The past few weeks have been busy ones here at Eurosif, as the debate about the European Commission’s Non-financial and Diversity Information Disclosure Proposal continues to heat up, and the Proposal makes its way through the EU’s decision-making processes.

On November 4th, the European Parliament’s JURI (Legal Affairs) Committee issued its Draft Report on the Proposal. The Report’s author, Rapporteur Raffaele Baldassarre (MEP IT), is generally supportive of it; however, it is interesting to note that he:

- Is against including companies’ supply chains in the scope of the legislation (see his Explanatory Statement at the end of the Report). Eurosif supports their inclusion, as companies’ key risks often lie in their supply/value chains.
- Has suggested a “safe harbour” provision (see his Amendment 10). In Eurosif’s view, this clause creates a significant loophole that completely undermines the objectives of the Proposal. It gives companies an opportunity to not disclose key risks to investors and other stakeholders.
- Has included a country-by-country tax reporting amendment, but not to the extent requested by the Lithuanian Presidency in its Compromise Text. Instead, Mr. Baldassarre recommends that the Commission should consider whether to introduce an obligation for country-by-country tax reporting in its review of the legislation (due in mid-2018). Eurosif has been concerned that the inclusion of country-by-country tax reporting in the Proposal would seriously jeopardise the passage of the Proposal.

The JURI Committee’s vote is scheduled for December 17th. Leading up to this, there will be negotiations within the Committee (essentially between MEPs in the EPP and S&D political groups) in an attempt to reach a consensus, including a “Consideration of Amendments” on November 26th.

On November 5th, Eurosif participated in a closed, high-level meeting on the Proposal at the European Parliament, hosted by GRI, CSR Europe and UK MEP Richard Howitt. The event featured a useful update on the status of the dossier by the offices of several MEPs, as well as an exchange of views with representatives of key interest
groups.  

**And on November 8**\(^{th}\), Eurosif submitted its **specific amendments** to Mr. Baldassarre’s Draft Report to select MEPs. Among several other things, we:

- Continued to push for the inclusion of companies’ supply/value chains in the scope of the legislation.
- Suggested deleting the safe harbour clause.
- Offered a suggestion for clarifying the difference between normative frameworks and reporting guidelines.

Regarding the issue of country-by-country tax reporting, we are satisfied with Mr. Baldassarre’s review clause. We have heard, however, that some MEPs within the Green and S&D parties have made this issue a “red line” one for discussions within the Parliament, so we expect some tough negotiations going forward.

We have received positive feedback from the offices of several MEPs who are also Rapporteurs for Committees of Opinion, including one that suggested it may utilise some of our language in their own amendments to Mr. Baldassarre (which were due on November 11\(^{th}\)).

**Member State Positions**

The positions of Member States regarding the Proposal are becoming increasingly clear. Eurosif’s Brussels intelligence tells us that supporters include France, Denmark and Belgium. The Netherlands had previously made public its support for Proposal (except for the inclusion of diversity information, and it is not convinced disclosure needs to be in annual reports). The UK also supports the Proposal, although we have heard that it does not want disclosure to be in the annual report and it would like a safe harbour clause.

Germany, on the other hand, is opposed to the Proposal. Eurosif has seen the (confidential) position of the German Delegation to the Council: the country is against almost every aspect of it — from its (mandatory) comply and explain approach, to its requirement that disclosure be in management reports and subject to auditing, to its inclusion of non-listed companies.

The Proposal will be discussed at a meeting of the Council Working Party on Company Law on November 26\(^{th}\).

**Related News**

As you may be aware, some EU Member States (Denmark, France, Spain, Sweden and the UK) have already developed national CSR/sustainability reporting requirements that go beyond current EU legislation. As the details of the European Commission’s Proposal are being considered, legislators and stakeholders alike would be wise to consult the experiences of these Member States. Of particular interest are the following:
On the 16th of October, Eurosif attend an informative conference in Brussels entitled “CSR – Competitive Society Reignited – Creating an enabling environment for smart, sustainable and inclusive growth” that showcased Denmark’s experience with its own three-year-old CSR legislation. For an update on the impact of the requirement for CSR in the Danish Financial Statements Act, see the Danish Business Authority’s Corporate Social Responsibility and Reporting Denmark. And for case studies from Danish companies, see the Authority’s CSR Reporting as a Driver for Responsible Growth.

Earlier this month, France’s AMF securities regulator issued a list of reminders for companies reporting environmental, social and governance information under the country’s Grenelle II law. The Grenelle II law was introduced by France in July 2010 and obliges French companies to consider how their social and environmental activities be externally reported. In its Report, the AMF reviews the progress of French companies on Grenelle II reporting and identifies 12 areas where it says it wants to see more evidence of action.

Next Steps

The window of opportunity to influence the progress of this legislation is narrowing. Intense lobbying should be carried out before mid-December in order to influence sceptical MEPs and Member States (particularly Germany).

Eurosif intends to continue requesting meetings with select MEPs and work, where possible, with the Corporate Responsibility Reporting Coalition, Brussels-based stakeholders and national Social Investment Forums to try to influence national regulators and government representatives in select Member States.

If you would like to get involved, please contact Jennifer Kozak at jennifer.kozak@eurosif.org.

For background information regarding the EC's Non-financial and Diversity Information Proposal see Issue 18 of Eurosif's EU Insider.