



International Organisation of Employers  
Organisation Internationale des Employeurs  
Organización Internacional de Empleadores

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# **EU Directive on the disclosure of non-financial and diversity information**



## Context

- In the EU CSR strategy from October 2011 «A renewed EU strategy 2011-14 for Corporate Social Responsibility», the EU Commission aims to

*"present a legislative proposal on the transparency of the social and environmental information provided by companies in all sectors".*

- Proposal for a Directive by the EU Commission on 16 April 2013.



## Context

- On 26 February 2014, a political agreement was reached between the European Parliament and the Council.
- Directive yet to be formally adopted (vote in EP 15 April 2014)
- The provisions on non-financial reporting will be incorporated into the EU “Accounting Directive” (2013/34/EU), which was adopted on 26 June 2013.



## Which companies will be required to report?

- The new provisions will be applicable to “public interest entities” with more than 500 employees.
- Public interest entities are companies, such as listed undertakings, banks, insurance companies. The EU member states are allowed to open the scope to undertakings that “are of significant public relevance because of the nature of their business, their size or the number of their employees” (opening clause).



## Which companies will be required to report?

- Therefore, small and medium-sized companies are exempted from the new reporting obligation.
- Some 6,000 public interest entities in the EU fall under the scope of the Directive.



## On what issues have companies to report on?

- The Directive will require EU companies to draw up a statement in their annual report or in a separate sustainability report on a yearly basis relating to
  - environmental, social and employee-related matters,
  - respect for human rights,
  - anti-corruption and bribery matters.



- The non-financial statement will have to include a description of the company policy, results of these policies and principal risks related to those matters.
- Furthermore, companies have to report on
  - implemented due diligence processes in relation to the various topics covered (e.g. environmental, social and employee matters)
  - its business relationships, “where relevant and proportionate ... which are likely to cause adverse impacts”
  - non-financial key performance indicators.



- Where a company does not pursue policies in relation to these matters, it will have to explain why this is the case. However, there is a safe harbour clause to give companies the possibility not to divulge commercially sensitive information under certain circumstances.
- Auditors may only check that the non-financial information has been provided – no consistency check or opinion. However, Member States are allowed to introduce a consistency check.



## Diversity policy

- As regards diversity on companies' administrative, management and supervisory bodies, large listed companies will be required to provide information as part of the corporate governance statement on their diversity policy, such as, for instance:
  - age,
  - gender,
  - educational and professional background.



## Diversity policy

- Disclosures will set out the objectives of the policy, how it has been implemented, and the results.
- Companies which do not have a diversity policy will have to explain why not.
- Auditors check that the non-financial information has been provided



## Next Steps

- In terms of procedure, the agreement needs to be formally adopted by the European Parliament and the Council.
- The European Parliament plenary vote is scheduled to take place on 15 April and the Council adoption thereafter.
- In summer 2014 the new EU-Directive will come into force.



## Next Steps

- The EU Commission will prepare non-binding guidelines, including general and sectorial non-financial KPIs within two years after the adoption of the Directive.
- Members States will have two years to implement the Directive into national law. They shall implement a transposition period of one year.
- Thus, the legal obligation for large European companies to report on non-financial information will come into force in 2017.



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**Thank you very much  
for your attention!**