

CASE 2 -Introduction

Non Financial Information, CSR and Ethics in the Digital Era



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Transforming our world



SUSTAINABLE DEVELOPMENT GOALS



The European framework



Corporate Social Responsibility
National Public Policies
in the European Union
Compendium 2014



EU Action Plan
on Sustainable Finance:
Progress and Next Steps

Joint Meeting of Member States Groups on IPP/SCP and Resource Efficiency

Brussels
23 October 2019

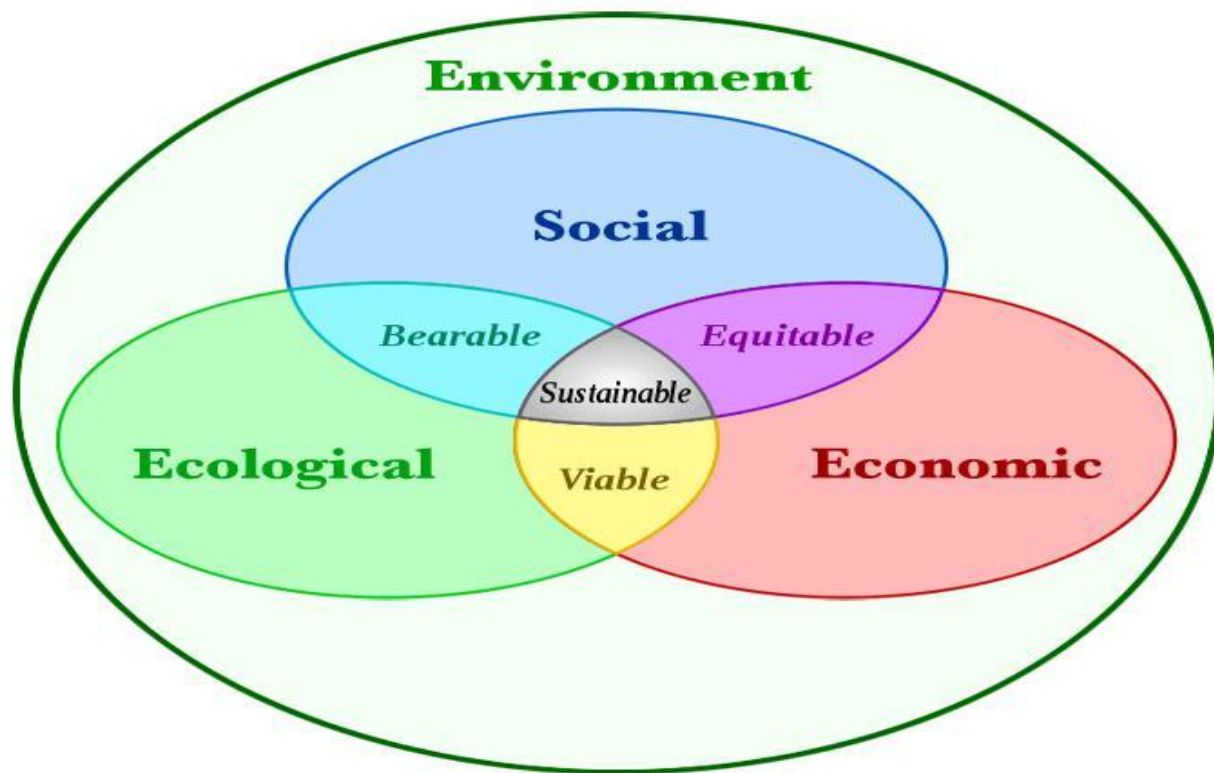
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DG ENV F.1, Green Finance



Sustainable business & value creation: a call to action



Companies' responsibility towards stakeholders:



CUSTOMER

Delivering fair value and quality advice.

Fees and Charges, Transparency, Access to Services, Assisting those Experiencing Hardship, Customer Service, Complaints Resolution, Responsible Finance, Responsible Lending, Financial Literacy, Responsible Investment, Ethics and Business Conduct, Innovation and Product Development, Security, Fraud and Anti-Money Laundering.

PEOPLE

Investing in the skills and capabilities of our employees.

Organisational Culture, Diversity and Inclusion, Talent Management, Health and Wellbeing, Learning and Development, Performance and Reward, Industrial Relations and Flexible Working.

COMMUNITY

Supporting communities, with a particular focus on inclusion and investing in our youth.

Community Investment, Volunteering, Reconciliation Action, and Disaster Relief.

SUPPLY CHAIN

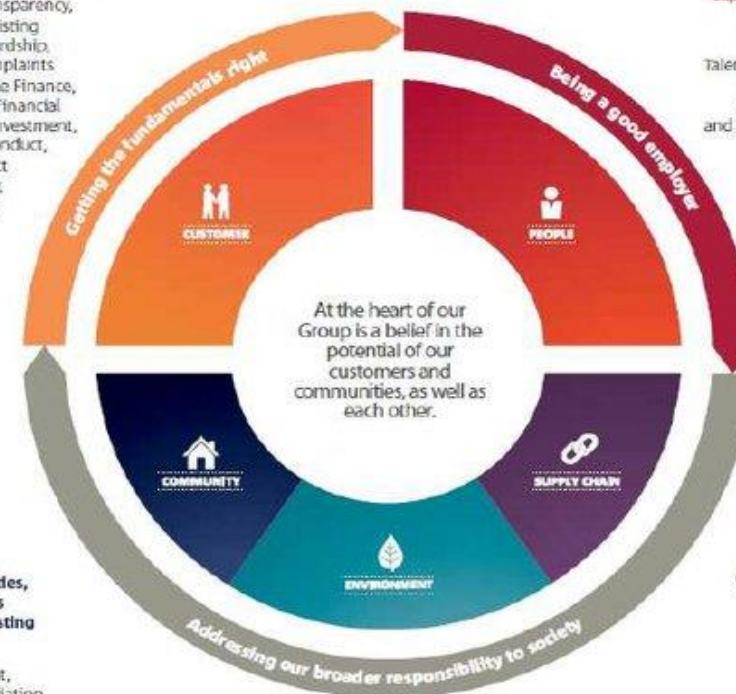
Working to have a positive impact through our purchasing decisions.

Managing the Impact of our Purchasing, Selecting Sustainable Suppliers, Responsible Procurement Practices, Offshoring and Outsourcing.

ENVIRONMENT

Working to manage the direct impact of our operations and the indirect impacts we have through our customers.

Environmental Impact of Operations, Managing Exposure to Environmental Risk, Financing Environmental Innovation and Business, Environmental Products and Services.





INTRODUCING XLC - THE COMMUNICATION SERVICES SECTOR SPDR ETF



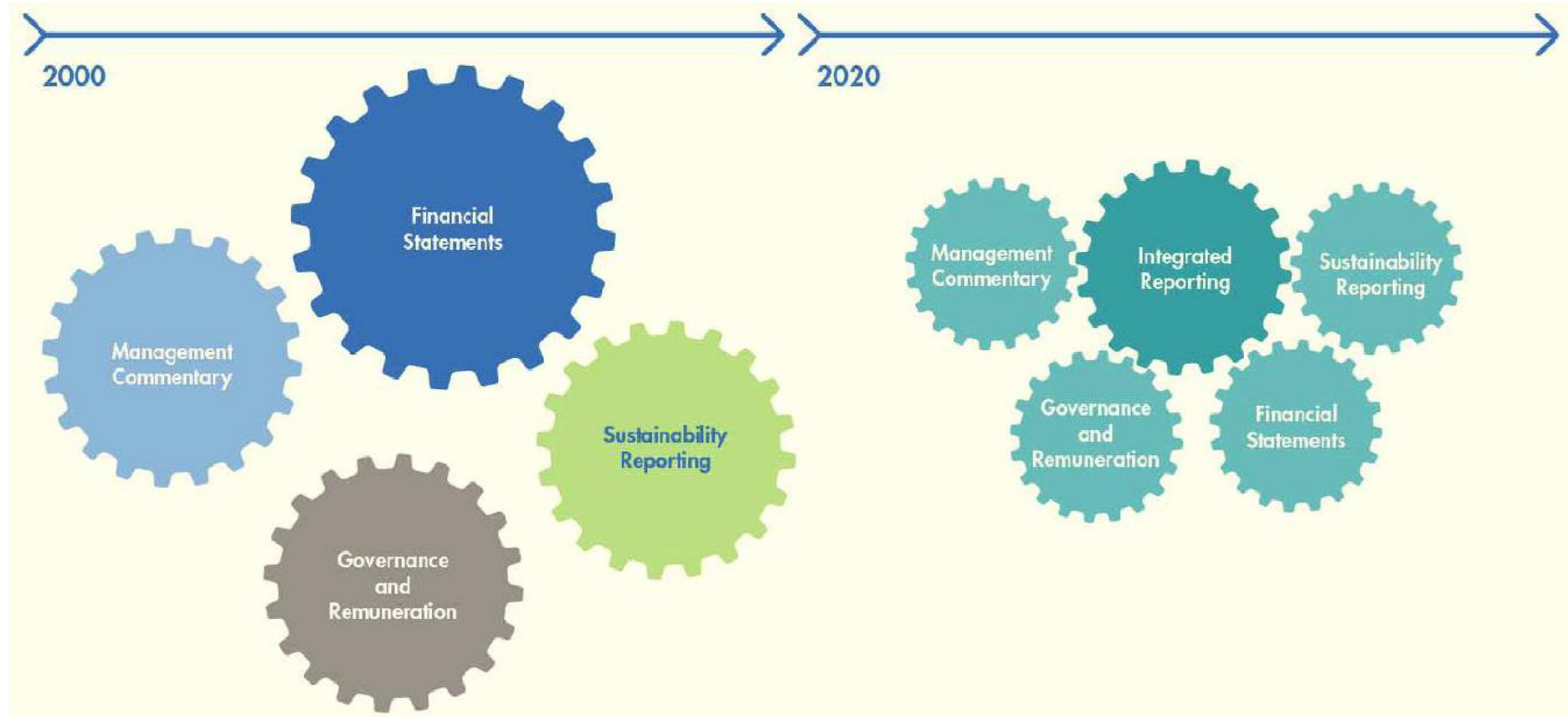
**Corporate Sustainability Reporting
Directive (CSRD)
Sustainability Finance Disclosure
Regulation (SFDR)**



How do companies communicate CSR?



From Accounting to Accountability: The evolution of Reporting



Environmental, Social Governance (ESG)' information

New Reporting Frameworks & Tools



Mandatory vs Voluntary adoption



The 2014/95/EU Directive on «Non-Financial Information»



- **Approved on** April 15, 2014 by the EU Parliament
- **National legislations** implementing CSR/ESG Reporting
- **Scope:** large entities of “public interest”: listed companies, banks, insurances companies with 500 employees (average/year), balance sheet total and net turnover
- Freedom to member states to extend it to non-listed companies.
- **Flexibility on the use of tools** (separate report; management commentary, internet site) and the framework (UN Global Compact; GRI; ISO 26000; SDGs; German Sustainability Code).
- Disclosure on: business model; diversity policies (i.e. gender, age, geographical balance); environment; social policies (i.e., labour conditions; respect of human rights, community); anti-corruption policies; the results (indicators) of those policies (KPIs); risk management linked to those aspects

- The Directive requires large entities to publish non-financial information, including social and environmental matters, therefore being an attempt to move toward **harmonization of non-financial reporting**
- By regulating **non-financial and diversity disclosure requirements across Europe**, Directive 2014/95/EU represents an important step towards **standardising reporting and formalising transparency requirements**.
- Achieving this standardisation across thousands of organisations simultaneously, presents a **significant challenge**

State-specific requirements

The Directives allows Member States to impose state specific requirements on companies regarding the key aspects of reporting



Reporting Framework

International reporting framework
EU-based reporting framework
National reporting framework

Disclosure Format

Management Report
Separate Report

Reporting Content

Safe Harbour
Principle



Which companies should disclose?

- Organisations must produce a non-financial report if they are both:
An **average number of employees** exceeding 500 during the financial year **Either: a balance sheet total** exceeding EUR 20 million, **or a net turnover** exceeding EUR 40 million
- A **public-interest entity**, meaning any entity which is:

Trading transferable securities on the regulated market of any Member State, or A credit institution, or An insurance undertaking, or Designated by a Member States as a public interest entity.



What do companies need to disclose?

- The new regulations require companies within scope to disclose, to the extent necessary for an understanding of the company's development, performance, position and impact of its activity, information relating to environmental, employee, social, respect for human rights, anti-corruption and anti-bribery matters.
- This includes a description of:
 - the company's business model;
 - the policies pursued by the company in relation to the matters noted, any due diligence processes; implemented by the company in pursuance of those policies;
 - the outcome of those policies;
 - the principal risks relating to the matters noted arising in connection with the company's operations;
 - how the company manages those principal risks, where relevant and proportionate; and
 - the non-financial key performance indicators.



Where should the information be disclosed?

- The management report (non-financial statement - **NFS**)

○ or

- A **separate report** published alongside the management report or within 6 months of the balance sheet date, made available on the undertaking's website and referenced in the management report



How should information should be disclosed?

“undertakings which are subject to this Directive 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.***”

Upcoming events ..

The European Commission (EC) encourages Member States to work towards “further improvements to the transparency of undertakings’ non-financial information”



- ESMA is asking for a NFR standardization
- Sustainability Standard Setters are working together
- IIRC and SASB are merging into the Value Reporting Foundation
- EFRAG presented (March 8th) two studies on the roadmap to standardize European NFI
- IFRS Foundation announced an operational plan for SSB in September 2021
- The European Commission is going to announce the revised Directive on NFR

.... Questions & Issues

- What are the main requirements of the transposed national laws concerning the Directive 2014/95/EU in each of the Member States (in terms of scope, reporting topics, reporting features, and additional aspects such as assurance obligations and the application of fines)?
- What are the similarities and differences between the national-level transpositions of the Directive across Member States?



*Take a look at: Preliminary and additional learning
STAMP ONLINE Platform*



Enjoy your journey through the European Member States' DNF implementation and companies' NFReporting!

