



European Trade Union Confederation (ETUC)
Confédération européenne des syndicats (CES)

**RESPONSE TO THE EUROPEAN COMMISSION PUBLIC
CONSULTATION ON THE DISCLOSURE OF NON-FINANCIAL
INFORMATION BY COMPANIES**

**Response of the European Trade Union Confederation
Boulevard du Roi Albert II, 5
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Questionnaire

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

X 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)

Please note that this answer is not limited to commenting on the situation in a single country, since the ETUC has in membership 83 National Trade Union Confederations from 36 European countries, as well as 12 European industry federations plus observer organisations in Macedonia, Serbia, and Bosnia and Herzegovina.

From the point of view of the ETUC, the current regime of disclosure of non-financial information in most European countries is poor to very poor. With the exception of employment levels, most listed and unlisted companies publicize little or no non-financial information. Although some countries have disclosure requirements for specific types of non-financial information for certain categories of companies, studies have shown that these requirements are fulfilled only to a limited extent in practice.

Best practice in non-financial reporting is currently defined by a relatively small number of companies, which are for the most part large listed companies. These companies provide regular (annual or biannual) sustainability reports which are audited externally and which provide information on most of the GRI (Global Reporting Initiative) third generation indicators. In these best practice cases employees are involved in the development of reporting systems and give feedback on sustainability reports, for example through a European Works Council. However, the probability that best practices are followed decrease quite rapidly as company size diminishes.

Quality and timely non-financial information is however essential for good decision-making in the company, for improving social dialogue and the participation of employees, and for monitoring the progress of companies in achieving important non-financial goals. They provide an alternative to short-term measures of company performance such as stock price. These indicators should be an important tool for holding boards and top management accountable for their non-financial performance, and could also be used for determining part of managerial remuneration (e.g. a portion of top management variable remuneration

would be paid out only if these managers made progress in reducing workplace accidents or environmental pollution).

A number of studies shows that companies that manage their relationships with employees and other stakeholders and provide information in a transparent and fair manner perform better in the long run. Investors are also increasingly demanding this type of information in the context of responsible investment policies and the avoidance of non-financial investment risks. Introducing a requirement for companies to regularly provide comprehensive and standardized non-financial information would thus be a step forward not only in the interests of stakeholders but also of the companies themselves.

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

- X Yes
 No
 No opinion

Please explain (optional)

Employees and their representatives have long been involved in corporate disclosure of environmental and social information, both as direct users of this information and as political actors demanding improved rights of information, consultation and participation of employees on a wide range of issues, including environmental and social issues. Comprehensive and timely information is essential so that employee interests can be properly represented.

The right to know what our companies are doing, not only in terms of their financial performance but also on how they treat their workforce and their impact on society and the environment, is a basic right in a democratic society. The weight of scientific evidence is that, although reporting has costs, it also has benefits and is essential to measuring improvement and progress in achieving targets. Society's confidence in the way companies behave has been shaking by the financial crisis. The provision of credible and comprehensive information by companies on their behaviour could be an important step in starting to restore this confidence. A number of these indicators are also directly relevant to the achievement of the Europe 2020 strategy, and thus the provision by companies of this information would be useful for monitoring progress in the implementation of this strategy.

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)

The disclosure of non-financial information should:

- Be mandatory

- Apply to all large and medium-sized companies
- Occur on an annual basis as well as in a timely manner on an ad-hoc basis due to significant developments
- Be based on a set of standardized, clearly defined indicators (in the interests of enabling comparison over time as well as between companies), which have been developed with the participation of employee organizations
- Include both general indicators for all sectors and sector-specific indicators
- Be discussed with employees and their representatives at the company level, to enable feedback on this information as well as further development of company reporting systems

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

YES Whether or not they have a CSR policy, and if they do, how they implement that policy and what the results have been

YES The principal business risks and opportunities arising from social and environmental issues, and how they are taken into account in company strategies

YES 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 expenditures)

YES Other

Other, please specify: (compulsory)

Insofar as these are not covered under the heading “key information” above, the ETUC would like to mention the following items as important for disclosure:

- Information on compliance with labour and human rights standards in supply chain management should be provided together with information on key suppliers, origin of production, source of raw materials and key productions processes.
- Employee representation and involvement
- Pay and pensions
- Disclosure of trade associations and other organizations which the company is a member of

Please explain (optional)

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)

YES Principles

YES Key Performance Indicators (KPIs)

YES 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)

YES General for all economic sectors

YES Sector specific

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

The Global Reporting Initiative (GRI) third generation of indicators (G3) currently provides a good catalogue of indicators which should be applied to companies in all economic sectors. For workers, the indicators on “labour practices and decent work” are of crucial importance and should be reported for all economic sectors. However, the interests of workers as stakeholders concerned with the responsibilities and long-run sustainability of companies also have a right to know information on indicators of company performance on a whole range of areas, including environment, human rights, community responsibility and product responsibility.

Other, please specify: (compulsory)

Company policies should also be disclosed.

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)

All of the frameworks mentioned above have valuable elements and made important contributions, and should be taken into account in identifying relevant principles and indicators. What is crucial is that key stakeholders including employees should be involved in the process of identifying principles and indicators, and that the experiences of these different frameworks should be taken into account. The GRI currently provides a good model of stakeholder involvement in the development of principles and indicators. It is important that companies be required to report on specific principles and indicators, rather than being given the option of selectively reporting only on specific points.

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

YES

Please explain (optional)

Companies have a responsibility to contribute to the realization of basic human rights, both in their own right and in the influence they have on the other companies they do business with and the governments of the countries they do business in. An important step towards the realization of these rights would be a requirement on companies to report on their human rights responsibilities and policies as well as on the concrete measures they have undertaken to fulfil these responsibilities. The Ruggie framework outlining the responsibilities of companies to respect human rights has received widespread support, including from the corporate sector, and provides a good model here.

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)

YES

Please explain (optional)

As an important step towards helping combat corruption and bribery companies should be required to disclose their policies on these issues on a country by country basis.

9. In your opinion, what companies should be required to disclose non-financial information (check only one box)? (compulsory)

Medium and large (listed and non-listed) companies.

Other, please specify (compulsory)

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)

YES

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)

All institutional investors should be required to disclose their policies on responsible investment as well as the procedures and actions they have to implement these policies, including: exclusion criteria for companies that will not be invested in; programs for engaging with companies; research and screening procedures for weighting different companies in their portfolios; and how they work with asset managers to make sure that these policies are implemented in the investment chain. They should also be required to disclose their voting records on the shares of companies that they own.

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)

YES

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)

More important than the issue of whether or not reporting is integrated is the question of the extensiveness, quality and timeliness of information provided and whether employees have been involved in the development of systems for and feedback on non-financial reporting. However, the concept of integrated reporting should be supported since it puts non-financial reporting on the same footing as financial reporting.

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

YES

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)

The ETUC supports external auditing of non-financial information, with some qualifications. External auditing by itself is not a solution if the auditors do not have competencies in social and environmental matters and have conflicts of interest through other relationships with the company. What is key is that stakeholders have confidence that the non-financial information provided is credible. External auditing of non-financial information is one element of increasing the credibility of the information provided. However, stakeholders must have confidence that auditors are truly independent and that the information provided to auditors by companies truly reflects practices on labour standards, human rights, etc. A number of best practice cases exist where this information has such credibility, for example international framework agreements involving trade unions in monitoring company practices. The ILO also has a role to play as the competent organisation to monitor the application of labour standards. Such mechanisms which include trade unions are needed to increase the confidence that stakeholders have in the content of the information provided as well as in the procedures used to compile this information.

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