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Directorate-General for Financial Stability, Financial Services and Capital Markets Union

INVESTMENT AND COMPANY REPORTING

**Accounting and financial reporting**

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### **CONSULTATION DOCUMENT**

#### **NON-BINDING GUIDELINES FOR REPORTING OF NON-FINANCIAL INFORMATION BY COMPANIES**

#### **Disclaimer**

This document is a working document of the Commission services for consultation and does not prejudice the final decision that the Commission may take.

The views reflected on this consultation paper provide an indication on the approach the Commission services may take but do not constitute a final policy position or a formal proposal by the European Commission.

The responses to this consultation paper will provide important guidance to the Commission when preparing, if considered appropriate, a formal Commission proposal.

You are invited to reply **by 15 April 2016** at the latest to the **online questionnaire** available on the following webpage:

[http://ec.europa.eu/finance/consultations/2016/non-financial-reporting-guidelines/index\\_en.htm](http://ec.europa.eu/finance/consultations/2016/non-financial-reporting-guidelines/index_en.htm)

Please note that in order to ensure a fair and transparent consultation process **only responses received through the online questionnaire will be taken into account and included in the report summarising the responses.**

The purpose of this public consultation is to collect information and views from stakeholders on guidance on reporting of non-financial information by companies across all sectors.

At this time, it is premature to prejudge what form the guidelines should take. This will depend on the outcome of this consultation. The guidelines should be relevant and useful across all economic sectors, and cover appropriately general principles, methodology, and non-financial key performance indicators.

This consultation follows the normal rules of the European Commission for public consultations. Responses will be published unless respondents indicate otherwise in the online questionnaire.

Responses authorised for publication will be published on the following webpage:

[http://ec.europa.eu/finance/consultations/2016/non-financial-reporting-guidelines/index\\_en.htm#results](http://ec.europa.eu/finance/consultations/2016/non-financial-reporting-guidelines/index_en.htm#results)

## Commission services consultation

### Introduction

The [Directive 2014/95/EU on disclosure of non-financial and diversity information by certain large undertakings and groups](#) entered into force on 6 December 2014, after having been published in the EU Official Journal on 15 November 2014. The [Directive 2014/95/EU](#) amends [Directive 2013/34/EU](#) on the annual financial statements, consolidated statements and related reports of certain types of undertakings.

The Directive 2014/95/EU aims at improving the transparency of certain large EU companies as regards non-financial information, and focuses on relevant, useful information.

Following Article 1 of the Directive, the new disclosure requirements apply to large public-interest entities with more than 500 employees. The concept of public-interest entities is defined in Article 2 of [Directive 2013/34/EU](#), and includes companies listed in EU markets, as well as some unlisted companies, such as credit institutions, insurance companies, and other companies that are so designated by Member States because of their activities, size or number of employees.

Article 1 of the Directive establishes that companies concerned shall include in the management report a non-financial statement containing information relating to, as a minimum:

- Environmental matters
- Social and employee matters
- Respect for human rights
- Anti-corruption and bribery matters.

Article 1 of the Directive also establishes that the non-financial statement shall include:

- a) a brief description of the undertaking's business model;
- b) a description of the policies pursued by the undertaking in relation to those matters, including due diligence processes implemented;
- c) the outcome of those policies;
- d) the principal risks related to those matters linked to the undertaking's operations including, where relevant and proportionate, its business relationships, products or services which are likely to cause adverse impacts in those areas, and how the undertaking manages those risks;
- e) non-financial key performance indicators relevant to the particular business.

Companies, investors and society at large will benefit from increased transparency as it leads to stronger long-term performance. This is important for Europe's long-term competitiveness and the creation of jobs. Investors are more and more interested in non-

financial information in order to have a comprehensive understanding of a company's position and performance, and to analyse and factor this information in their investment-decision process. The [Directive 2014/95/EU](#) aims at enhancing the consistency and comparability of non-financial information disclosed throughout the Union (recital 6).

The Directive has been designed in a non-prescriptive manner, and leaves significant flexibility for companies to disclose relevant information in the way that they consider most useful. Companies may rely on national frameworks, Union-based frameworks such as the Eco-Management and Audit Scheme (EMAS), or 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, the International Organisation for Standardisation's ISO 26000, the International Labour Organisation's Tripartite Declaration of principles concerning multinational enterprises and social policy, the Global Reporting Initiative, or other recognised international frameworks (recital 9). Companies may also consider the sectorial OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas, as appropriate.

In order to provide further guidance and help companies implement these provisions the co-legislators have tasked the Commission with the preparation of non-binding guidelines on methodology for reporting non-financial information. Article 2 of the Directive refers to "guidance on reporting", and sets out that "the Commission shall prepare non-binding guidelines on methodology for reporting non-financial information, including non-financial key performance indicators, general and sectoral, with a view to facilitating relevant, useful and comparable disclosure of non-financial information by undertakings. [...]" The objective of the non-binding guidelines is to facilitate the disclosure of non-financial information by undertakings (recital 17).

In providing their input to this consultation, stakeholders are invited to consider the companies and groups concerned under Article 1 of the Directive. The new disclosure requirements relating to non-financial information apply to large public-interest entities with more than 500 employees. The concept of public-interest entities is defined in Article 2 of [Directive 2013/34/EU](#), and includes companies listed in EU markets as well as some unlisted companies, such as credit institutions, insurance companies, and other companies that are so designated by Member States because of their activities, size or number of employees.

# Questionnaire

Fields marked with \* are mandatory

For the purposes of this public consultation:

"The GUIDELINES": The non-binding guidelines on methodology for reporting non-financial information that the Commission will prepare in accordance with Article 2 of [Directive 2014/95/EU](#) on disclosure of non-financial and diversity information by certain large undertakings and groups ("the DIRECTIVE").

"KPIs": Key performance indicators.

## **I. General principles and key attributes of the non-financial information**

**Q1** What aspects of disclosure of non-financial information do you think that should be addressed by the GUIDELINES?

*Please, order in terms of importance (1 least important, 9 most important)*

- Materiality/Relevance
- Usefulness
- Comparability
- Avoiding undue administrative burden
- Comprehensiveness
- Fairness and balance
- Understandability
- Reliability
- Other, please specify:      text

**Q2** Who should be considered in your opinion the main audience of the non-financial statement?

*Please, check the box of the alternative that you consider more appropriate.*

- The shareholders
- The investment community in a broad sense
- Users of information with an economic interest, such as suppliers, customers, employees, etc.
- All users of information (including consumers, local communities, NGOs, etc.)

- Other, please specify: text

**Q2.1** Would you, please, provide a brief explanation? *\*(text – 400 characters)*

**Q3** In your opinion, what features make a piece of information material/relevant for the purposes of the non-financial statement?

*Please, order in terms of importance (1 least important, 7 most important)*

- Useful for the management/directors of the company
- Relevant for shareholders or investors' decision-making
- Necessary to understand the impacts of the company's activity
- Necessary to understand the company's development, performance and position
- Necessary to understand how the company manages non-financial risks
- Other, please specify: text

**Q3.1** Would you, please, provide a brief explanation? *\*(text – 400 characters)*

## **II. Content of the non-binding guidelines**

**Q4** Do you think that the GUIDELINES will be more useful for companies and users if they set out general principles and key ideas or if they put forward solutions in a detailed manner, including on specific sectoral issues? \*

*Please, indicate on a scale from 1 to 5 (1 geared towards general principles, 5 high level of detail/prescription)*

1	2	3	4	5	No opinion
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**Q4.1** Would you, please, provide a brief explanation? *\*(text – 400 characters)*

**Q5** Please, provide a brief description of how you think that the following matters should be treated in the GUIDELINES, including as appropriate how they should be defined and described:

- Business model *(text – 400 characters)*
- Policies *(text – 400 characters)*
- Due diligence process *(text – 400 characters)*
- Business relationships *(text – 400 characters)*
- Key performance indicators –KPIs *(text – 400 characters)*
- Outcome of policies *(text – 400 characters)*
- Principal risks *(text – 400 characters)*

- h. Impact of the activity (*text – 400 characters*)
- i. Adverse impacts (*text – 400 characters*)
- j. Information omitted in exceptional cases where disclosure would be seriously prejudicial (*text – 400 characters*)

**Q6** How do you think that the GUIDELINES should approach the disclosure of key performance indicators (KPIs)? \*

*Please, indicate your two preferred approaches (1 Best option, 2 Second preferred option).*

- The GUIDELINES should highlight key principles on how to disclose relevant KPIs and complementariness with narrative and/or financial information as applicable
- The GUIDELINES should make reference to KPIs proposed by other frameworks where addressing concrete matters or issues
- The GUIDELINES should include a comprehensive list of KPIs, general and sectoral
- The GUIDELINES should provide flexibility for companies to exercise judgement in deciding what KPIs should be included in their disclosures
- Other, please specify:        text

**Q6.1** Would you, please, provide a brief explanation? *\*(text – 400 characters)*

**Q7** Do you think that the GUIDELINES should include guidance on specific sectoral issues such as responsible supply chain management of conflict minerals? \*

*Please, indicate on a scale from 1 to 5 (1 geared towards general principles, 5 high level of detail/prescription)*

1	2	3	4	5	No opinion
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**Q7.1** Would you, please, provide a brief explanation? *\*(text – 400 characters)*

**III. Interaction with other frameworks and other aspects**

**Q8** How do you think that the GUIDELINES should relate to existing national, international or other EU-based frameworks (such as UN Global Compact, the UN Guiding Principles on Business and Human Rights, OECD guidelines for multinational enterprises, the ILO Tripartite Declaration of principles concerning multinational enterprises and social policy, EMAS, etc.)?\*

*Please, order in line with your views (1 least in line, 6 most in line)*

- The GUIDELINES should include detailed solutions and be an exhaustive document in a way that could make unnecessary for companies the use of other guidelines

- The GUIDELINES should be complementary to other frameworks
- The GUIDELINES should make reference to other frameworks where addressing concrete matters or specific issues
- The GUIDELINES should get general inspiration from other frameworks
- The GUIDELINES should explain how content produced in the context of other frameworks could be used in the non-financial statement
- Other, please specify:       text

**Q8.1** Would you, please, provide a brief explanation? *\*(text – 400 characters)*

**Q9** Do you think that when preparing the GUIDELINES only the companies included in the scope of the DIRECTIVE should be considered, or that the interests, characteristics and/or requirements of other companies that prepare management reports should be taken into account as well? \*

*Please, check the box of the alternative that you consider most appropriate.*

- Specific to the requirements of the companies under scope of the DIRECTIVE
- Consider all large companies
- Consider all companies
- Focus on the requirements of the companies under the scope of the DIRECTIVE, but also propose best practice for other companies that prepare management reports

**Q9.1** Accordingly, do you think that the content of the guidelines should be different according to the targeted companies? Would you please, provide a brief explanation? *\*(text – 400 characters)*

**Q10 [only for respondents that are companies]**

Does your company disclose annually relevant non-financial information?

- Yes
- No

If so, does your company use any existing reporting framework(s)?

- Yes
- No

If so, would you, please, indicate which one(s)?  
*(text – 100 characters)*



#### **IV. Disclosures related to board diversity policy**

**Q11** Should the GUIDELINES provide more clarity on what companies should disclose as regards their board diversity? \*

- Yes
- No
- No position

**Q11.1** Would you, please, provide a brief explanation? *\*(text – 400 characters)*

#### **V. Final**

Please, upload, as needed, any relevant document or information that you consider useful for the purposes of this consultation.

In doing so, you are invited to take into account the content of recital 7 of the DIRECTIVE:

"Where undertakings are required to prepare a non-financial statement, that statement should contain, as regards environmental matters, details of the current and foreseeable impacts of the undertaking's operations on the environment, and, as appropriate, on health and safety, the use of renewable and/or non-renewable energy, greenhouse gas emissions, water use and air pollution. As regards social and employee-related matters, the information provided in the statement may concern the actions taken to ensure gender equality, implementation of fundamental conventions of the International Labour Organisation, working conditions, social dialogue, respect for the right of workers to be informed and consulted, respect for trade union rights, health and safety at work and the dialogue with local communities, and/or 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 could include information on the prevention of human rights abuses and/or on instruments in place to fight corruption and bribery."