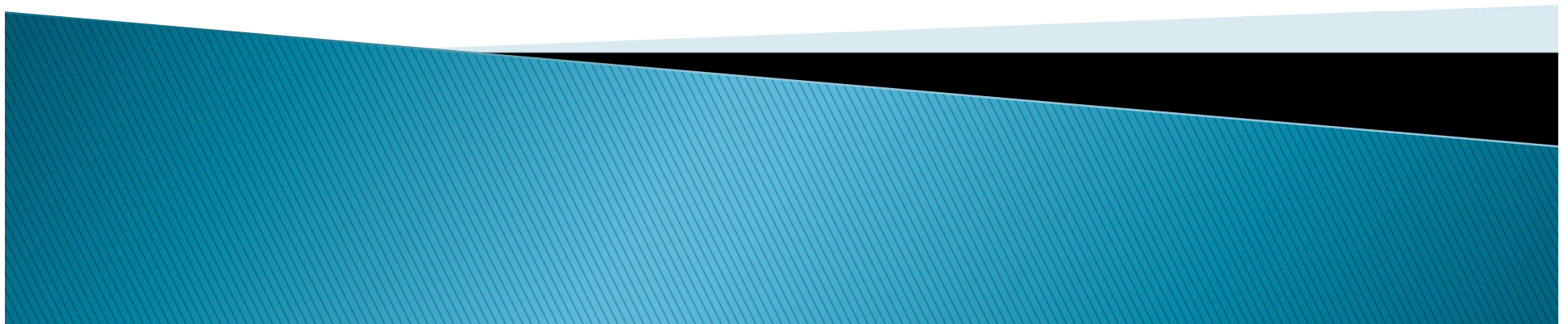


New Legal Environment for Non Financial Information: Next Steps Forward

Stefanos Komninos
Former Secretary General for Commerce, Greece
Exceed Consulting



Non Financial Information?

- ▶ Philanthropy
- ▶ Sustainable Growth
- ▶ Corporate (Ethical) Governance
- ▶ Transparency
- ▶ Corporate Social Responsibility
- ▶ Standardization Systems



International developments (1)

- ▶ UN's new guiding principles on business and human rights (June 2011).
 - framework for the responsibility of member states to protect human rights and the responsibility of companies to respect human rights in their business activities.
 - mechanisms must be put in place to deal with human rights violations.

International developments (2)

▶ OECD

- revised guidelines for responsible business conduct by multinational enterprises
- incorporated the UN's guiding principles on business and human rights.
- OECD countries have national contact points acting as non-judicial mediation and grievance mechanisms in connection with presumed breaches of OECD guidelines and promoting the awareness of the OECD guidelines in general.

International developments (3)

- ▶ INDIA (New Business Law 2013)
 - Requires companies of certain criteria, to spend at least two percent of their average profits in the last three years towards Corporate Social Responsibility (CSR) activities.
 - Allows the freedom to choose areas of work for CSR and the mandate of a rotation in auditors every 5 years gives the process added credibility.
 - In case, entities are unable to comply with the CSR rules, they would be needed to give explanations. Otherwise, they would face action, including penalty.

European Commission's CSR strategy (since October 2011)

- ▶ priorities for the international development and the general Europe 2020 strategy for intelligent, sustainable and inclusive growth.
- ▶ obligations to support increased public visibility and promotion of CSR, improve the trust in company activities, :
 - by preventing greenwashing
 - facilitate the consideration of social and environmental aspects in connection with public procurement.
- ▶ recommendation to member states to prepare CSR action plans

Sustainability Challenges for Europe

▶ Environmental Challenges

- increased competition over natural resources on a global scale, higher prices and an unsustainable adverse effect on the environment

▶ EU Industry Challenges

- increase in prices and costs
- transition to a low carbon economy
- those European energy intensive industry sectors that face international competition could be substantially disadvantaged by unilaterally imposed carbon constraint on EU industries
- Public Procurement: European vs Far East Suppliers

What is CSR for Europe?

- ▶ the responsibility of enterprises for their impact on society.
- ▶ CSR should be company led. Public authorities can play a supporting role through a smart mix of voluntary policy measures and, where necessary, complementary regulation.
- ▶ Companies can become socially responsible by:
 - following the law
 - integrating social, environmental, ethical, consumer, and human rights concerns into their business strategy and operations.

Reasons to drive EU towards the new directive

- ▶ Global Competition on CSR Certification
- ▶ Pressure from Social Groups
- ▶ Economic Crisis & Humanitarian Needs
- ▶ Growing CSR presence in the “Market”
- ▶ A little of Ideology



Counterarguments towards the new directive

- ▶ Administrative Burden
 - Business
 - Government
- ▶ Cost Disadvantage for global trading
- ▶ A move against “liberalization” of Business Conduct and its Publicity



... Greece Presiding EU (2014)

- ▶ Stagnant process for a new regulation
- ▶ Strong resistance from large economies
- ▶ Persisting European Parliament (sometimes excessively)
- ▶ A believer Commissioner
- ▶ “Pathetic” bureaucracy



The Directive 2014/95/EU (1)

- ▶ [Directive 2014/95/EU on disclosure of non-financial and diversity information by certain large undertakings and groups](#)
- ▶ amends the [Accounting Directive 2013/34/EU](#).
- ▶ requires companies concerned to disclose in their management report, information on policies, risks and outcomes as regards environmental matters, social and employee aspects, respect for human rights, anticorruption and bribery issues, and diversity in their board of directors

The Directive 2014/95/EU (2)

- ▶ The new rules will only apply to 6 000 large companies and groups across the EU:
 - more than 500 employees
 - listed companies as well as
 - other public-interest entities, such as banks, insurance companies, and companies that are so designated by Member States.
- ▶ Administrative burden is kept to a minimum:
 - Only concise information for understanding their development,
 - Performance, position and impact of their activity, (NOT detailed report)
 - Provided at group level, (NOT by individual affiliates).

The Directive 2014/95/EU (3)

- ▶ The Directive leaves significant flexibility for companies to disclose relevant information in the way that they consider most useful, or in a separate report. Companies may use international, European or national guidelines which they consider appropriate (for instance, the [UN Global Compact](#), the [OECD Guidelines for Multinational Enterprises](#), [ISO 26000](#), ...)
- ▶ EU Member States have two years (since 6 December 2014) to transpose it into national legislation. In this context, the European Commission is organizing informal transposition workshops to assist national authorities.

Michel Barnier

(Internal Market and Services Commissioner)

- ▶ *...I am pleased that the European Parliament has adopted this Directive modernising the disclosure of relevant and useful non-financial information by large companies and groups.*
- ▶ *Companies, investors and society at large will benefit from this increased transparency.*
- ▶ *Companies that already publish information on their financial and non-financial performances take a **longer term perspective** in their decision-making. They often have lower financing costs, attract and retain talented employees, and ultimately are more successful. This is important for Europe's competitiveness and the creation of more jobs. Best practices should become the norm.*
- ▶ *I want to **thank** the European Parliament, particularly the rapporteur, Raffaele Baldassarre, and the shadow-rapporteurs, for their work on this file."*

Implementation of Directive

- ▶ First transposition workshop (Brussels, 24 March 2015).
The session proved to be a very helpful forum for sharing the state-of-play of the transposition across Member States, and discussing practical implementation issues.
- ▶ Many Member States have already started the transposition process and have concrete implementations plans, while some of them are already in a very advanced stage.
- ▶ The next transposition workshop was planned for September 2015 **?!?!**

Areas to concentrate on

- ▶ Respect for international principles
- ▶ Partnerships for responsible growth
- ▶ New green business models
- ▶ Increased transparency



Respect for international principles

- ▶ Mediation and grievance mechanism for responsible business conduct
- ▶ Courses and guidance on responsible business conduct
- ▶ Promoting Global Compact
- ▶ International human rights



Partnerships for responsible growth

- ▶ Helping small and medium-sized companies work with social responsibility, for example by organising seminars and workshops in close collaboration with Business Authorities, regional networks and trade organisations.
- ▶ Making it easier for small and medium-sized companies to work strategically with voluntary environmental protection initiatives (web tools)
- ▶ Supporting the first UN initiative for social responsibility in the fashion industry.
- ▶ Promoting social responsibility within public business service



New green business models

- ▶ Helping growing companies develop green and innovative business models. More companies incorporate sustainability into innovation and production.



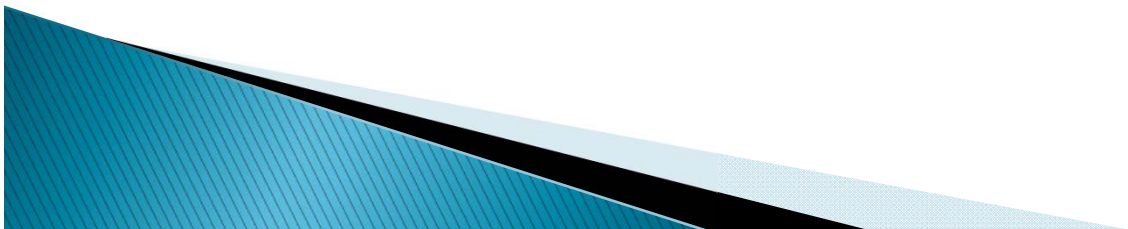
Increased transparency

- ▶ Reporting on human rights and climate
- ▶ CSR reporting at Global Level
- ▶ Country-by-country reporting on mining and forestry
- ▶ CSR Awards
- ▶ Promoting sustainable consumption



Next CSR Issues for Discussion

- ▶ Greenwashing
- ▶ public procurement
- ▶ Taxation vs CSR
- ▶ SMEs vs Large Entities



THANK YOU

Stefanos Komninos
skomninos@exceed.gr

