
Committee on Legal Affairs

Rapporteur: Raffaele Baldassarre

2013/0110(COD)
(6) In order to enhance consistency and comparability of non-financial information disclosed throughout the Union, companies should be required to include in their annual report a non-financial statement containing information relating to at least environmental matters, social and employee-related matters, respect for human rights, anti-corruption and bribery matters. Such statement should include a description of the policies, results, and the risks related to those matters.

(6) In order to enhance consistency and comparability of non-financial information disclosed throughout the Union, undertakings should be required to include in their management report a non-financial statement containing information relating to at least environmental matters, social and employee-related matters, respect for human rights, anti-corruption and bribery matters. Such statement should include a description of the policies, results, and the risks related to those matters. The non-financial statement should also include, where appropriate, a reference to the due diligence processes implemented by the undertaking in order to identify, prevent and mitigate existing and potential adverse impacts as appropriate to their size and the nature and context of operations. The non-financial statement should also include, where appropriate, a reference to the due diligence processes implemented by the undertaking in order to identify, prevent and mitigate existing and potential adverse impacts as appropriate to their size and the nature and context of operations.

**Justification:** For some companies, key risks lie in their value/supply chains. Investors are increasingly looking at these risks. In addition, many European companies across various sectors are already reporting risks that originate in their value/supply chains in their CSR/sustainability reports.
### Amendment 8
Proposal for a directive
Recital 6 a (new)

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<th>Text Proposed by the Commission</th>
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<td>(6a) With regard to environmental matters, the statement should contain, where applicable, details on the foreseeable impacts of an undertaking's operations on the environment, health and safety, the use of renewable and non-renewable energy, greenhouse gas emissions and air pollution. As regards social and employee-related matters, the information provided in the statement should concern, in particular, the relationships maintained by the undertaking with its subcontractors, the implementation of fundamental conventions of the International Labour Organisation (ILO), working conditions, social dialogue, health and safety at work and the dialogue with local communities, as well as the actions taken to ensure the protection and the development of those communities. With regard to human rights, anti-corruption and bribery, the non-financial statement should include information on, as a minimum, the prevention of human rights abuses and instruments in place in order to fight corruption and bribery.</td>
<td>(6a) With regard to environmental matters, the statement should contain, where applicable, details on the already materialised and foreseeable impacts of an undertaking's operations on the environment, health and safety, the use of renewable and non-renewable energy, greenhouse gas emissions and air pollution. As regards social and employee-related matters, the information provided in the statement should concern, in particular, the relationships maintained by the undertaking with its subcontractors, the implementation of fundamental conventions of the International Labour Organisation (ILO), working conditions, social dialogue, health and safety at work and the dialogue with local communities, as well as the actions taken to ensure the protection and the development of those communities. With regard to human rights, anti-corruption and bribery, the non-financial statement should include information on, as a minimum, the prevention of human rights abuses and instruments in place in order to fight corruption and bribery.</td>
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**Justification:** Information disclosed should be both historical and forward-looking. This information allows investors to track performance progress and detect significant trends. It also enables investors to make more informed investment decisions and to engage with companies on their key risks.
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<td>(6c) The disclosure of information on principal risks, impending developments or matters in the course of negotiation may lead to the disclosure of sensitive business information and, as a consequence, interfere with the business model and, ultimately, distort competition. For this reason, the members of the administrative, management, and supervisory bodies should be given the possibility to decide whether to disclose such information if disclosure would be seriously prejudicial to the interests of the undertaking.</td>
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**Justification:** This clause undermines the objectives of the Proposal. It gives companies an opportunity not to disclose key risks to investors (and other stakeholders). The existing materiality threshold and comply and explain approach of the Proposal already provides ample flexibility to companies.
| Amendment 11  
Proposal for a directive  
Recital 7 |
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<td>(7) In providing this information, companies may rely on national frameworks, EU-based frameworks such as the Eco-Management and Audit Scheme (EMAS), and international frameworks such as the United Nations (UN) Global Compact, the Guiding Principles on Business and Human Rights implementing the UN “Protect, Respect and Remedy” Framework, the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises and the ILO Tripartite Declaration of principles concerning multinational enterprises and social policy, and the Global Reporting Initiative.</td>
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<td>(7) In providing this information, <strong>undertakings should rely, as a general rule, on</strong> the Guiding Principles on Business and Human Rights implementing the UN “Protect, Respect and Remedy” Framework, the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises and the ILO Tripartite Declaration of principles concerning multinational enterprises and social policy. <strong>Undertakings may also rely on national frameworks, Union-based frameworks such as the Eco-Management and Audit Scheme (EMAS), and international frameworks such as the United Nations (UN) Global Compact, the International Organisation for Standardisation (ISO) 26000, the Global Reporting Initiative, the Carbon Disclosure Project (CDP) and the Climate Disclosure Standards Board (CDSB).</strong></td>
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<td>(7) In providing this information, <strong>undertakings should rely, as a general rule, on</strong> normative frameworks such as the Guiding Principles on Business and Human Rights implementing the UN “Protect, Respect and Remedy” Framework, the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises, the United Nations (UN) Global Compact, and the ILO Tripartite Declaration of principles concerning multinational enterprises and social policy. <strong>When reporting, undertakings may also rely on national, Union-based and international frameworks reporting methodologies such as the Eco-Management and Audit Scheme (EMAS), and international frameworks such as the UN Global Compact, the International Organisation for Standardisation (ISO) 26000, the Global Reporting Initiative, the Carbon Disclosure Project (CDP) and the Climate Disclosure Standards Board (CDSB) or other recognised reporting methodologies. The Undertaking shall specify which frameworks and methodologies it has relied upon.</strong></td>
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**Justification:** Clarification of the difference between norms-based frameworks and actual reporting methodologies. Reporting frameworks help companies to translate commitments made to various norms and principles into policies and strategies, and report on progress made (results).
Amendment 18
Proposal for a directive
Recital 14

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<td>(14) As required by Article 51a (e) of Directive 78/660/EEC, the report of the statutory auditors</td>
<td>Delete</td>
<td>(14) As required by Article 34 a and b of Directive 2013/34/EU, the report of the statutory auditors should also contain an opinion concerning the consistency or otherwise of the annual report, including non-financial information contained in the annual report, with the annual accounts for the same financial year.</td>
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<td>should also contain an opinion concerning the consistency or otherwise of the annual report,</td>
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<td>including non-financial information contained in the annual report, with the annual accounts</td>
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<td>for the same financial year.</td>
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**Justification:** Making more explicit that non-financial information should be subject to the same audit requirements as financial information.
Proposal for a directive

Article 19 – paragraphs 1a to & c (new)

Text Proposed by the Commission

1a. For large undertakings whose average number of employees during the financial year exceeds 500, the review shall also include a non-financial statement containing information relating to, as a minimum, environmental, social and employee matters, respect for human rights, and the fight against corruption and bribery, including:

(a) the policies pursued by the undertaking in relation to these matters, including, where appropriate, a reference to implemented due diligence processes;

(b) the results of those policies;

(c) the principal risks related to matters linked to the undertaking’s activities, operations, products or business relationships which are likely to cause severe adverse impacts in these areas and the way in which the undertaking manages those risks.

Where the undertaking does not pursue policies in relation to one or more of these matters, the review shall provide an explanation for not doing so.

The information relating to risks as referred in point (c) of the first subparagraph, impending developments or matters in the course of negotiation need not be disclosed where the disclosure of such information would, in the opinion of the members of the administrative, management, and supervisory bodies, be seriously prejudicial to the interests of the undertaking.

In providing the information required by the first subparagraph, the undertaking may rely on national, Union-based or international frameworks, and if so, the undertaking shall specify which frameworks it has relied upon.

Text Proposed by Committee on Legal Affairs

1. (a) The annual report shall include a fair review of the development and performance of the company’s business and of its position, together with a description of the principal risks and uncertainties that it faces.

The review shall be a balanced and comprehensive analysis of the development and performance of the company’s business and of its position, consistent with the size and complexity of the business.

1a. 1. (b) For large undertakings whose average number of employees during the financial year exceeds 500, the review shall also include a non-financial statement containing information relating to, as a minimum, environmental, social and employee matters, respect for human rights, and the fight against corruption and bribery, including:

(a) the policies pursued by the undertaking in relation to these matters, including, where appropriate, a reference to implemented due diligence processes;

(b) the results of those policies;

(c) the principal risks related to matters linked to the undertaking’s activities, operations, products or business relationships which are likely to cause severe adverse impacts in these areas and the way in which the undertaking manages those risks. The severity of impact should be judged by their scale and gravity.

Where the undertaking does not pursue policies in relation to one or more of these matters, the review shall provide an explanation for not doing so.

The information relating to risks as referred in point (c) of the
1b. To the extent necessary for an understanding of the undertaking’s development, performance or position and for the transparency and comparability of the review, the analysis referred to in paragraph 1 shall include both financial and non-financial key performance indicators relevant to the particular business.

1c. In providing the analysis referred to in paragraph 1, the management report shall, where appropriate, include references to, and additional explanations of, amounts reported in the annual financial statements.

First subparagraph, impending developments or matters in the course of negotiation need not be disclosed where the disclosure of such information would, in the opinion of the members of the administrative, management, and supervisory bodies, be seriously prejudicial to the interests of the undertaking.

In providing the information required by the first subparagraph, the undertaking may rely on national, Union-based or international normative frameworks and reporting methodologies, and if so, the undertaking shall specify which frameworks it has relied upon.

1bc. To the extent necessary for an understanding of the undertaking’s development, current and future performance or position and for the transparency and comparability of the review, the analysis referred to in paragraph 1 shall include both financial and non-financial key performance indicators relevant to the particular business.

1cd. In providing the analysis referred to in paragraph 1, the management report shall, where appropriate, include references to, and additional explanations of, amounts reported in the annual financial statements.

**Justification:** The original Commission Proposal language defines the broad parameters of the legislation. It is important to retain this language.

Safe harbour clause - Please refer to our comments on Amendment 10 of this document.

Frameworks and reporting methodologies - Please refer to our comments on Amendment 11 of this document.

Addition of current and future: Investors need forward-looking information.
### Amendment 38

**Proposal for a directive**  
**Article - point 3 (new) - point a**  
**Directive 2013/34/EU**  
**Article 29 – paragraph 1 A (new)**

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| (a) The following paragraph is inserted: | '1a. For the purposes of paragraph 1 of this Article, the review of parent undertakings of a large group whose average number of employees during the financial year exceeds 500 shall, to the extent necessary for an understanding of the development, performance or position of the undertaking, also include a non-financial statement containing information relating to, as a minimum, environmental, social and employee matters, respect for human rights and the fight against corruption and bribery matters, including:

(a) the policies pursued by the group in relation to these matters, including, where appropriate, a reference to implemented due diligence processes;

(b) the results of those policies;

(c) the risks related to these matters linked to the undertaking's activities, operations, products or business relationships which are likely to cause severe adverse impacts in these areas and how the group manages those risks.

Where the group does not pursue policies in relation to one or more of these matters, the review shall provide an explanation for not doing so.

The information relating to risks as referred in point (c) of the first subparagraph, impending developments or matters in the course of negotiation need not be disclosed where the disclosure of such information would, in the opinion of the members of the administrative, management, and supervisory bodies, be seriously prejudicial to the interests of the undertaking.' | '1a. (a) The consolidated annual report shall include a fair review of the development and performance of the business and of the position of the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

The review shall analyse in a balanced manner the development and performance of the business and the position of the undertakings included in the consolidation as a whole, consistent with the size and complexity of the business.

1a. (b) For the purposes of paragraph 1 of this Article, the review of parent undertakings of a large group whose average number of employees during the financial year exceeds 500 shall, to the extent necessary for an understanding of the development, performance or position of the undertaking, also include a non-financial statement containing information relating to, as a minimum, environmental, social and employee matters, respect for human rights and the fight against corruption and bribery matters, including:

(a) the policies pursued by the group in relation to these matters, including, where appropriate, a reference to implemented due diligence processes;

(b) the results of those policies;

(c) the principal risks related to these matters linked to the undertaking's activities, operations, products or business relationships which are likely to cause severe adverse impacts in these areas and how the group manages those risks.

The severity of impact should be judged by their scale and gravity.' |
Where the group does not pursue policies in relation to one or more of these matters, the review shall provide an explanation for not doing so.

The information relating to risks as referred in point (c) of the first subparagraph, impending developments or matters in the course of negotiation need not be disclosed where the disclosure of such information would, in the opinion of the members of the administrative, management, and supervisory bodies, be seriously prejudicial to the interests of the undertaking.

In providing the information required by the first subparagraph, the undertaking may rely on national, Union-based or international normative frameworks and reporting methodologies, and if so, the undertaking shall specify which frameworks it has relied upon.

1bc. To the extent necessary for an understanding of the undertaking's development, current and future performance or position and for the transparency and comparability of the review, the analysis referred to in paragraph 1 shall include both financial and non-financial key performance indicators relevant to the particular business.

1ed. In providing the analysis referred to in paragraph 1, the management report shall, where appropriate, include references to, and additional explanations of, amounts reported in the annual financial statements.

**Justification:** Refer to our comments on Amendment 30 of this document. In addition, these reporting requirements should apply to consolidated accounts as well.
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