

## Disclosure of Non-Financial Information by Companies

EUROPEAN COMMISSION DIRECTORATE GENERAL FOR INTERNAL MARKET AND SERVICES  
PUBLIC CONSULTATION ON DISCLOSURE OF NON-FINANCIAL INFORMATION BY COMPANIES

Disclaimer: This document is a working document of the Internal Market and Services Directorate General of the European Commission for discussion and consultation purposes, and does not purport to represent or pre-judge the formal proposal of the Commission. Please note that the questionnaire must be completed in one session. It is not possible to save comments and responses entered, and return to them later. Moreover, you will be automatically disconnected after 90 minutes of inactivity. If you would like to take time completing the questionnaire, it is recommended that you copy it into a working document. When you have then finalised your comments and responses, they can be copied from the working document into the questionnaire. It is possible to attach supporting documents to this questionnaire (max size 1MB) – please make sure that you have these documents prepared in advance.

**INTRODUCTION** The Services of DG MARKT are conducting a public consultation in order to gather stakeholders' views on ways to improve the disclosure by enterprises of non-financial information (e.g. social and environmental). Between September 2009 and February 2010 the services of the European Commission hosted a series of informal workshops that examined the disclosure of non-financial information from the perspective of different stakeholders.[1] The Commission has also supported the work of the Laboratory on Valuing Non-Financial Performance, part of the European Alliance on Corporate Social Responsibility (CSR). The EU 2020 Agenda on sustainable growth and jobs promotes the renewal of corporate social responsibility.[2] In its recent communication on industrial policy, the Commission announced its intention to put forward a new policy initiative in the field of CSR. The communication on the Single Market Act (SMA) adopted on 27 October stresses the importance of strengthening consumer trust and confidence in the EU market, and achieving a highly competitive social market economy with sustainable economic growth. The SMA sets out an initiative to redefine the role of business in today's economy, focusing on improving transparency, particularly in the areas of environment, human rights and sustainable development, and on ways to enhance corporate functioning. The Services of DG MARKT are therefore consulting with a view to improving existing policy on disclosure of corporate social and environmental information, and respect for human rights, including possible proposals for new initiatives and/or revised legislative measures.

**CURRENT SITUATION** The current EU legislation addresses the issue of disclosure of non-financial information. The Fourth Company Law Directive (CLD)[3] on annual accounts was amended in 2003 to require companies since 1 January 2005 to include, where appropriate, information (key performance indicators - KPIs) relating to environmental and employee matters in their annual report to the extent necessary for an understanding of the company's development, performance or position. Member States, however, may exempt small and medium-sized companies from this disclosure obligation. Some Member States, including Denmark and France, have introduced social and environmental disclosure requirements that are more far-reaching than the amended Fourth Company Law Directive. The disclosure of non-financial information is important in the context of the current crisis and the challenge of sustainable development. Better disclosure of non-financial information may be a tool to further increase the number of European enterprises fully integrating sustainability and responsibility into their core strategies and operations in a more transparent way. In recent years, there have been calls to improve the comparability, reliability, and relevance of information disclosed by enterprises, e.g. on social and environmental issues. Proponents argue that the companies' management would be encouraged to better link sustainability issues to their companies' strategy by looking into sustainability risks and opportunities, and monitoring sustainability indicators. Some also argue that investors would be able to develop better company valuation models, which would provide for more reliable assessment of longer-term performance prospects. A better focus on sustainability issues by companies and investors could help European companies respond to, and derive business opportunities from, long-term global challenges, such as increased global competition, resource shortages, climate change, and the fight against poverty. Better disclosure of social and environmental information could enhance the accountability of enterprises, and so contribute to higher levels of trust in business on the part of citizens. The UN framework on business and human rights, unanimously endorsed in 2008 by the UN Human Rights Council, refers to public policies on sustainability reporting

as one means by which states can better fulfil their duty to protect human rights. Others argue that disclosure of more non-financial information may unduly increase the administrative burden of companies, adding to the length of annual reports which are already considered by many to be too long. Business representatives often argue that enterprises should remain free to choose which social and environmental indicators are most appropriate to them. Some also argue that there are difficulties in providing assurance on sustainability reporting where an organization has not used a standard defined reporting framework. **GOING FORWARD** It is important to achieve better transparency and comparability without unduly increasing the administrative burden for companies. The current EU programme is in favour of better regulation that aims at cutting red tape rather than adding to administrative burdens. In this respect the Commission is currently revising the 4th Company Law Directive (78/660/EC) in order to reduce administrative burdens on small companies. The Commission is also currently modernizing the Transparency Directive (Directive 2004/109/EC) in order to simplify and reduce the administrative burden of issuers whose securities are admitted to trading on a regulated market. There are already several international initiatives that provide guidance in the field of social and environmental disclosure, such as the Global Reporting Initiative (GRI), the UN Global Compact, the OECD Guidelines for Multinational Enterprises and the recently approved ISO 26000 guidance standard on social responsibility. An International Integrated Reporting Committee (IIRC)[4] has started work to create a globally accepted framework for accounting for sustainability, that is, a framework which brings together financial, environmental, social and governance information in a clear, concise, consistent, comparable and integrated format. In this context, the following questions aim to gather stakeholders' views on possible improvements to the current regime for the disclosure of non-financial information. **NOTE:** Contributions received and the identity of the contributor will be published on the internet, unless the contributor is opposed to the publication of personal data for fear that this would damage his/her legitimate interests, in which case the contribution may be published anonymously. Otherwise, the contribution will not be published, and its content will not be taken into account. It is important to read the specific privacy statement attached to this consultation for information on how your personal data and contribution will be dealt with. [1] See <http://ec.europa.eu/enterprise/policies/sustainable-business/corporate-social-responsibility/reporting-disclosure/swedish> [2] EU Agenda 2020: A strategy for smart, sustainable and inclusive growth, March 2010 p.15. [3] Article 46 (1)(b) of Fourth Council Directive 78/660/EC on the annual accounts of certain types of companies. A similar requirement exists regarding the consolidated annual reports. [4] <http://www.integratedreporting.org/>

## Background Information

Please provide the following details together with your response.

For the purpose of analysis of this consultation you want to be identified as **(compulsory)**  
(at most 1 answer)

- Preparer
- User
- Public authority
- Accountants and auditors
- Other

If you are preparer, are you **(compulsory)**  
(at most 1 answer)

- Non-financial company
- Organisation of companies
- Bank or other financial institutions
- Other (please specify)

Please indicate your size: **(compulsory)**  
(at most 1 answer)

- Large
- Medium-sized
- Small

Are you listed on regulated market? **(compulsory)**  
(at most 1 answer)

- Yes
- No

In which country(ies) you are listed: **(compulsory)**

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Other company, please specify **(compulsory)**

Please specify the user type **(compulsory)**

[\(at most 1 answer\)](#)

- Analyst
- Investor/investor organisation
- NGO /Other organisation of stakeholders
- Trade union
- Private person / consumer

Other (please specify)

Other user: please specify **(compulsory)**

Public authority: **(compulsory)**

[\(at most 1 answer\)](#)

Audit/market regulator

Government Ministry/Agency

Other (please specify)

Other public authority (please specify) **(compulsory)**

Please specify the type of accountants and auditors **(compulsory)**  
(at most 1 answer)

- Accounting/audit firm
- Association of accountants and auditors

Other, please specify **(compulsory)**

Name(s) (of respondent and of your organisation / company) **(compulsory)**

Country where your organisation / company is located **(compulsory)**  
(at most 1 answer)

- AT - Österreich
- BE - Belgique / België
- BG - България
- CS - Česká republika
- CY - Κύπρος
- DE - Deutschland
- DK - Danmark
- EE - Eesti
- EL - Ελλάδα
- ES - España
- FI - Suomi
- FR - France
- HU - Magyarország
- IE - Ireland
- IT - Italia
- LT - Lietuva
- LU - Luxembourg
- LV - Latvija
- MT - Malta
- NL - Nederland
- PL - Polska
- PT - Portugal

- RO - România
- SK - Slovensko
- SL - Slovenija
- SV - Sverige
- UK - United Kingdom
- EU-wide organisation
- Other

Non EU country, please specify **(compulsory)**

Please provide the name and location of parent company **(optional)**

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Your address (optional)

Your e-mail address: (compulsory)

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Short description of the general activity of your organisation / company: **(optional)**

Is your organisation registered in the Interest Representative Register? If your organisation is not registered, you have the opportunity to register here before you submit your contribution. Responses from organisations not registered will be published separately from the registered organisations. **(compulsory)**

**(at most 1 answer)**

Yes

No

Please specify the Register ID number in the Interest Representative Register **(compulsory)**

Can the Commission contact you if further details on the information you submitted is required? **(compulsory)**

(at most 1 answer)

Yes

No

Publication: Do you object to publication of the personal data on the grounds that such publication would harm your legitimate interests? **(optional)**

I object

## Questionnaire

1. How would you consider the current regime of disclosure of non-financial information applicable in your country? **(compulsory)**

(at most 1 answer)

Very poor

Poor

Sufficient

Good

Very Good

Please explain. In replying to this question, please provide information on what way current reporting provides useful information, and to what extent it is sufficiently tailored to the circumstances of the company. Please also comment on whether you find non-financial information useful for the decision-making of a company. **(optional)**

(maximum 10000 characters)

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2. Have you evaluated the effects, and costs and benefits, of any current corporate disclosure of environmental and social information? **(compulsory)**

(at most 1 answer)

- Yes
- No
- No opinion

Please explain **(optional)**

(maximum 10000 characters)

3. If you think that the current regime of disclosure of non-financial information should be improved,

how do you suggest that this should be done? Please explain **(optional)**  
(maximum 10000 characters)

4. In your opinion, should companies be required to disclose the following (check all relevant boxes): **(optional)**

- Whether or not they have a CSR policy, and if they do, how they implement that policy and what the results have been
- The principal business risks and opportunities arising from social and environmental issues, and how they are taken into account in company strategy.  
Key information regarding issues such as employee engagement (e.g.: employee training policy, equality and diversity, etc.); customer satisfaction (e.g.: customer loyalty); public perception of the company (e.g.: stakeholder dialogue); environmental policies (e.g.: energy efficiency, waste reduction); and innovation (e.g.: R&D expenditure).
- Other

Other, please specify: **(compulsory)**  
(maximum 10000 characters)

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Please explain **(optional)**  
(maximum 10000 characters)

5. In your opinion, for a EU measure on reporting of non-financial information to achieve materiality and comparability it should be based upon (check all relevant boxes): **(optional)**

- Principles
- Key Performance Indicators (KPIs)
- Other

5a) In case you consider that Key Performance Indicators (KPIs) would be useful, would you think that they should be (check all relevant boxes): **(compulsory)**

General for all economic sectors

Sector specific

5b) Please indicate which indicators you would consider to be the most relevant for all economic sectors: **(optional)**

(maximum 10000 characters)

Other, please specify: **(compulsory)**

(maximum 10000 characters)

6. In your opinion, what should be the process to identify relevant principles and/or indicators (whether general or sector-specific)? Please explain. In replying to this question, please comment on whether the Commission should endorse or make reference to any existing international frameworks (or a part of them), such as Global Reporting Initiative (GRI), UN Global Compact, the OECD Guidelines, ISO

26000, or other frameworks; or whether companies should be required to select relevant indicators together with their investors and other stakeholders and to disclose information according to such indicators, depending on the use that different stakeholders would make of such information. **(optional)**  
(maximum 10000 characters)

7. In your opinion, should companies be required to disclose the steps they take to fulfill the corporate responsibility to respect human rights? **(compulsory)**  
(at most 1 answer)

- Yes
- No
- No opinion

Please explain **(optional)**  
(maximum 10000 characters)

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8. In your opinion, should companies be required to disclose the risks they face and the policies they have in the field of corruption and bribery? **(compulsory)**

(at most 1 answer)

- Yes
- No
- No opinion

Please explain **(optional)**

(maximum 10000 characters)

9. In your opinion, what companies should be required to disclose non-financial information (check

only one box)? **(compulsory)**  
(at most 1 answer)

- Large listed companies
- Large companies (listed and non-listed)
- Medium-sized & Large listed companies
- Medium-sized & Large companies (listed and non-listed)
- All listed companies (Small, Medium & Large)
- All listed & non-listed companies (Small, Medium & Large)
- None
- Other

Other, please specify **(compulsory)**  
(maximum 10000 characters)

10. In your opinion, should institutional investors be subject to specific or additional disclosure requirements, for example to disclose whether and how they take into account environmental and social issues in their investment decisions? **(compulsory)**  
(at most 1 answer)

- Yes

No

No opinion

Please explain In replying to this question, please provide information on which issues seem to be the most relevant and why; and which institutional investors should be subject to such an obligation. **(optional)**

[\(maximum 10000 characters\)](#)

11. In your opinion, should European policy promote the concept of "integrated reporting"? Integrated reporting refers to a report that integrates the company's key financial and non-financial information to show the relationship between financial and non-financial performance (environmental, social, and governance). **(compulsory)**

[\(at most 1 answer\)](#)

Yes

No

No opinion

Please explain In replying to this question, please indicate the advantages and disadvantages of an integrated report, as well as possible specific costs of integrated reporting. **(optional)**

[\(maximum 10000 characters\)](#)

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12. In your opinion, should disclosed non-financial information be audited by external auditors? **(compulsory)**

*(at most 1 answer)*

- Yes
- No
- No opinion

Please explain. In replying to this question please provide any evidence you may have regarding costs of auditing non-financial information, as well as your views on other possible forms of independent reviews besides external auditing. **(optional)**

*(maximum 10000 characters)*

13. If you have relevant documents you want to share with us, please attach them here.  
(optional) [\(optional\)](#)

I attach additional documents

### Useful links

Rechnungslegung: [http://ec.europa.eu/internal\\_market/accounting/index\\_de.htm](http://ec.europa.eu/internal_market/accounting/index_de.htm)

Gesellschaftsrecht & Corporate

Governance: [http://ec.europa.eu/internal\\_market/company/index\\_de.htm](http://ec.europa.eu/internal_market/company/index_de.htm)