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Committee on Foreign Affairs

2013/0110(COD)

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DRAFT OPINION

of the Committee on Foreign Affairs

for the Committee on Legal Affairs

on the proposal for a directive of the European Parliament and of the Council amending Council Directives 78/660/EEC and 83/349/EEC as regards disclosure of non-financial and diversity information by certain large companies and groups
(COM(2013)0207 – C7-0103/2013 – 2013/0110(COD))

Rapporteur: Thijs Berman

PA_Legam

SHORT JUSTIFICATION

The Fourth Council Directive 78/660/EEC of 25 July 1978 on the annual accounts of certain types of companies coordinates EU Member States' provisions regarding the annual accounts and annual reports of companies with limited liability. The current version of the Fourth Directive is the result of a series of amendments from 1983 to 2006.

The amendments presented in this opinion intend to supplement the information companies provide on the supply chain, and to ensure coherence between the definition given by the Fourth Directive to large companies and the related specific reporting requirements.

AMENDMENTS

The Committee on Foreign Affairs calls on the Committee on Legal Affairs, as the committee responsible, to incorporate the following amendments in its report:

Amendment 1

Proposal for a directive

Recital 6

Text proposed by the Commission

6. In order to enhance consistency and comparability of non-financial information disclosed throughout the Union, companies should be required to include in their annual report a non-financial statement containing information relating to at least environmental matters, social and employee-related matters, respect for human rights, anti-corruption and bribery matters. Such statement should include a description of the policies, results, and the risks related to those matters.

Amendment

6. In order to enhance consistency and comparability of non-financial information disclosed throughout the Union, companies should be required to include in their annual report a non-financial statement containing information relating to at least environmental matters, social and employee-related matters, respect for human rights, anti-corruption and bribery matters. Such statement should include a description of the policies, results, and the risks related to those matters; ***it should also cover the companies' supply chain and its subcontractors.***

Or. en

Justification

A report on non-financial matters and the risk relating to those matters is not complete without relevant information regarding the supply chain. The European Parliament has stated this in previous resolutions, such as in paragraph 8 of the resolution of 6 February 2013 on Corporate Social Responsibility: accountable, transparent and responsible business behaviour and sustainable growth (2012/2098(INI)).

Amendment 2

Proposal for a directive

Article 1 - point 1 - point a

Directive 78/660/EEC

Article 46 - paragraph 1

Text proposed by the Commission

(b) For companies whose average number of employees during the financial year exceeds **500** and, on their balance sheet dates, exceed either a balance sheet total of EUR **20** million or a net turnover of EUR **40** million, the review shall also include a non-financial statement containing information relating to at least environmental, social and employee matters, respect for human rights, anti-corruption and bribery matters, including:

- (i) a description of the policy pursued by the company in relation to these matters;
- (ii) the results of these policies;
- (iii) the risks related to these matters and how the company manages those risks.

Where a company does not pursue policies in relation to one or more of these matters, it shall provide an explanation for not doing so.

In providing such information the company may rely on **national**, EU-based or international frameworks and, if so, shall specify which frameworks it has relied upon

Amendment

(b) For companies whose average number of employees during the financial year exceeds **250** and, on their balance sheet dates, exceed either a balance sheet total of EUR **17,5** million or a net turnover of EUR **35** million, the review ***shall also take into account the company's value chain and subcontractors and*** include a non-financial statement containing information relating to at least environmental, social and employee matters, respect for human rights, anti-corruption and bribery matters, including:

- (i) a description of the policy pursued by the company in relation to these matters;
- (ii) the results of these policies;
- (iii) the risks related to these matters, ***the risks linked to the company's activities and business relationships*** and how the company manages those risks.

Where a company does not pursue policies in relation to one or more of these matters, it shall provide an explanation for not doing so.

In providing such information the company may rely on EU-based or international frameworks and, if so, shall specify which frameworks it has relied upon.

Or. en

Justification

The 4th Directive defines large companies as having more than 250 employees, a net turnover

of more than EUR 35 million and a balance sheet exceeding EUR 17.5 million. The Guiding Principles on Business and Human Rights state that businesses "seek to prevent or mitigate adverse human rights impacts that are directly linked to their operations, products or services [...] even if they have not contributed to those impacts". To have an international level playing field and make possible a comparison between companies, a company should always use an EU or international framework instead of a local one.

Amendment 3

Proposal for a directive

Article 1 - point 1 - point c

Directive 78/660/EEC

Article 46 - paragraph 5 (new)

Text proposed by the Commission

Amendment

'5. A company which is a subsidiary company shall be exempt from the obligations set out in paragraph 1(b), if the company and its subsidiaries are consolidated in the financial statements and annual report of another company and that consolidated annual report is drawn up in accordance with Article 36(1) of Directive 83/349/EEC. **deleted**

Or. en

Justification

A large company often consists of multiple companies; if a risk exists within the large company it should be clear in which subsidiary company this risk exists. An exclusion of the subsidiary companies from the obligations set out in paragraph 1(b) would diminish the necessary clarity.