



# *EU Directive on disclosure of non-financial information*

*Rome, 4 December 2014*

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Stability, Financial  
Services and Capital  
Markets Union

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# The Directive

*The European Parliament adopted the Directive on non-financial information on 15 April 2014.*



*The Council adopted it on 29 September.*

*This is about providing concise, useful information for companies, investors and society at large.*

# Timeline

- *The Directive was published in the EU Official Journal in November, and will enter into force in December.*
- *Member States will have two years to transpose it into national legislation.*
- *The Directive mandates the European Commission to prepare non-binding guidelines within two years (i.e.: by end-2016).*



# TOP LINES (1)

- *The disclosure requirement applies to large public-interest entities with more than 500 employees. This includes:*
  - *Companies listed in EU markets, and*
  - *Some unlisted companies:*
    - *Credit institutions,*
    - *Insurance companies, and*
    - *Other companies that are so designated by Member States because of their activities, size or number of employees.*

## TOP LINES (2)

- *The number of companies included in the scope is approximately 6000.*
- *Companies are required to disclose material information including:*
  - *Environmental,*
  - *Social and employee matters,*
  - *Respect of human rights,*
  - *Corruption and bribery matters, and*
  - *Diversity in the boards of directors.*



## **Why does business transparency matter?**

*Transparency leads to better performance.*

*Transparent companies perform better over time, have lower financing costs and are ultimately more successful.*

*Investors are interested in non-financial information, as part of their investment-decision process.*



# What will change?

**What information will be disclosed and how?**

*Companies will include a non-financial statement in their management report.*

*The Directive amends the Accounting Directive.*

# The Non-financial statement (1)

*Companies will include in the non-financial statement:*

*Brief description of the business model,  
Description of the policies pursued by the company, including implemented due diligence,  
Outcomes of the policies,  
Principal risks and how the company manages them,  
Non-financial key performance indicators.*



# The Non-financial statement (2)

*Risk-related disclosures:*

*Risks related to the company's operations*

*Including, where relevant and proportionate, business relationships, products or services.*

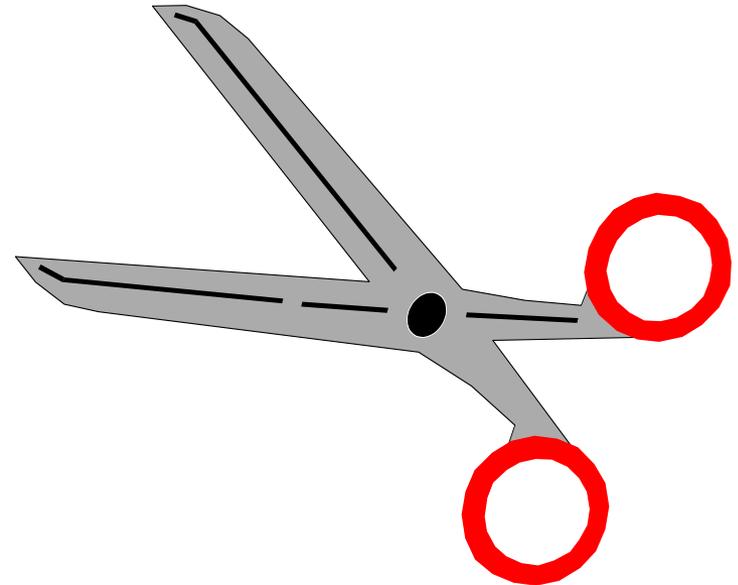
*And how the company manages those risks.*



# Avoid undue administrative burden (1)

*Tackling transparency in a period of crisis has made the European Commission more sensitive and vigilant*

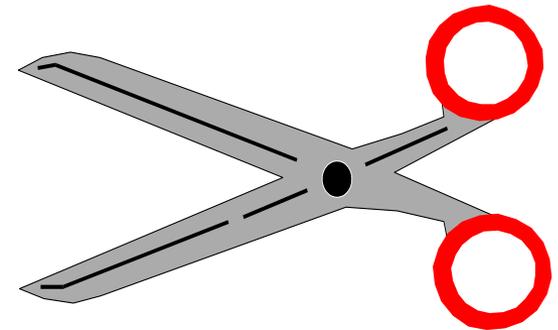
*so that all efforts have been made to avoid any undue administrative burden.*



# Avoid undue administrative burden (2)

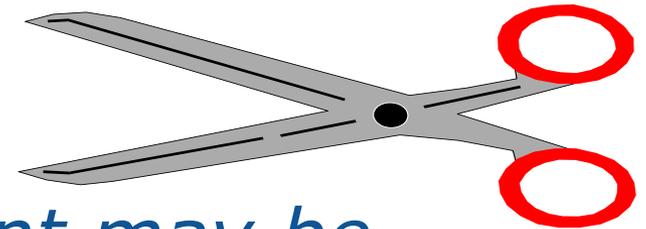
*New rules only apply to certain large companies with more than 500 employees.*

*Small and medium-sized enterprises (SMEs) will have no new legal requirements.*



# Flexible reporting

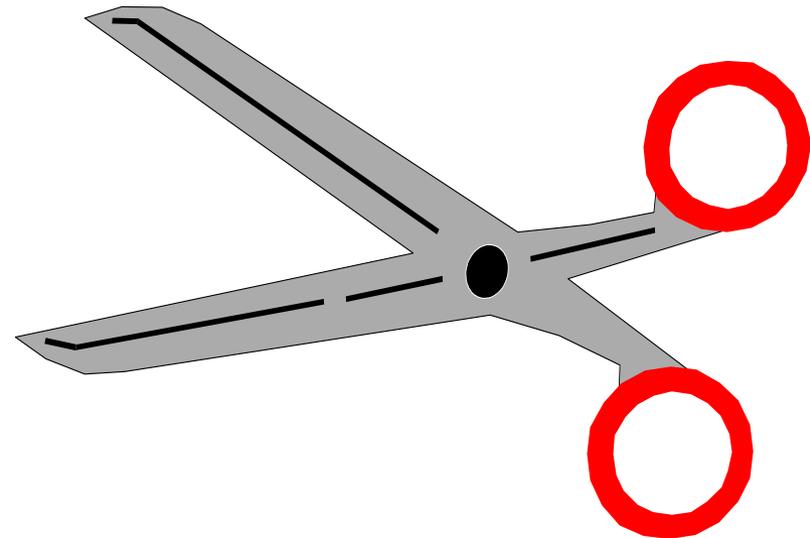
*The Directive leaves significant flexibility for companies to disclose relevant information in the way that they consider most useful.*



*The non-financial statement may be presented in a separate report.*

# Audit

*Audit requirements are limited to checking that the information has been provided.*



# Frameworks

*Companies may rely on national, EU-based or international frameworks as they consider most appropriate*



# International Frameworks

*Such us:*



*UN Global Compact,  
UN Guiding Principles on Business and Human Rights,  
OECD Guidelines for Multinational Enterprises,  
ISO 26000,  
ILO Tripartite Declaration of principles concerning  
multinational enterprises and social policy,  
Global Reporting Initiative (GRI).*

# Next Steps

- ***Non-binding EU Guidelines on non-financial information: by December 2016***

*We encourage the participation of all stakeholders!*

- ***Country-by-Country reporting review: by July 2018***
- ***Directive Review: by December 2018***





***Thank you!***