

Directive on non-financial information disclosure for large companies

As part of the European Union strategy on CSR¹, in April 2013 the European Commission launched a proposal to enhance the transparency of certain large companies on social and environmental matters.² In April 2014, after extensive negotiations between the three European bodies, the Directive was adopted by the European Parliament.

The Directive will amend the 2013 Accounting Directive³ on the preparation of annual and consolidated financial statements. The objective of the Directive is to increase the transparency and improve the performance of large European companies on environmental and social matters, thereby contributing to long-term economic growth and employment. Specifically, it aims at increasing the quantity of reporters and the quality of the information disclosed, and at enhancing diversity in companies' boardrooms. It is estimated that 6.000 companies in the European Union would fall under its scope.

According to the new measures, large (more than 500 employees) public interest enterprises⁴ will report on *environmental, social and employee-related, respect for human rights, anti-corruption and bribery* matters. The statement will also include a description of the policies, outcomes and the risks related to those topics. Where a company does not pursue policies, it will have to explain why this is the case ('report or explain'), therefore leaving some flexibility for companies.

The Directive does not introduce a requirement on the reporting framework that should be used to report, however, companies are encouraged and expected to rely on one of the internationally recognized instruments such as the Global Reporting Initiative (GRI) Framework⁵, the UNGC Principles⁶, the UN Guiding Principles on Business and Human Rights,⁷ the OECD Guidelines for Multinational Enterprises⁸, ISO 260009, the ILO Tripartite Declaration of principles concerning

¹ A renewed EU strategy 2011-14 for Corporate Social Responsibility. <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2011:0681:FIN:EN:PDF>.

² Proposal for a Directive of the European Parliament and of the Council as regards disclosure of non-financial and diversity information by certain large companies and groups. <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2013:0207:FIN:EN:PDF>

³ Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings. <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2013:182:0019:0076:EN:PDF>

⁴ Art. 2 of the 2013 Accounting Directive defines 'public-interest entities' as: **listed companies, credit institutions, insurance undertakings, and others defined by Member States** as public-interest entities.

⁵ The Global Reporting Initiative (GRI) *Sustainability Reporting Framework*. www.globalreporting.org/information/about-gri/what-is-gri/Pages/default.aspx.

⁶ UNGC 10 Principles: www.unglobalcompact.org/AboutTheGC/TheTenPrinciples/index.html.

⁷ United Nations, *Guiding Principles on Business and Human Rights, Implementing the United Nations "Protect, Respect and Remedy" Framework*, 2011. www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf.

⁸ Organisation for Economic Co-operation and Development (OECD), *Guidelines for Multinational Enterprises*, 2011 www.oecd.org/daf/inv/mne/oecdguidelinesformultinationalenterprises.htm.

⁹ International Organization for Standardization (ISO), International Standard for social responsibility (ISO 26000), www.iso.org/iso/home/standards/iso26000.htm, accessed on 3 April 2013.

multinational enterprises and social policy¹⁰ and European Eco-Management and Audit Scheme (EMAS).

This Directive demonstrates the commitment of the European Union to advance corporate transparency and sustainability – supporting smart, sustainable and inclusive growth, and paving the way for a sustainable global economy. Before the Directive becomes law, it also has to be formally adopted by the Council of the European Union, which is estimated to take place by October 2014.

This document is part of a series of papers on topics related to Sustainability Reporting and should be read in conjunction with the Global Reporting Initiative (GRI) non-paper on the Renewed EU Strategy 2011–2014 for Corporate Social Responsibility (CSR) and the European Commission’s proposal for a Directive on non-financial information disclosure available at: www.globalreporting.org/resourcelibrary/GRI-non-paper-Report-or-Explain.pdf

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The Global Reporting Initiative (GRI) promotes the use of sustainability reporting as a way for organizations to become more sustainable and contribute to a sustainable global economy.

GRI’s mission is to make sustainability reporting standard practice. To enable all companies and organizations to report their economic, environmental, social and governance performance, GRI produces free Sustainability Reporting Guidelines.

GRI is an international not-for-profit organization, with a network-based structure. Its activity involves thousands of professionals and organizations from many sectors, constituencies and regions.

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¹⁰ International Labour Organization (ILO), *Tripartite Declaration of principles concerning multinational enterprises and social policy*, 2006. www.ilo.org/empent/Publications/WCMS_094386/lang--en/index.htm.