

TWINNING CONTRACT

BA 15 IPA SR 01 17

Support to the reform of the statistics system in Bosnia and Herzegovina



MISSION REPORT

**Activity 2.1.4:
Integrate enterprise group data in SBR**

**Component 2: Business Statistics
Sub-component 2.1: Statistical Business Register**

Mission carried out by
Søren Netterstrøm, Statistics Denmark
Zrinka Uglešić, Croatian Bureau of Statistics

04 - 07 March 2019

Version: Final

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List of Abbreviations

BHAS	Agency for Statistics of Bosnia and Herzegovina
BiH	Bosnia and Herzegovina
CBBH	Central Bank of Bosnia and Herzegovina
EC	European Commission
EU	European Union
FBiH	Federation of Bosnia and Herzegovina
FIS	Institute for Statistics of Federation of Bosnia and Herzegovina
MS	EU Member State
RSIS	Institute for Statistics of Republika Srpska
RTA	Resident Twinning Adviser
ToR	Terms of Reference

1. General comments

This mission report was prepared within the EU Twinning Project "Support to the reform of the statistics system in Bosnia and Herzegovina". This was a mission in a series of mission devoted at the introduction of Enterprise Groups (EG) in SBR. Where the missions has been dealing with the concepts and EG and potential sources, this mission is the first of a set of mission on the IT aspects of EG in SBR.

The purposes of the mission were:

- Further work on enterprise groups incl. testing data
- Practical examples of EG for better understanding
- IT aspect of enterprise groups in the SBR
- Discussion with MS experts on plan for enterprise groups data integration into the SBR

The consultants would like to express their thanks to all officials and individuals met for the kind support and valuable information which they received during the stay in Bosnia-Herzegovina and which highly facilitated the work of the consultant.

This views and observations stated in this report are those of the consultant and do not necessarily correspond to the views of EU, BHAS, FIS, RSIS, CBBH, Statistics Denmark, INSEE, Statistics Finland and Croatian Bureau of Statistics.

2. Assessment and results

Before this mission the BC has produced a test database with data on Legal Units (LEU) that are either controlling or being controlled by other LEUs. In this respect a LEU might be either a domestic unit or a foreign unit (controlling or be controlled by a domestic unit). The data base was loaded with data by the entities and a manual process creating EGs has then been done. The data was then further consolidated by BHAS. Finally, using an algorithm proposed in October 2016 (in the former IPA project) was used and the results of the manual and automatic creation of EGs has been compared and analyzed.

It is obvious, that all institutions in BC has gained a lot experience from this exercise that will be useful in the future work.

The BC gave a good presentation of this work on the first day of the mission.

A presentation of the terminology and some major concepts related to EGs was given. One of the main points was, that this terminology is still evolving and that there is a need of harmonizing the concepts between different statistical areas.

A first draft of a conceptual model was then presented and discussed. At this stage, it is proposed to have a separate system for creating EGs, that will be like the test system already developed by BC. This system will contain information on both domestic and foreign LEUs and the relations between the units and should then produce EGs.

For the SBR, EG will be added as new unit type and the relation EG-Enterprise will be created (with information about start and termination).

The benefit of this model is, that the number of changes to SBR are few, SBR will only contain domestic units (fully domestic enterprise groups and truncated enterprise groups). The rule for updating SBR with administrative data, mainly the termination of LEU, will have to be redesigned and one window for the EG and Enterprise needs to be created, but this will be like existing windows as Enterprise-Local Unit.

In creating the EG, in some countries the process is to some extent automated, creating the EGs from data on references between LEUs, where in other countries a much more elaborate analysis of many data sources is used to create the EG. Taking the situation in BiH into consideration with three (or four) institutes involved in the process, it is proposed to use a process where at least the initial process of creating EGs are automated. In (hopefully) a few cases it will not be possible to automatically decide if an EG is the same as an existing EG or there is a need to create a new EG. This may be when an EG is split up or one more legal units are moving from one EG to another. The division of labor and flow of data has not been decided, but should be addressed during next mission.

Once an EG is created in the SBR, there should be a code of responsibility defining the statistical institute for maintenance of the EG. The responsibility for enterprises and local units is not changed in the case of multi-entity-EG.

It is anticipated, that the EG register will be getting new data on relations once a year. Once this data has been processed, SBR needs to be updated to reflect new EGs, changes in structure of EGs or termination of EGs. It is suggested to reuse the method of first describing this in pseudo language, as it was done regarding updating SBR from administrative sources. This is likely to be a main topic in the next mission. A first very raw draft was presented during the mission but will need further elaboration.

During this discussion the issue of Enterprises versus EGs was taken up. At this stage in SBR there is a 1-1 relation between Enterprise and LEU, as is the case in many countries around in Europe. It was suggested to take another view of that, looking into the definition in the Business registers Recommendations manual (Eurostat 2010) for the recommendation regarding Enterprises and EGs.

This however will not be part of the semi-automatic process for creation and updating of EGs in SBR. This will be done subsequently within the SBR, that should already be prepared for creating an Enterprise with several LEU. Profiling (of large EGs) seems to be the only way to determine the actual structure as described in the reports from the missions dealing with this issue and will not be further discussed in relation to the IT system, as the existing system already allows for merging LEUs into a single Enterprise.

However, it is recommended to analyze a small number of EGs from the test data to see, to what extent it would be feasible and useful to create enterprises.

What has been covered so far is how EGs could be created based on data of relations between legal units, domestics and foreign in the EG system, how to use this data to update SBR and the needed changes in SBR. It is assumed, based on the experience BC have from the test database that it will be possible to transfer data from external sources about relation into the EG system. This should be a main topic for the next mission.

The consultant from Croatia made a presentation of the user interface of the Croatian SBR. In this system, EGs are fully integrated including data on foreign LEUs. As Croatia is a member

of EU, they exchange data with the EuroGroup Register (EGR), making it possible to include a more complete picture of relations in multinational EG where one or more LEUs are resident in Croatia.

The last topic of the mission was to make a first draft of a time plan, or rather a list of the tasks to perform in order to complete the creating of the Enterprise Group Database and the inclusion of EGs into SBR. This was used to identify task that should be performed before the next mission on integration of EG in SBR.

It was set as a goal to finalize this work before December 2019 or at least have both the data model, “pseudocode” describing updating procedures, draft of user interface and the workflow in relation to the update in place at that time. There is anticipated one more mission on profiling and two missions related to the IT-part and then a final mission December. The last mission on IT should then ideally take place in November (first half). The next mission on IT should the ideally take place either in May, June or September, giving reasonable time between the missions for BC to make preparations for the next mission and make progress as agreed in the development work.

3. Main findings

The BC has using the test system gained a lot of knowledge and experience on EG. Based on the model developed in cooperation between the BC and the consultants during this mission it seems possible to create a system that will handle the creating of EGs and inclusion of EGs in SBR. It will require some resources both for further planning and for actual implementation. It has not been possible within the timeframe for this mission to estimate the resources needed and this must be addressed in a future mission.

4. What to do before the next mission on IT for the BC Counterpart

Action	Deadline	Responsible persons
Review DB model and assign attributes	Before next mission	Dzenita Mustafic Emira Beširević Nada Malinović
Further analysis of sources	Before next mission	Dzenita Mustafic Emira Beširević Nada Malinović
Consider how data from sources may be loaded into EGDB	Before next mission	Dzenita Mustafic Emira Beširević Nada Malinović
Consider flow and division of work for creation of EG	Before next mission	Dzenita Mustafic Emira Beširević Nada Malinović

5. Topics for the next mission

- Finalizing the DB model
- Finalizing of the procedures for creation of EGs
- Finalizing procedures for updating EGs in SBR
- Examining the analyses of sources
- Description of how sources are loaded into EGDB
- Distribution of work, sequence, data exchange etc. in the process of creating EGs

Annex 1. Terms of Reference

Terms of Reference

EU Twinning Project BA 15 IPA ST 01 17

Component 2: Business Statistics

Sub-component 2.1: Statistical Business Register

04 - 07 March 2019

Hosting Institution: Agency for Statistics of B&H

Zelenih beretki 26, Sarajevo

Activity 2.1.4: Integrate enterprise group data in SBR

1. Mandatory result and benchmarks for the component

Mandatory result:

- Volume of characteristics in the Statistical Business Register increased and quality of data improved in line with EU standards by 8th project quarter

Benchmarks:

- 5-year development plan for the statistical business register updated and adopted by 2nd project quarter
- Staff trained in profiling methods by 5th project quarter
- First test profiling created by 5th project quarter
- 5-year development plan for the statistical business register updated and adopted by 8th project quarter
- Enterprise groups data integrated into the statistical business register by 8th project quarter
- Plan developed for updating the statistical business register data model by 8th project quarter

2. Purpose of the activity

- Further work on enterprise groups incl. testing data
- Practical examples of EG for better understanding
- IT aspect of enterprise groups in the SBR
- Discussion with MS experts on plan for enterprise groups data integration into the SBR

3. Expected output of the activity

- Further testing on actual cases made
- Plan for EG data integration into the SBR discussed and agreed
- Further work on enterprise groups made
- Input provided to the ToR of next activity

Annex 2. Persons met

Agency for Statistics of BiH (BHAS)

- Dzenita Mustafic, SBR Coordinator
- Ivana Tavra Colo, SBR
- Branislava Cvijetic, IT BHAS
- Senija Facic, Branch Office Breko District
- Vedad Osmanovic, IT Branch Office Breko District

Institute for Statistics of Federation of BiH (FIS)

- Emira Beširević, SBR Coordinator
- Enisa Rastić, Head of SBR and Economic Classifications Department
- Envera Hurić, Senior Advisor in SBR and Economic Classifications Department
- Amar Bisić, Senior Associate for Registers
- Razija Bičakčić, IT expert for SBR

Institute for Statistics of Republika Srpska (RSIS)

- Nada Malinović, SBR Coordinator
- Stevan Marjanović, Senior Statistician SBR
- Pero Kazanović, IT RISIS

MS Experts

- Søren Netterstrom, Statistics Denmark
- Zrinka Uglešić, Statistics Croatia

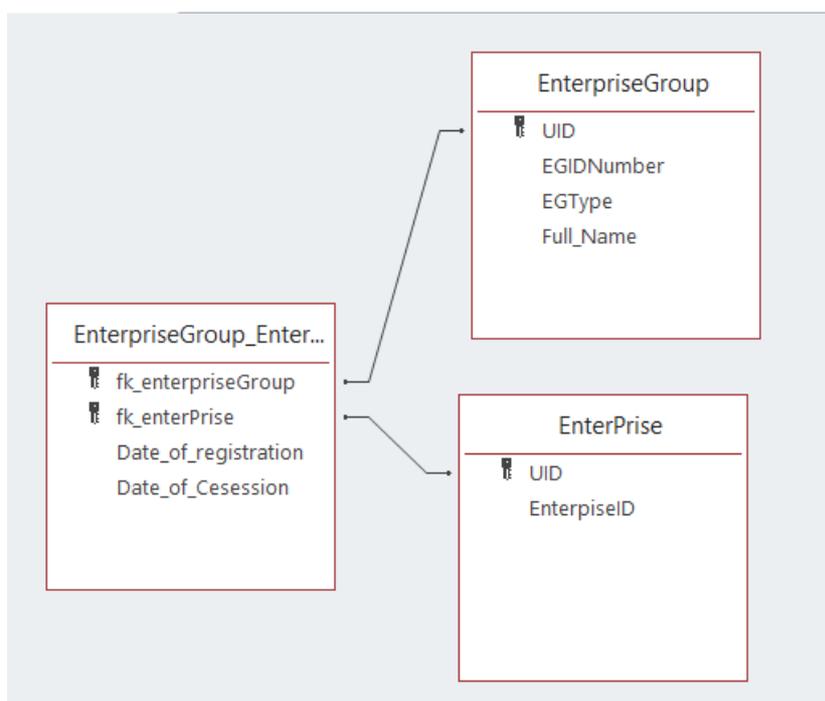
Twinning Project Administration

- Katja Møller Hjeltvang, RTA
- Đemka Šahinpašić, RTA Assistant
- Haris Imamovic, Interpreter

Annex 3. Draft model of database for Enterprise Group and changes to SBR

In this model it is suggested just to have basic information about Enterprise Groups in the SBR and then have a separate database used for the creation of Enterprise Groups based on relations between legal units (domestic and foreign).

SBR will only contain the Truncated Enterprise group, that is the Enterprises resident in BiH. In case of multinational Enterprise Groups, the group may as a consequence have only one Enterprise in SBR.



SBR, Enterprise group and relation to Enterprises.

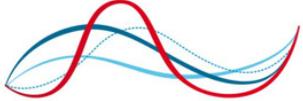
The first figure shows the Enterprise Group in SBR and the relation between Enterprise Group and Enterprises.

It should be noted, that each relation between enterprise and enterprise group has data of registration and date of session. It may also have a reason for session, that is difference between that the enterprise (or enterprise group) has terminated or that the enterprise no longer is considered part of the enterprise group.

Even if Enterprises are constructed based on relation between legal units, this model follows the definition in the Business registers Recommendations manual (Eurostat, 2010), where an Enterprise group is defined a group of Enterprises. It is also noted, that the Recommendations does not set up any hierarchy between the enterprises.

Presently most (all) Enterprises in SBR are based on only 1 legal unit. Consequently, in all cases where there are more than 1 legal unit this will lead to the creation of an Enterprise Group. Taken the definitions of Enterprise and Enterprise Group into consideration it may further examined if in some (most) cases it would be more relevant to create an Enterprise.

Annex 4. Presentation of methodology



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EU Twinning Project BA 15 IPA ST 01 17
Component 2: Business Statistics
Sub-component 2.1 – SBR
04 – 07 March 2019, Sarajevo

Terminology on EG

Prepared by Zrinka Uglešić, CBS

Importance of understanding of terminology

- Statistical domains who uses /makes statistics on EG
 - ❖ **BR, EGR, FATS, FDI , TEC in the future**
- But, they use different terminology for defining similar concepts of units who are controlling the enterprise group structure
- Terminology and concepts are used in Eurostat regulations (FATS, business registers, FDI), by OECD (globalization handbook), in the EGR , and that is also the reason why the harmonization is of very important

Enterprise groups

- The enterprise group (EG)** is a set of legal units under common direct or indirect control.
- It mostly appears as a combination of legal units bound together by legal and/or financial links.
- If an enterprise group is to be constituted regardless national borders then it is **Global enterprise group (GEG)**

Terminology on EG

Types of EG's > from national point of view

1. **Multinational Enterprise Groups (MNE) = Global Enterprise Groups (GEG)**
 - A. Foreign controlled (global decision center is non-resident)
 - B. Domestic controlled (global decision center is resident)
2. **Fully domestic Groups**

Terminology on EG

For enterprise groups

- ✓ **GEG = Global Enterprise Group** - the group operates in more than one country. GEG is a statistical unit = set of enterprises bound together by legal form and/or fiscal links and it is controlled by GGH

➤ **Synonym for GEG is MNE**

- ✓ **MNE = Multinational Enterprise Group** – in practice Multinational enterprise is used in the same meaning as Multinational Enterprise group – it is an enterprise group which has at least two enterprises or legal units located in different countries



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Terminology on EG

- ✓ **GGH = Global group head**
(GGH can be same as GDC (in most cases it is), but sometimes it is not) – for example natural person can be GGH)
- ✓ **GDC = Global Decision Centre (UCI ???)** – now – difference between GDC and UCI will be explained later
(UCI = Ultimate Controlling Institutional Unit)
- ✓ **TEG = Truncated Enterprise Group**
(part of the Global Group situated in one particular country)
- ✓ **DEG = Domestic Enterprise Group**
- ✓ **EG = Enterprise Group**



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Terminology on EG

❑ **GEN** = Global Enterprise – not linked for the national boundaries (autonomous economical part – it can be the whole Group, or any part of the Group if it is autonomous in decision making, or any part of the Group which is autonomous in decision making or even just one legal unit if it is autonomous, and nobody controls it. They can cross the borders.

Or to simplify > GEN having constituent units resident in at least two different countries

▪ One of the names how the GEG names its GENs > **OPERATIVE SEGMENTS** (you can see that in the Consolidated annual financial reports of the GEG)

➤ **GEN** is not a statistical unit – it is **technical unit** for understanding of working of the group, it is an autonomous unit by definition but irrespective of the national boundaries.

➤ **It is important to mention that national parts of GENs are not necessarily autonomous**



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[Adria - the Past and the Present](#) - [The Group's structure](#) - [Management Board and Supervisory Board](#)

The Group's structure



Tourism

Maietra Adria Resorts



Insurance

Croatia osiguranje



Healthy food

Croecaria



Real estate

Adria

ADRIS GRUPA d.d., ROVINJ

2017 MANAGEMENT REPORT

1. PRINCIPAL ACTIVITY OF THE COMPANY

The principal activity of ADRIS GRUPA d.d. (hereinafter "Adris" or the "Company") is management and investment. The goal of the Company as the corporate centre is coordination of investments, management, development and operation of the entire system.

Adris comprises three strategic business units: tourism, with Maistra d.d. at the helm, healthy food production, with Cromaris d.d. at the helm and insurance, with Croatia osiguranje d.d. at the helm (hereinafter: the "Group").

Terminology on EG

- ❑ **TEN**= Truncated Enterprise (national part of the enterprise group – of any GEN) – technical unit

Updated terminology:

- ❑ **TENT** - Temporary ENT – it is used in the revised methodology of profiling, it is a temporary ENT, until it is validated by country who is doing profiling (GDC country or partnering country)

- ❖ **Be aware that GEN and TENT are technical units , not statistical units, this terminology is used in profiling of EG**

Terminology on EG

- ❑ **DEN** = Domestic ENT (DENS) – having all constituent units resident in the same country

DEN can be equal to a:

- Domestic Enterprise Group (DEG);
- Part of a DEG;
- Legal Unit (LEU)

- ❑ For the fully domestic groups → **GEN = TEN**
» (All resident Groups)



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The different entities characterizing an enterprise group

GGH, global group head

- ❑ **The GGH** is the last unit at the top of the enterprise group tree structure
- ❑ **The GGH** is defined as the unit (legal or natural person) which controls all legal units of the group and is not controlled by any other legal unit.
- ❑ Usually, one GGH controls only one EG. But it can happen that one GGH controls more than one EG.
 - ❖ *Question? How we can recognize it?*
- Sign that the GGH controls several enterprise groups might be the consolidation of the accounts appearing on a level below the GGH and the existence of several consolidated accounts



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Example of GGH controls two enterprise groups

A	B	C	D	E	F	G	H
OIB_MATI	MB_MATI	NAZIV_MATICE	POSTA_MATI	ADRESA_MATICE	IDENT_OVISNOG	NAZIV_OVISNOG	UDIO
18928523252	3454088	PODRAVKA d.d.	48000	ANTE STARČEVIĆA 32	200390940002	PODRAVKA D.O.O., SARAJEVO	100,00
18928523252	3454088	PODRAVKA d.d.	48000	ANTE STARČEVIĆA 32	7724929431	PODRAVKA D.O.O., MOSKVA	100,00
18928523252	3454088	PODRAVKA d.d.	48000	ANTE STARČEVIĆA 32	81177879	ŽITO D.O.O.	100,00
18928523252	3454088	PODRAVKA d.d.	48000	ANTE STARČEVIĆA 32	74181493335	BELUPO d.d.	100,00
18928523252	3454088	PODRAVKA d.d.	48000	ANTE STARČEVIĆA 32	20-2210028	PODRAVKA INTERNACIONAL INC. WILMINGTON	100,00
18928523252	3454088	PODRAVKA d.d.	48000	ANTE STARČEVIĆA 32	169183	PODRAVKA GULF FZE, JEBEL ALI, DUBAI	100,00
18928523252	3454088	PODRAVKA d.d.	48000	ANTE STARČEVIĆA 32	25510467	LAGRIS A.S. LHOTA U LUHAČOVIĆ	100,00
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74181493335	3805140	BELUPO d.d.	48000	Ulica Danica 5	200075750009	FARMAVITA D.O.O.	65,00

The different entities characterizing an enterprise group

GDC, global decision center

- The GDC is the unit in which the global or in another words strategic management decisions for the whole enterprise group are taken.
- ✓ In fact, it is the actual management unit of the EG.
- ✓ It can be same or different as the GGH.

The different entities characterizing an enterprise group

UCI, ultimate controlling institutional unit

- **The UCI** is the last unit at the top of the controlling structure of the enterprise group. It can belong to institutional sector other than the corporation institutional sector: it can be a natural person, or a government body (local government institution, State, etc.). So it is equal to GGH or above the GGH ("up" in the group structure)
 - **The UCI** has a link to the ESA2010, where the institutional unit is used
- PROBLEM with the definition of UCI:**
- The problem for SBR is that UCI can be natural person. For example, institutional units that are not legal units, as they have no legal form are households.
 - Institutional unit is used in FATS, FDI and National accounts, but in SBR only legal units are recognized and registered.

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PROBLEM with the definition of UCI:

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The different entities characterizing an enterprise group

UBO, ultimate beneficial ultimate beneficial owner

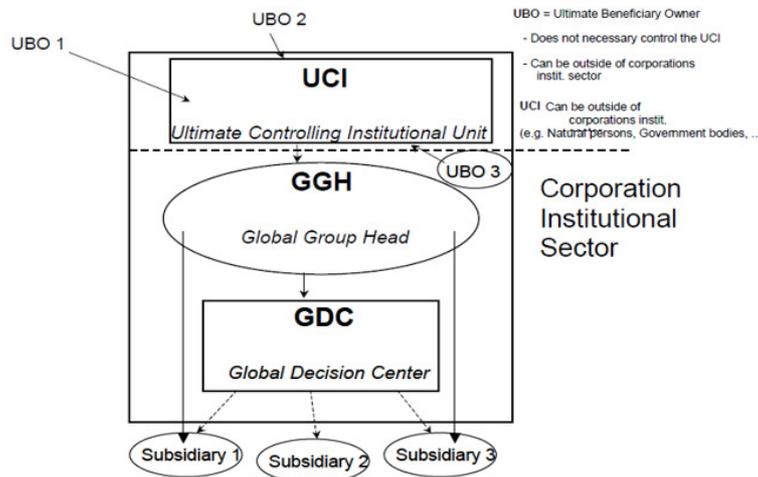
- **The UBO** is not necessary a controlling unit. It is a unit receiving income capital. It could be either inside or outside the corporations business sector (it includes natural persons and government bodies). There could be several UBOs. It is especially useful for financial statistics and in particular it is useful for the Balance of payments and International investment position statistics (IIP).



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The different entities characterizing an enterprise group



The different entities characterizing an enterprise group

Explanation of the previous slide

- ❑ In most cases, GDC=GGH=UCI. These 3 concepts mark the same unit.
- But in some cases, we have to distinguish them. The reasons are:
 - *either their residence country is different*
 - *either their institutional sector of belonging is different.*
- ❑ Residence country of the GDC must be, and is currently, used to determine the enterprise group “nationality”, for FATS. It is the reason why it is currently implemented in the EGR.
- But there is a discussion in EU to align the concepts, and that all statistics use the same concept.

Differences between FATS and BR Manual

- ❑ At first sight FATS and BR Manuals seem to distinguish the UCI and the GDC concepts, in the way that UCI is at the top of Group because it has ownership of the shares, and GDC is a level down from the UCI.

The FATS Manual states:

- "the UCI should be taken **up the ownership chain** of the units involved" (p. 16 of FATS Manual).
- This is why some countries do really survey some natural persons in the FATS regulation.

Differences between FATS and BR Manual

The Business registers Manual states:

- "the global decision center [GDC] should be appointed at the next level downwards in the enterprise group tree structure where the global decisions of the enterprise group are taken" (p. 53 of Business registers Manual)
- it is "In special cases [when] the global group head is not able to act as a decision center for the whole group".

The different entities characterizing an enterprise group

- Branko Roglić is a natural person, but he owns the Orbico Group. He can be UCI/GGH or even GDC.
- But he, as a natural person does not have any legal personality.
- So, we have to go the level below, and this is legal unit Orbico d.o.o. – which is in our case and GGH and GDC for the Orbico Group.

Eurostat's explanation on differences between GGH, UCI, GDC

GGH=UCI

- Top control
- at the top of the chain of control, i.e. not controlled by any other unit (legal unit, enterprise, individual etc.) directly or indirectly. Control over a financial or non-financial corporation shall be defined as the ability to determine general corporate policy, for example by choosing appropriate directors if necessary. A single institutional unit (another corporation, a household, a non-profit institution or a government unit) secures control over a corporation or quasi-corporation by owning more than half the voting shares or otherwise controlling more than half the shareholders' voting power.
- leads enterprise group
- determine general corporate policy for the enterprise group
- there can only be one GGH=UCI=UCP for an enterprise group, however a GGH=UCI=UCP can control several enterprise groups

GDC

- Top management
- the actual management unit, that takes global strategic decisions for the enterprise group
- prepares strategic decisions for the global group head
- would often be the same unit as the GGH=UCI=UCP, but not necessarily. The same unit can be assigned several roles – but the same unit is assigned different roles for different reasons (i.e. the roles can be attributed the same unit by application even if they represent different concepts by definition)
- there can be several DCs for an enterprise group, but only one GDC for one group

Consequence on nationality and examples

IKEA group:

- ✓ The unit acting as Global Decision Center (GDC) is Swedish, but the proprietorship lives in Swiss, so he is a Swiss resident (households institutional sector). He personally controls the group. Moreover, there is a formal group head in Netherlands.
- ✓ So, GGH is in Netherlands, UCI in Switzerland and GDC in Sweden. What about GDC and group nationality for FATS statistics?
- ✓ It is normal to decide not to take GGH for the nationality.
- ✓ But if we would take UCI, then the group would be Swiss for FATS statistics.
- ✓ By taking GDC to determine nationality in FATS statistics, and distinguishing UCI and GDC, then we will have a Swedish group. It is more satisfying.



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Consequence on nationality and examples

Robert Hersant Press French group (former)

The French man Robert Hersant (died) controlled personally two press groups

1. the Figaro group (covering the metropolitan France)
 2. and France-Antilles group (covering the Antilla French territory)
- There was no formal link between the two groups, A and B.
 - *The UCI is Robert Hersant (natural person) in both cases.*
 - ❑ But the GDC has to be differentiated from the UCI because there is really two groups (one could say “brother” groups), between which for example it is forbidden to transfer value from a subsidiary of group A to a subsidiary of group B.
 - ❖ *We need to have two different groups, so two different GGH and GDC, even if the UCI is the same.*
 - *It could be similar for state controlled group: we need to have different groups, having different main sector of activity, and not to have only one state group, merging all state groups.*



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Conclusion

- This was just a short presentation to show you the terminology and differences in the methodology of enterprise groups.
- Concepts in short in the second presentation.
- For the end: as all you have established enterprise groups register in your nSBR, it is of a big importance, that you have a good quality of data, so that your users can use them, and that you are consistent in the concepts and terminology.
- Have in mind: sometimes less data but with a good quality are better than have too much data.



Thank you!
Any questions?

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