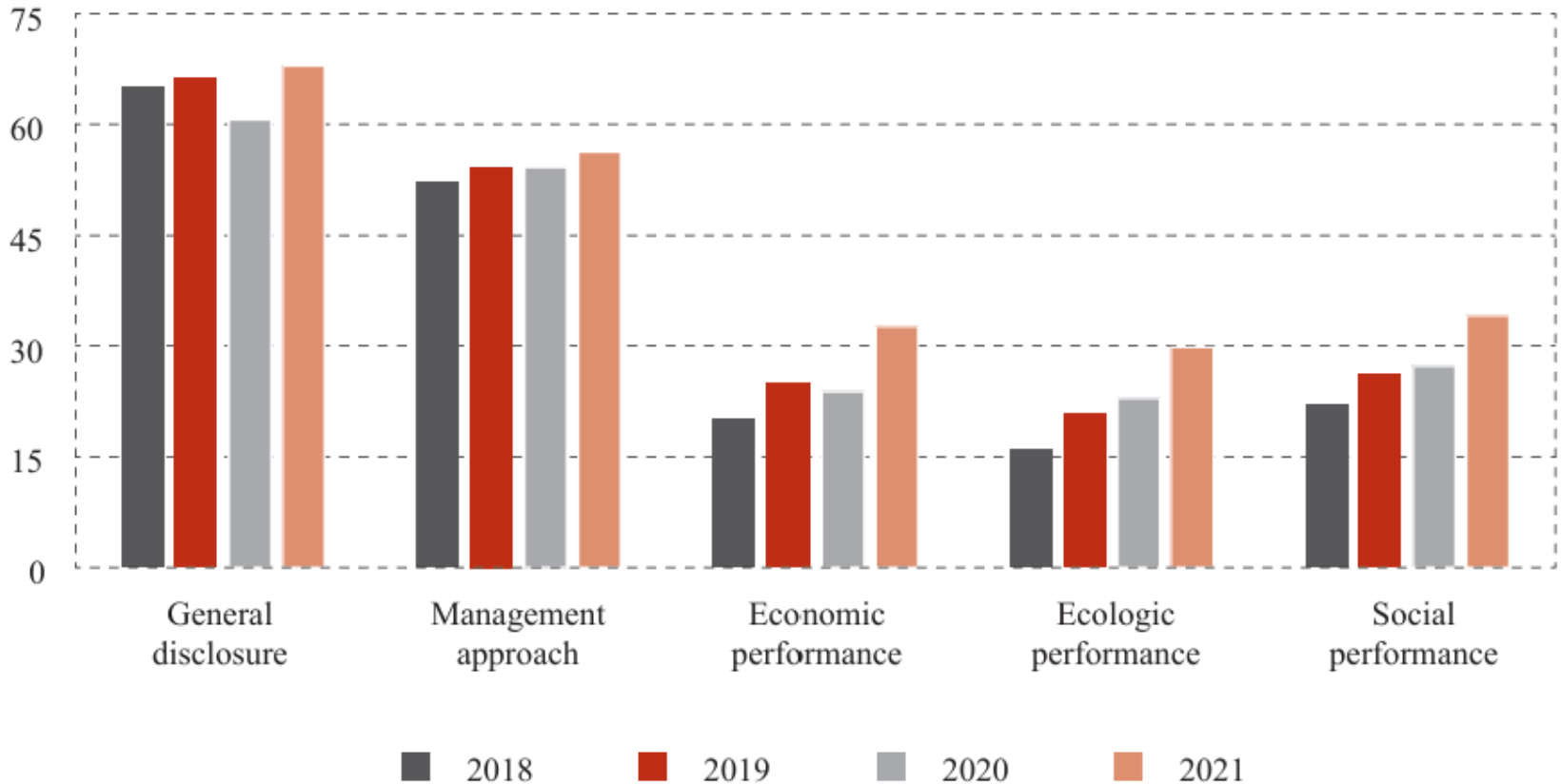
# Methodology and Sample (2/2)

## 2) Methodology:

- **Documentary analysis** of integrated/sustainable reports for 2020 and 2021
  - Analysis framework: based on the **Global Reporting Initiative (GRI) Standards**
  - Assessment:
    - 0 scores ► no or almost no disclosure,
    - 1 score ► the disclosure was partly fulfilled and
    - 2 scores ► the disclosure was completely fulfilled.
- Assessment of **SDG reporting**: “Linking SDGs and GRI Standards” (2021)
  - In this linkage table, the 17 SDGs are assigned to the respective topic-related GRI indicators by assuming that all GRI indicators are equally weighted
- **4 interviews** (2 representatives from Austria and 2 from Slovenia), open-ended questions on public value, stakeholders and operational capacity

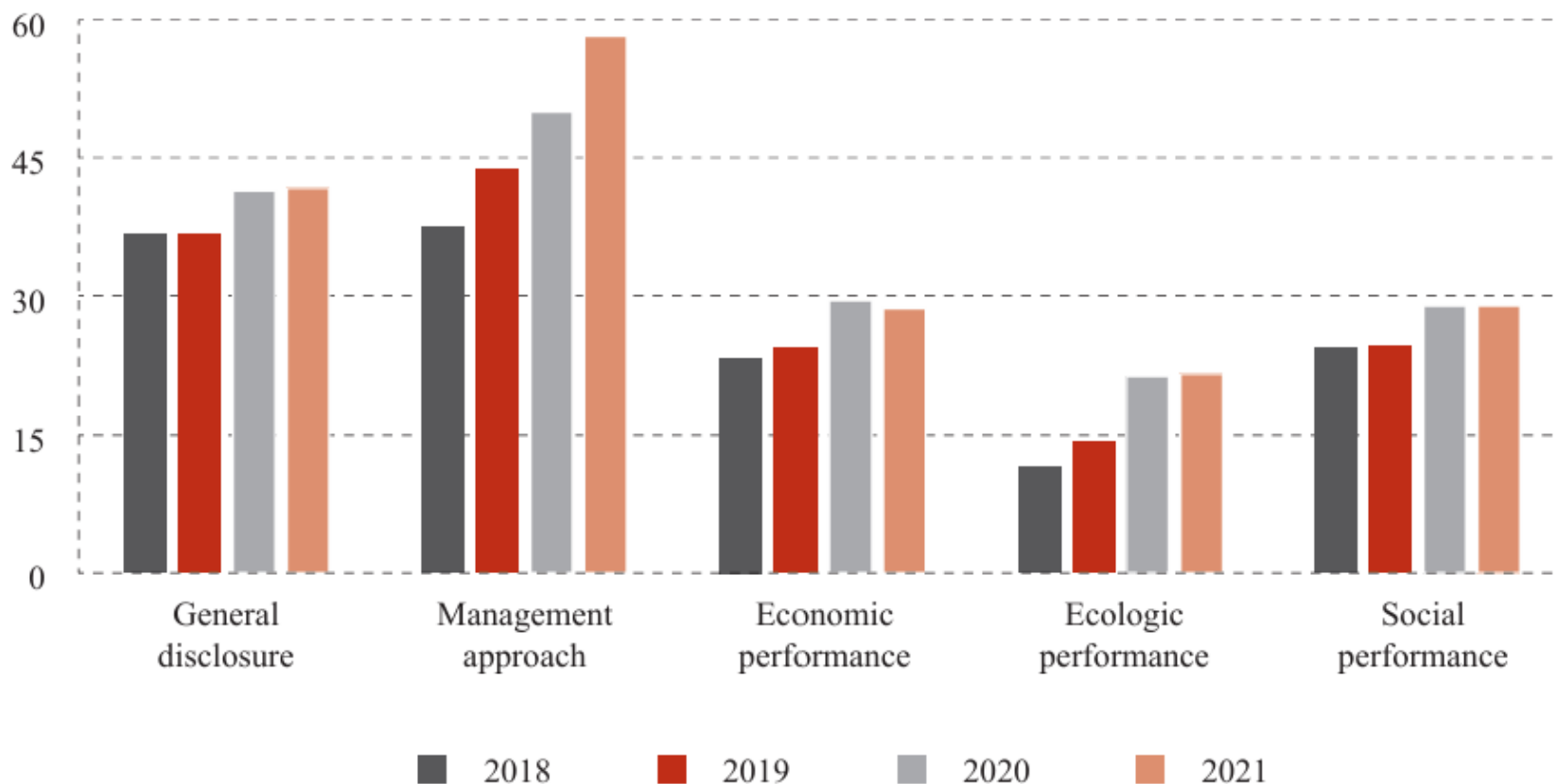
# Findings GRI disclosures (1/6)

Share of the entire disclosure of the SR of Austrian companies in %



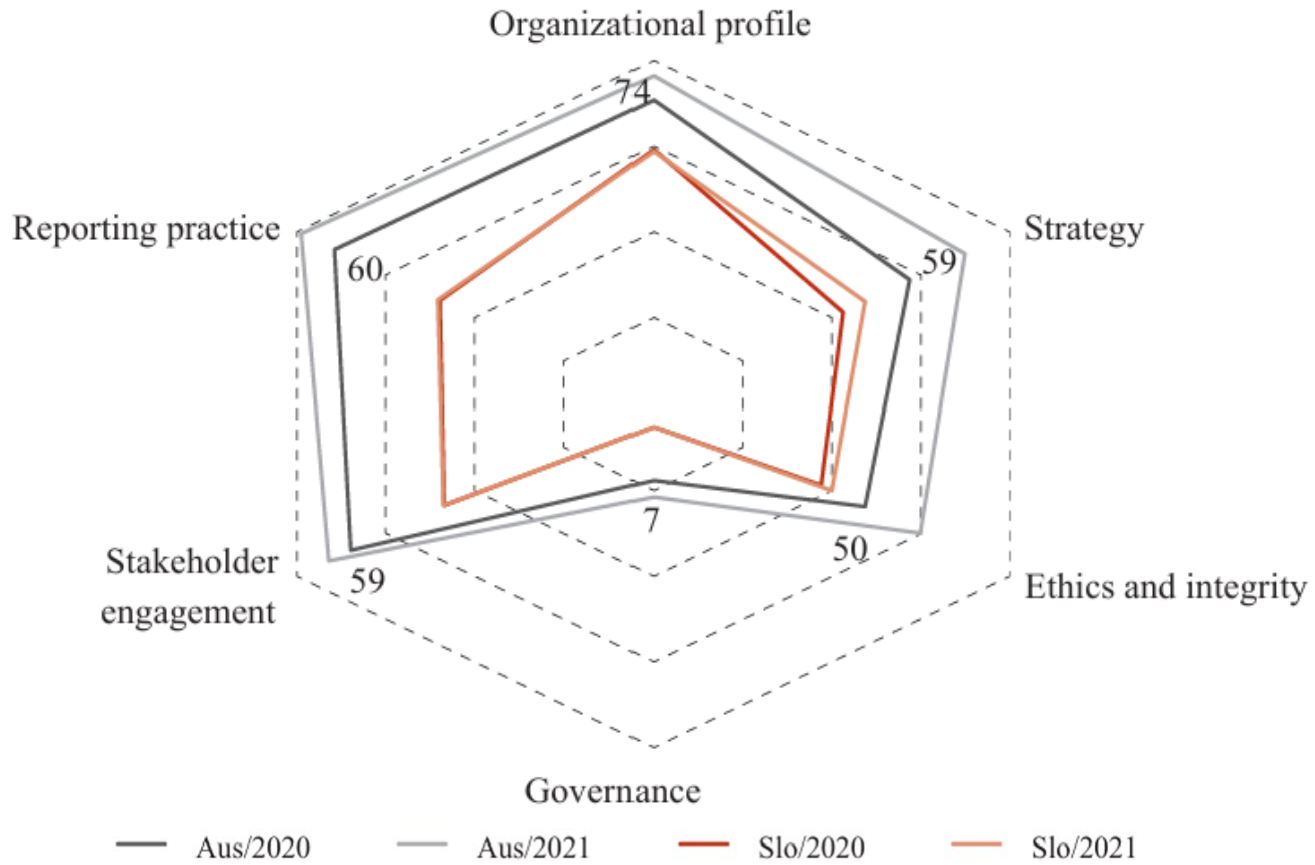
# Findings GRI disclosures (2/6)

Share of the entire disclosure of the SR of Slovenian companies in %



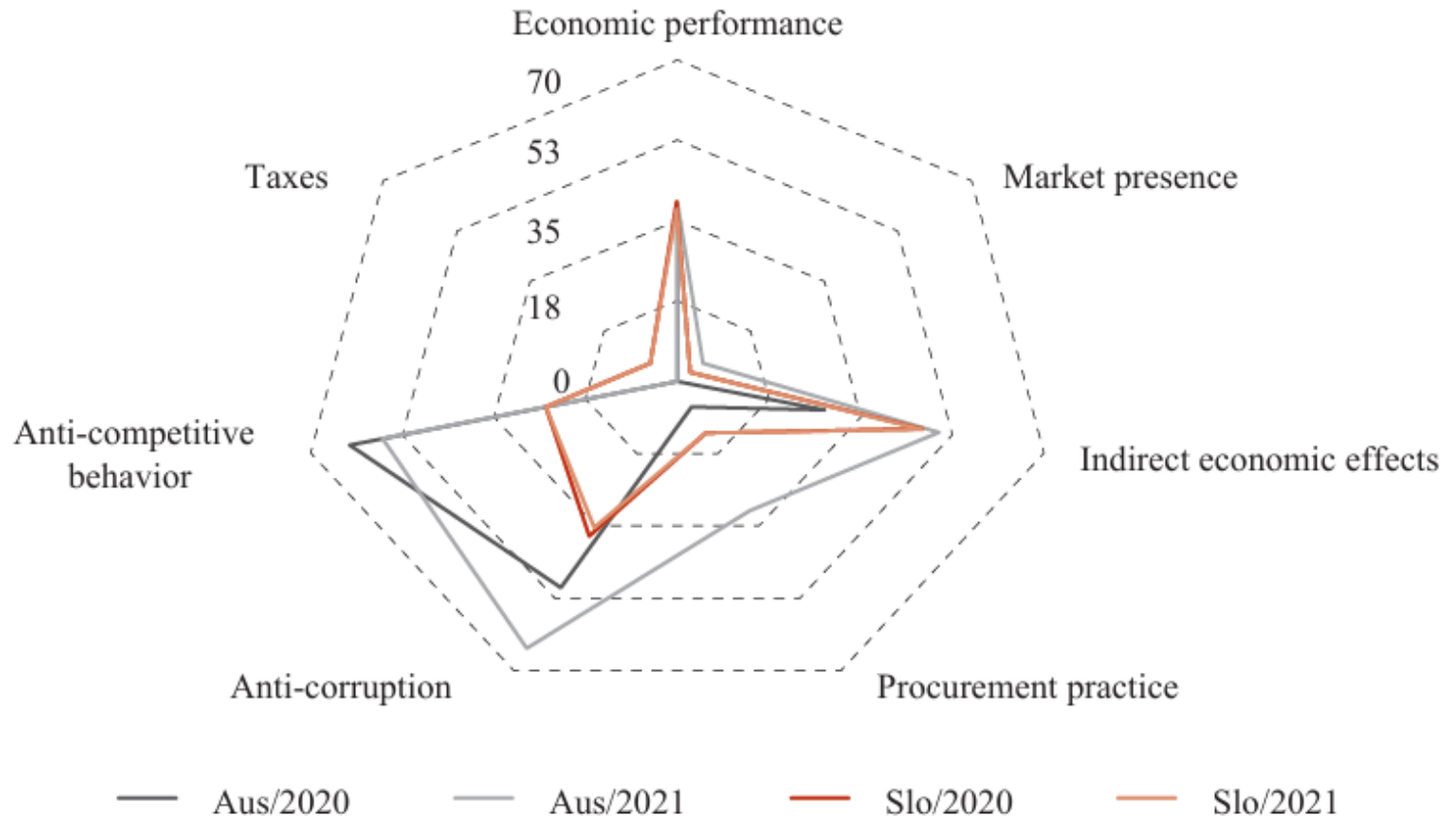
# Findings GRI disclosures (3/6)

The % of general disclosures for Austria and Slovenia in reports for year 2020 and 2021



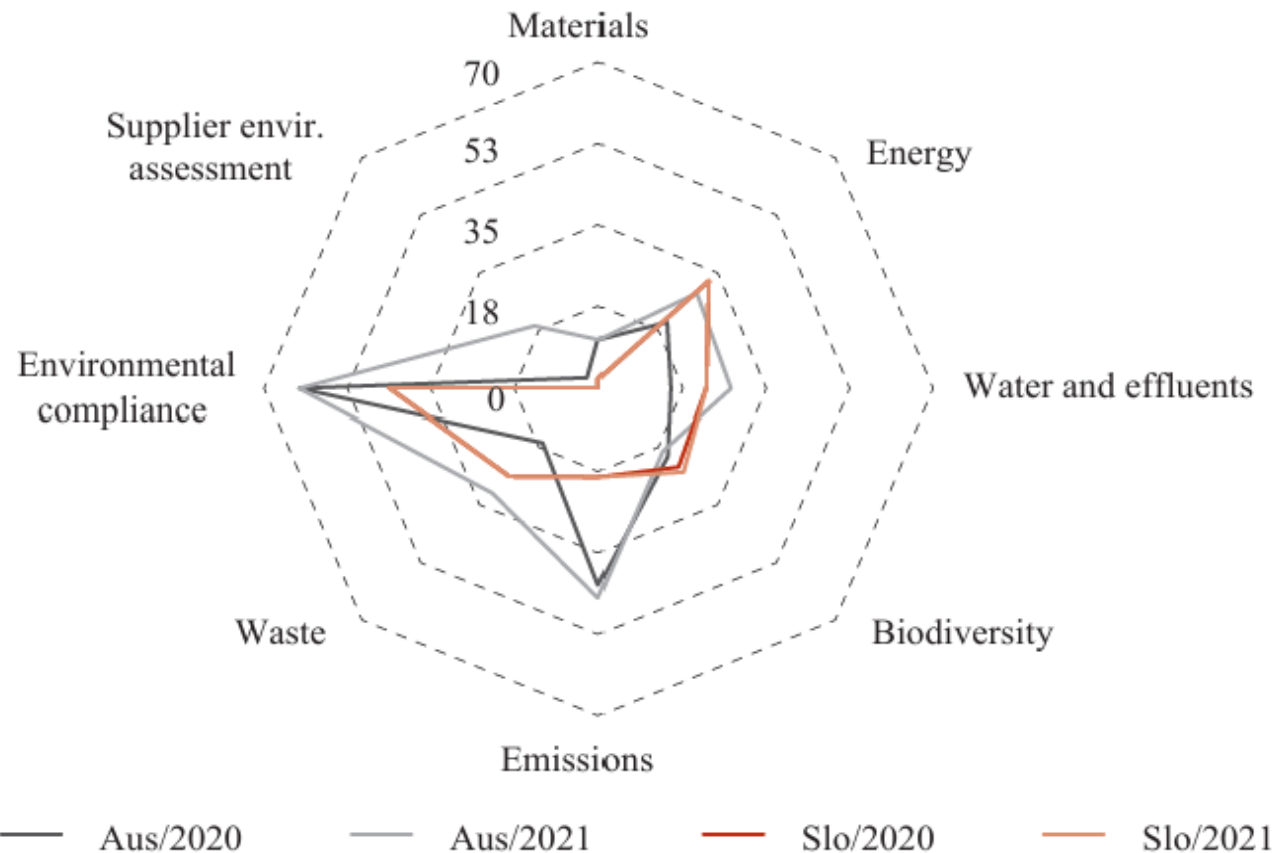
# Findings GRI disclosures (4/6)

The % of economic performance disclosures for Austria and Slovenia in reports for year 2020 and 2021



# Findings GRI disclosures (5/6)

The % of ecological performance disclosures for Austria and Slovenia for year 2020 and 2021



# Findings GRI disclosures (6/6)

The % of social performance disclosures for Austria and Slovenia in reports for 2020 and 2021



# Findings SDG reporting



	Austria				Slovenia			
	2018	2019	2020	2021	2018	2019	2020	2021
<b>SDG 1</b>	4.46	7.14	4.46	8.04	4.02	3.57	3.57	3.57
<b>SDG 2</b>	12.50	6.25	6.25	9.38	3.52	3.13	3.13	3.13
<b>SDG 3</b>	19.64	28.13	36.61	42.86	16.19	19.17	26.67	26.67
<b>SDG 4</b>	0.00	0.00	0.00	0.00	75.00	75.00	81.25	81.25
<b>SDG 5</b>	26.95	28.91	25.78	34.38	26.17	26.95	30.47	30.86
<b>SDG 6</b>	9.13	16.35	17.79	26.92	9.62	15.87	25.00	25.48
<b>SDG 7</b>	23.75	27.50	20.00	28.75	26.25	26.25	32.50	32.50
<b>SDG 8</b>	24.34	29.77	27.63	38.49	28.62	29.11	33.88	33.72
<b>SDG 9</b>	43.75	62.50	53.13	78.13	78.13	78.13	84.38	81.25
<b>SDG 10</b>	18.75	25.00	20.14	27.78	25.69	26.39	29.86	29.86
<b>SDG 11</b>	11.46	14.58	19.79	36.46	21.88	23.96	36.46	36.46
<b>SDG 12</b>	16.25	20.00	24.06	30.94	15.94	17.19	23.44	23.44
<b>SDG 13</b>	26.14	30.11	35.80	40.91	21.59	22.16	26.70	26.70
<b>SDG 14</b>	19.38	28.13	36.25	38.13	15.00	17.50	22.50	23.13
<b>SDG 15</b>	19.27	26.56	32.81	36.46	13.02	16.15	24.48	25.00
<b>SDG 16</b>	34.26	35.42	34.49	41.67	15.74	16.44	22.69	22.69
<b>SDG 17</b>	0.00	0.00	0.00	1.56	0.00	0.00	1.56	1.56

Source: Own, 2023.



# Findings Interviews (1/3)

## 1. How does your company preserve and disseminate public value?

- In **Austria**, SOEs prioritize road infrastructure development, investing in sustainable technologies and traffic management systems to enhance road safety, efficiency, and connectivity
- Through renewable energy and CO<sub>2</sub> reduction efforts, SOEs (A2) focus on minimizing environmental impact while promoting clean energy, aligning with SDGs (7, 13, and 15)
- **Slovenian** SOEs (S11, S5) providing essential infrastructure capacities for Slovenia to fulfill public value missions
- S11 prioritizes energy efficiency and environmental protection, aiming to cut energy use per motorway kilometer by 9% and CO<sub>2</sub> emissions by 15% by 2025, promoting a circular economy

# Findings Interviews (2/3)

## 2. How do your company gain legitimacy and support from stakeholders?

- **Austrian** SOEs engage diverse stakeholders—employees, customers, suppliers, NGOs, and local authorities—through transparent communication, workshops, and feedback channels, strengthening support and trust (A1; A2)
- **Slovenian** SOE (S1) integrates sustainability into all projects, emphasizing responsibility towards people, society, and the environment, with ambitious goals to be recognized as a fair and forward-looking organization
- SOE (S5) is developing a comprehensive sustainable business strategy with a focus on environmental, social, and economic sustainability, supporting responsible governance, rail transport advocacy, and broad stakeholder collaboration to drive societal progress

# Findings Interviews (3/3)

## 3. How does your company build operational capacity?

- **Austrian** SOEs (A1; A2) are upgrading infrastructure, such as freeways and power facilities, using advanced construction techniques, hydropower, and renewable sources
- SOEs prioritize employee growth through training and foster sustainability awareness via programs like Climate Ranger training, intranet updates, and social media engagement to support a collaborative, eco-conscious culture (A1; A2)
- **Slovenian** SOEs are enhancing operational capacity through investments in infrastructure, new trains, locomotives, and digitalization to reduce bottlenecks and boost rail network throughput
- Efforts focus on sustainable practices, ensuring legal compliance in environmental protection, efficient energy use, and pollution prevention through advanced technical solutions

# Discussion & Conclusion (1/2)

- Results mainly refer to the definition of PV outcomes => predominantly the economic value (consumer privacy, socioeconomic compliance), although ecological and social value is created to a certain extent (referring to GRI standards compliance)
- SOEs' preservation and dissemination of PV can be observed in the general GRI disclosure of the SOEs in our sample, where there is intensive reporting for both countries on:
  - stakeholder engagement (in defining materiality topics);
  - ethics and integrity (explaining the high moral values of the company);
  - anti-competitive behavior;
  - anti-corruption (reporting the firm's internal rules and statistics);
  - consumer privacy and socioeconomic compliance (reporting mainly on the protection of consumer privacy and other social issues);

## Discussion & Conclusion (2/2)

- SDG 9 (industry, innovation, and infrastructure) supports the predominance of economic value creation (more than 70% compliant) and the limited creation of social and ecologic value under GRI;
- Since SOEs are governmentally influenced (Bernier et al., 2020), their PV is cocreated along with the government interventions and governments see SOEs as the second best way to maintain social stability, and without them economies cannot function properly;
- As the main research interest was in investigating motivation for disclosure, which is inversely related to state ownership => the results show that compliance is significantly higher for highway operators (ASFINAG and Dars) and large hydropower plants (Verbund and Gen Energija) in both countries, while compliance is very different for railway SOEs (ÖBB is 27% more compliant than Slovenske železnice);



# Thank you!

**We are looking forward to your comments!**

