

New trends in the disclosure of non financial information. The case of Bon Preu¹

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ABSTRACT

The new Law of Non-financial information and diversity «Ley 11/2018 de información no financiera y diversidad» in Spain has involved a change on the information disclosed by firms. The purpose of this case is to show how a big enterprise is affected by the Law. The case studies the level of compliance of the previous information provided by the firm in order to identify if the new Law will generate relevant changes in the information disclosed or not.

Classification JEL: G30, M41.

KEYWORDS

Bon Preu, Corporate Social Responsibility Report, Diversity, Non-financial information, Non-financial report, Sustainable, Transparency.

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RESUM

La nova Llei 11/2018 d'informació no financera i diversitat ha implicat un canvi en la informació divulgada per les empreses. El propòsit d'aquest cas és mostrar com la llei afecta una gran empresa. Estudia el nivell de compliment de la informació prèvia proporcionada per la firma per identificar si la nova llei generarà canvis rellevants en la informació divulgada o no.

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PARAULES CLAU

Bon Preu, informe de responsabilitat social corporativa, diversitat, informació no financera, informe no financer, sostenible, transparència.

1. Bon Preu

Bon Preu, a Catalan grocery company, was set up in 1974 aiming to offer high quality products throughout Catalonia at a competitive price. The company is the result of the commercial activity that Font i Fabregó family already developed at the beginning of the 20th century. The first establishment was opened in Manlleu (Barcelona) and for more than forty years it has spread throughout Catalonia. The group currently has a total of 232 establishments and a workforce of more than 6.500 employees. It is currently conformed by 3 big business units; Bon Preu supermarkets, Esclat hiper markets and EsclatOil gas stations, adding up revenues of 1.200 millions euros.

Though Bonpreu is a local group, their competitors are global. Lidl, Carrefour or Mercadona are some of the examples.

The model of Bon Preu stands for offering a wide assortment of products always under high quality standards. They offer a quality comparable to the leading brands but with a price differential that is up to 30% lower. The company finds a correlation of this positive evolution and its policies of proximity and fresh products, always offering an excellent service. One of their main goals is to increase the offer of km 0 products, always being aware of changes and innovating, according to the values that define the firm and its identity. They try to adapt their offers to the needs of their cus-

tomers, considering intolerances of all kinds and the preferences for organic products. They care about consumer proximity so much that all the tags from products are written in Catalan, and they guarantee that all workers speak the language. The commitment extends to its employees, considering them as another customer and seeking their conformity in their workplace. It also looks after the labor insertion of people with disabilities, giving them the opportunity to work in their premises.

They have always showed engagement in Social Corporate Responsibilities and they consider different actions with social entities as well as take part in environmentally friendly projects such as own creation of energy.

2. Enforcement of the Law

According to the new Law companies must disclose information about environmental issues, social and personnel measures, respect for human rights, measures against or to control corruption and bribery and society. Some of the aspects required were slightly covered already in the CSR report *Bon Preu* voluntarily started published in 2017. Though an extension and deepening of the information provided must be accomplished in the reports that will follow, the fact that some data was already being studied might ease the adjustment to the law.

Next are detailed, grouped by sections, these declarations already found in the report mentioned from 2017, in order to get an insight of the degree of correspondence with what is actually going to be demanded to publish. To help understand how this study of resemblance has been carried out, in the Appendix can be found the breakdown of the information and the methodology used.

Environmental issues

With respect to environmental issues, the matter was achieving the highest level of efficiency in all processes; a saving of energy and the generation of renewable as well as management and recycling of all waste formed during the productive process. *Bon Preu* informs about the investments in photovoltaic production facilities for self-consumption and the reduction of thermal losses in some buildings or in lighting consumption. The company reports that they will continue opting for photovoltaics. For now the group has the largest and the most powerful solar photovoltaic installation in Catalonia, with 2.450 panels that can generate 40% of the warehouse consumption. Also announces that has managed to reduce a 9% of thermal losses

thanks to the isolation of external closures. In terms of lighting, they have achieved a 50% reduction in the company's consumption by using natural light and presence control switches.

Bon Preu has achieved positive reductions in some other aspects: 20% reduction in air conditioning energy consumption thanks to the introduction of high efficiency heating and a 50% reduction in refrigeration.

The firm is trying to reduce carbon emissions through various measures; hydrocarbon separators at gas stations and a cold tunnel that serves as a device to capture nitrogen so gas pressure deposits can be eliminated and, in turn, savings in gas transport will appear.

When it comes to recycling, all establishments have a compacting machine or cardboard press. More than 7.000 tons of cardboard and almost 600 of plastic were recycled in 2017. Bon Preu is also working to avoid food waste by improving internal processes of food management adjusting in the best possible way the supply with the demand to avoid food surpluses.

On the one hand, Bon Preu is working on reducing the environmental impact produced by trucks but it is not as simple as it might seem since the alternatives, for example, using electric vans, is not a solid neither an operational alternative for now. On the other hand, the firm has managed to improve considerably with the plastic bags issue reducing its uses substantially; for instance, for some products Bon Preu has been offering a cardboard tray instead of a plastic bag.

There is a negative aspect of the company related to environmental issues in which they are not taking any action for now. Bon Preu sells fuels and there exist several environmental risks associated to the sale of fuel, for example, the spill of a barrel may have truly negative repercussions.

On account of this, Bon Preu intention is to be as sustainable as possible trying not to lower the level of attention to the customers by preserving everything that can be preserved.

Social and personnel issues

In terms of social and personnel measures, Bon Preu applies the principles of the law on equal opportunities between men and women and is working to achieve that all selection processes and internal promotions take into account every candidacy without discrimination of age or sex. In fact, 37,6% of the indefinite contracts are to young people between 16 and 25 years and a 79% of the positions of responsibility are occupied by women and 76% of total workers are women. The salary is not established depending on the person, but depends on the category of work existing in Bon Preu.

Furthermore, Bon Preu creates stable and quality occupation encouraging indefinite hiring and offering clear perspectives of stability and professional development, a 98% of the contracts are indefinite and a 77% are full-time contracts. It is a fact that the firm has generated 660 new jobs this last year.

Besides, in order to achieve the insertion of some collectives with difficulties in accessing the labor market, such as people at risk of social exclusion, Bon Preu collaborates with institutions and public services. As for today, the company has more than a 2% of disabled people in the workforce which means that they broadly exceed compliance with the General Disability Law.

Bon Preu offers its teams several training courses considering that Team Training is essential to get the best service. The two main programs are the following; Commercial Specialization Program (CSP) which consist of a continuous training for future managers, head of cash, etc., and Individual Development Program (IDP) which consists of an individualized training aimed at talented people. Moreover, once a year the company carries out an appraisal to all the workers of the group in order to help them in their professional development. As soon as the appraisal is done, Bon Preu tries to identify talented workers to offer them internal promotion opportunities. There are 144 people in process of promotion and 84 people have already been promoted internally.

The company has been improving in terms of family and work conciliation implementing new measures that allow workers to have more stable schedules, planned in advanced through a program. Bon Preu ensures that its professionals have their workplace as close as possible to their family. For example, there have been 116 approaches granted, a 68% more than the previous year.

As regards the prevention of labor risks, Bon Preu has extended safe behaviors training hours a 64% over the previous year. The average length of work leave due to accidents is 17,20 days which corresponds to a 48% less compared to the average of the sector in Catalonia.

A thermal stress study in the warehouses was conducted and it allowed to innovate in the temperatures control systems in order to reduce the workers thermal sensation by implementing new job costumes.

Respect for human rights

Even though it is not explicitly explained, Bon Preu tries to avoid any type of human rights violation. As we have previously explained, the firm takes measures to eliminate discrimination in employment. Also, measures

are taken to ensure collective bargaining rights; workers are given the opportunity to propose improvements, as a matter of fact, 1.627 proposals of the 3.614 proposed by workers have been implemented.

Fight against corruption and bribery

Unfortunately, corruption and bribery are extremely popular issues in the business world. Today, firms can be liable for criminal activities carried out by someone in the company. For this reason, Bon Preu has established several controls as well as a complaint channel and a compliance committee. Basically, this compliance committee takes care of establishing a protocol to the entire investigation process, which has to be done objectively and discreetly, to detect fraud and it guarantees that there is a proper complaint channel accessible to all workers.

Society

As far as society is concerned, the company has a strong commitment to sustainable development and to promote local products; 1.340 products are from local suppliers, 84% of meat suppliers and 54,7% of fruit suppliers are from Catalonia. Bon Preu tries to negotiate with suppliers committed to the respectful breeding of animals.

The group collaborates with more than 140 entities doing food donations. More than 96% of Bon Preu and Esclat establishments have food donation agreements with organizations such as Caritas, Creu Roja, social services of city councils or other associations with the objective of giving weekly and fresh products weekly.

Bon Preu takes safety and health measures towards consumers and offers them a customer service where they can make suggestion, complaints, consults, requests...

One last thing that the company comments regarding the consumer treatment is the wide selection of products without gluten, lactose or any type of product adapted to the consumer's needs.

With all the information that has been exposed above, extracted from the CSR report from 2017, Figure 1 explains the different degrees of information required by the law that can already be found in the report.

Topic	%
Environmental issues	100,0%
Social and personnel issues	93,0%
Respect for human rights	37,5%
Fight against corruption and bribery	50,0%
Society	75,0%

Source: Own subjective estimate (more information in Appendix).

Figure 1. Percentage of information required by the Law that can already be found in the 2017 CSR Report.

3. Inferences

After exposing the aspects that can be seen in the 2017 voluntary CSR Report and comparing them to what is demanding the new Law, it must be contemplated whether the firm will comply or not with the main objective of the latest; the reach of transparency.

The enforcement of this new Law as specified will not imply relevant internal changes nor will be translated to a gain in the case of Bon Preu, but will neither harm the company. That is why some inferences are going to be made from a critical perspective, always taking into account the CFO's considerations.

Below are some aspects of the Law in which some deficiencies were found, as well as «gaps» that lead companies to model it in their own way and are the cause that some reports might not be objective.

Information

There is a crucial change in the market when this new Law applies; the information available. Undoubtedly, this obligatory nature of some data sharing will have an impact in the chosen strategies.

Firms will find themselves on a double-edged sword position; they will be able to take more knowledgeable decisions making use of competitors' information but, at the same time, competitors will also have access to theirs, which might be a weakness. Everyone will be more exposed, and this means an advantage but also a threat for each. As the CFO said: *«one firm needs to know the competitors' situation as well as its own information in order to evaluate and decide its strategies. Some firms, as Bon Preu, used*

their competitors' historical financial information to evaluate their situation and their opportunities on the market». With this new type of information, a new world is given to them, although the CFO understands that the benefit of having all this information will be reached in some years. It is not the static image of a competitor that gives relevant information but the dynamic image. Seeing the evolution of some aspects will allow the firm to make inferences from decisions taken by competitors. Pere Anglada thus recognizes that having to share some valuable data is the worst part of presenting the non-financial information.

When talking about the information presented, a huge disparity between unlisted and publicly listed companies has been detected. Bon Preu, as a non-listed company, assumes that the impact of its shared information will not be as relevant as the impact for the listed ones, since their information will not only be reachable by the consumers but also by the critical look of the investors. The latest have more and more in mind environmental, social and governance risks when deciding on their portfolio. 8 out of 10 institutional investors consider that extra-financial information can be quantified and helps identify new opportunities and manage risks in the long term (Medina *et al.*, 2019).

As a CFO, Pere Anglada assumes that the information that the listed companies will provide is going to be more accurate and trustworthy than the one given by the non-listed firms. Of course, this does not mean that firms under this condition –as Bon Preu– will present dishonest information, but it reflects the significance for the listed companies of being more specific and presenting the information in a more detailed way.

Strategy

The strategy adopted by firms might change according to whether they are listed companies or not. Anglada assumes that Bon Preu, as a non-listed company, will maintain its strategy of not giving all of the information. The idea of keeping some information private is a strength that nobody wants to give up. The fact that Bon Preu does not split the financial information between its supermarkets and its petrol stations is a clear example. Being completely exposed to competitors is not a wished position at all. Both financial and non-financial sources could have a significant impact on the market and therefore would affect the shares' value; investors' main interest.

Corporate Social Responsibility Report

Bon Preu has voluntarily long-published a Corporate Social Responsibility Report within its annual accounts. Companies that have already pre-

sented sustainable reports can take this experience as an advantage of not having to start from scratch. This fact obviously facilitates the process of adapting to the new law, since many aspects required have already been analyzed and drafted in these statements and will barely need of changes. As the CFO of Bon Preu said, presenting this report won't be a huge effort for the company.

The publication of a Corporate Social Responsibility Report has been sometimes criticized for being used as a strategy by some firms in order to sell out its good image to the consumers. With the application of the non-financial information and diversity Law, companies will continue using the report facing the public but with a clearly difference; the new law has to be validated by an auditor, who will not validate the intonation but the data.

Not only the companies who have been presenting the Corporate Social Responsibility Reports would be in some way benefited, but also those who since their beginnings have performed in their best way or have worked on internal aspects such as social issues. It is the firms who have in their DNA clear values and who put relevance in ethical aspects like gender equality or environmental-related issues the ones that will not find any trouble adapting themselves to the legal framework. Bon Preu is a clear example because since their beginnings it has been working on their values as a familiar firm and it has brought it to the present. As the CFO explained, the Law will not imply internal changes since the good practices in the company are part of their essence.

Market Power

Although the distribution sector seemed to have many aspects affected by the law, the CFO of Bon Preu played down the impact of the enforcement of the Law on any specific sector, suggesting that the distribution sector is not more affected than others. When talking about all the consequences that this non-financial information Law has brought, the market power turned out to be one of the most important issues.

An improvement on important social issues is expected by the appliance of this new law in Spain but also Europe. The CFO of Bon Preu emphasized several times the fact that, to be able to achieve real changes, the first movers should be the ones with market power.

It is risky to take the initiative in a competitive market, and facing its consequences might seem threatening. Problems such as consumers switching to competitors or competitors not following your initiative could arise. This fear in firms with less market power interposes between the willingness to change and the act of changing. The CFO assumes that the ones with

more market share should be the ones taking the initiatives, as their repercussion could be less harmful for the firm in a short term.

Since the first moment, Bon Preu understood that its competitors are not only the ones at its level but also the ones above and below it. As the CFO explained, they have always taken into account firms as Mercadona and Carrefour, that are leaders on the market, but also firms as Dia, that even being in a higher position than Bon Preu, find themselves in an actual critical situation (Pérez de Leza, 2019). In some way, this justified Bon Preu's position, who as a firm with almost no market power, has been trying to improve its practices without inferring negatively on its position on the market.

A good example given by the firm is related to the Royal Decree 293/2018, about reducing the consumption of plastic bags. Some years before the application of this Decree, Bon Preu detected its consumers' concern about the high level of plastic use. They thought on the possibility of charging the consumers that were asking for plastic bags, but the fact of losing them was a feasible possibility. Bon Preu found a real solution; giving discounts to the consumers that were not asking for a plastic bag, satisfied the consumers and reduced its use a 60%.

The suppliers' power is another problem to the willingness of change of some firms. This means that despite some companies want to support sustainable activities, their business are linked to external factors and many of the firms do not have the power to change the suppliers' activities. The CFO explained a specific example of Bon Preu: some of the ecologic vegetables sold in their supermarkets are from suppliers who unnecessarily cover their products with plastic. Although Bon Preu is constantly making recommendations to these suppliers in order to eradicate the plastic, the company does not have any power to change its methods. To sum up, the aim of achieving a better sustainability relies not only on the firms but also on the other stakeholders.

Transparency

The level of transparency reflected in the report became one of the main troubles publicly exposed of the non-financial information Law. Firms adapted themselves to the new compulsory transparency legal framework, but as Pere Anglada and Joan Carreras suggested, the bases of the Law can be easily taken as a simple literature. This method implies the possibility of some firms explaining in its own convenience the different sections of the reports, due to the «subjectivity» condition of the law.

As mentioned before, firms do not want to face the threat of giving to the competitors valuable information about its strategies or objectives. This

could be one of the reasons why Observatorio de Responsabilidad Social Corporativa (2017) has detected on its study that the levels of transparency on the non-financial information reports are below the expected. Although the numbers and indicators are validated by an auditor, this report is far from reaching the law's objectives. Then, this law will need to evolve during the years with the aim of making the non-financial report the most objective and transparent possible.

4. Conclusions

The objective of this case is study how a big company can be affected by the nonfinancial and diversity Law. The main conclusions are the following:

- The non-financial information and diversity Law has been created following the European Union laws with a clear objective of making the information provided by the firm more realistic and transparent.
- The information demanded implies a high degree of subjectivity. This implies that the new Law has some need for improvement in order to clarify, contextualize and even limit the basis of the information provided by the firms.
- For a company like Bon Preu that has been presenting voluntarily the Corporate Social Responsibility Report, the application of the non-financial information and diversity Law will have less impact than in firms that have never presented this type of information. We have seen that in the case of Bon Preu, a lot of information was already being published, so the effort, cost, or internal changes can be lower.

Appendix: Estimate of the degree of compliance of the voluntary Bon Preu 2017 Corporate Social Responsibility Report in relation with the requirement of the new Law

Study of the Degree of information required by the Law that can already be found in the 2017 Corporate Social Responsibility Report. To justify the classification in degrees of information required by the Law that can already be found in the Report, the following numerical study has been carried out.

The five sections in which the Law is divided have specific requirements. Each section has been revised carefully and analyzed requirement by

requirement in order to assess which ones have been already covered by the Report. They have been numerically valued.

The measure used is the following:

- 1 point if there is total availability of the information required
- 0 points if the required information is not mentioned
- 0,5 points if the information is not complete

Each of the five sections has a total number of requirements. Having a «1 point» in all the sections means having 100% of the information required by the Law available in the memory. Having a sum of 0 points means having 0% of the information required by the Law available in the Report.

The final scale is divided into quarters with a maximum of 100% of the required information available in the memory.

Sections from the non-financial information and diversity Law:

1. Environmental issues - 100% (5/5 points)
 - Contamination: 1 point
 - Circular economy and waste prevention and management: 1 point
 - Sustainable use of resources: 1 point
 - Climate change: 1 point
 - Protection of biodiversity: 1 point
2. Social and personnel issues - 93% (6,5/7 points)
 - Employment: 1 point
 - Organization of work: 1 point
 - Health and security: 1 point
 - Social relationships: 0,5 points
 - Job Training: 1 point
 - Universal accessibility for people with disabilities: 1 point
 - Equality: 1 point
3. Respect for human rights - 37,5% (1,5/4 points)
 - Elimination of discrimination in employment and occupation: 0,5 points
 - Management of the risks linked to the violation of human rights: 0 points
 - Elimination of forced and child labor: 0 points
 - Right to collective bargaining: 1 point
4. Fight against corruption and bribery - 50% (1/2 points)
 - Measures to prevent money laundering, fraud and corruption: 1 point
 - Control of the contributions to non-profit entities: 0 points

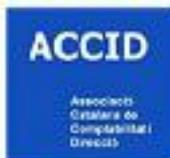
5. Society - 75% (3/4 points)

- Commitments of the company to sustainable development: 1 point
- Outsourcing and suppliers: 1 point
- Consumers: 1 point
- Tax Information: 0 points

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