



EUROPEAN PARLIAMENT

2009 - 2014

---

*Committee on Development*

---

**2013/0110(COD)**

11.11.2013

## **OPINION**

of the Committee on Development

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: Judith Sargentini

PA\_Legam

## AMENDMENTS

The Committee on Development 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 Title

*Text proposed by the Commission*

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

*Amendment*

DIRECTIVE OF THE EUROPEAN  
PARLIAMENT AND OF THE COUNCIL

amending Council Directives 78/660/EEC  
and 83/349/EEC as regards disclosure of  
***financial***, non-financial and diversity  
information by certain large companies and  
groups

### Amendment 2

#### Proposal for a directive Recital 3 a (new)

*Text proposed by the Commission*

*Amendment*

***(3a) Increased transparency regarding the activities of large companies, and in particular regarding the name(s) of establishments, nature of activities and their geographical locations, turnover, number of employees on a full time equivalent basis, profits made, taxes on profit paid and subsidies received, is essential for ensuring the trust of EU citizens in companies. Mandatory reporting in this area can therefore be seen as an important element of the corporate responsibility of companies to stakeholders and society.***

## Amendment 3

### Proposal for a directive Recital 3 b (new)

*Text proposed by the Commission*

*Amendment*

***(3b) Sustainability reporting is a vital step for managing change towards a sustainable global economy, one that combines long term profitability with social justice and environmental protection. Transparency and accountability are now becoming an intrinsic part of the discussions on the post-2015 development agenda and the Sustainable Development Goals. As sustainability reporting helps to measure, monitor and manage performance and impacts, it offers an opportunity to further harness the capacity of the private sector to positively impact sustainable development.***

## Amendment 4

### Proposal for a directive Recital 5

*Text proposed by the Commission*

*Amendment*

(5) It is also necessary to establish a certain minimum legal requirement as regards the extent of the information that should be made available to the public by undertakings across the Union. Annual reports should give a fair and comprehensive view of an undertaking's policies, results, and risks.

(5) It is also necessary to establish a certain minimum legal requirement as regards the extent of the information that should be made available to the public by undertakings across the Union. Annual reports should give a fair and comprehensive view of an undertaking's policies, results, and risks, ***as well as of the precise purpose of its social investments and those of its subsidiaries.***

## Amendment 5

### 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, ***anti-discrimination measures***, respect for human rights, anti-corruption and bribery matters. ***This*** statement should include a description of the policies ***and*** results and ***the precise purpose of social investments, as well as*** the risks related to those matters, ***including for the entire supply chain.***

## Amendment 6

### Proposal for a directive Recital 6 a (new)

*Text proposed by the Commission*

*Amendment*

***(6a) The disclosure of non-financial information should be based on risk-based due diligence carried out by companies to identify, prevent and mitigate actual and potential adverse impacts, as appropriate, to the size of the companies, the nature and context of operations and the severity of the risks of adverse impacts. The principles of due diligence have been outlined in the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights implementing the UN “Protect, Respect and Remedy” Framework by which the Commission***

*committed to abide.*

## **Amendment 7**

### **Proposal for a directive**

#### **Recital 6 b (new)**

*Text proposed by the Commission*

*Amendment*

*(6b) Companies should provide detailed information on matters linked to the most important risks involving severe impacts, as well as detailed information on any severe impact that has materialised. The importance ascribed to a risk should depend on the likelihood of it materialising in combination with the severity of the potential impacts. Severity of impacts should be judged by their scale and gravity, the number of individuals impacted at present or in the future and any irremediable character, in the sense of any limits to restore those who have been or that which has been impacted to a situation at least the same as, or equivalent to, the situation before an adverse impact.*

## **Amendment 8**

### **Proposal for a directive**

#### **Recital 6 c (new)**

*Text proposed by the Commission*

*Amendment*

*(6c) More frequent references to existing sustainability and reporting frameworks, as well as the continuing emergence of new frameworks, stimulate the shift towards a sustainable global economy. Yet, with the global rise of sustainability reporting policies, including in developing countries, the alignment and harmonisation of frameworks become a growing challenge that should be addressed, given the risk of overlapping,*

*conflicting, and even competing standards.*

## Amendment 9

### Proposal for a directive Recital 6 d (new)

*Text proposed by the Commission*

*Amendment*

*(6d) Social matters includes responsible behaviour on tax planning to ensure that a fair share of tax is paid in the right place and that aggressive tax avoidance is averted.*

## Amendment 10

### Proposal for a directive Recital 7

*Text proposed by the Commission*

*Amendment*

(7) In providing *this* information, companies may rely on national frameworks, EU-based frameworks such as the Eco-Management and Audit Scheme (EMAS), and 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 (ISO) 26000, the International Labour Organization (ILO) Tripartite Declaration of principles concerning multinational enterprises and social policy, and the Global Reporting Initiative.

(7) In providing information *on their compliance with rights and values protected by norms of international law, companies shall apply the Guiding Principles on Business and Human Rights implementing the UN “Protect, Respect and Remedy” Framework and the OECD Guidelines for Multinational Enterprises*, companies may *also* rely on national frameworks, EU-based frameworks such as the Eco-Management and Audit Scheme (EMAS), and *other* international frameworks such as the United Nations (UN) Global Compact, the International Organisation for Standardisation (ISO) 26000 *standard*, the International Labour Organization (ILO) Tripartite Declaration of principles concerning multinational enterprises and social policy, and the Global Reporting Initiative *or on a set of quantifiable, sector-specific social criteria endorsed by*

*the European Union under, for example, a ‘social labelling’ scheme.*

*Justification*

*A harmonised global framework for sustainability reporting is in the interest of companies operating in the global economy. The OECD Guidelines cover all major areas of business ethics. On 16 June 2011, following work of Prof John Ruggie, the UN Human Rights Council unanimously endorsed the Guiding Principles implementing the UN "Protect, Respect and Remedy" Framework". Given their comprehensive sustainability scope and their complementarities these two frameworks should be taken as the base of alignment and harmonisation of reporting.*

**Amendment 11**

**Proposal for a directive**  
**Recital 7 a (new)**

*Text proposed by the Commission*

*Amendment*

***(7a) To the extent necessary for an understanding of the companies' human rights, social and environmental impacts, the annual reports shall include non-financial key performance indicators relevant to the particular business' sector. For environmental aspects, the non-financial indicators should include an assessment of green house gas emissions and the use of materials, water and land. This assessment should include an estimate of the use of these resources in the company's supply chain.***

*Justification*

*The European Commission endorsed these indicators in its Communication entitled “Roadmap to a Resource Efficient Europe” of 20th September 2011.*



## **Amendment 12**

### **Proposal for a directive Recital 7 b (new)**

*Text proposed by the Commission*

*Amendment*

***(7b) In order to enhance consistency and comparability of non-financial information provided by companies, the Commission should develop guidance on the use of appropriate key performance indicators and resource measurement methodology and of the international frameworks, in particular as regards the corporate responsibility to respect rights and values protected by norms of international law.***

## **Amendment 13**

### **Proposal for a directive Recital 7 c (new)**

*Text proposed by the Commission*

*Amendment*

***(7c) Member States shall ensure that adequate and effective means exist to enforce full, accurate and credible disclosure of non-financial information by companies in compliance with the provisions of this Directive.***

## **Amendment 14**

### **Proposal for a directive Recital 8 a (new)**

*Text proposed by the Commission*

*Amendment*

***(8a) In line with the recommendations of the United Nations Environment Programme GEO-5 report, the integration of environmental, economic and social data should aim to provide a true assessment of environmental impact.***

## **Amendment 15**

### **Proposal for a directive Recital 9 a (new)**

*Text proposed by the Commission*

*Amendment*

***(9a) Investor access to non-financial information should also help to channel investment into undertakings with high social standards.***

## **Amendment 16**

### **Proposal for a directive Recital 9 b (new)**

*Text proposed by the Commission*

*Amendment*

***(9b) The disclosure of non-financial information should make it possible to implement a sustainable and inclusive investment strategy that includes a corporate social responsibility clause with concrete guidelines for investors, as well as an efficient assessment methodology for public authorities monitoring the social and environmental impact of the resulting investments;***

## **Amendment 17**

### **Proposal for a directive Recital 10 a (new)**

*Text proposed by the Commission*

*Amendment*

***(10a) The requirement to disclose non-financial information includes striking a balance between environmental results and social results, in order to ensure that***

*such disclosure is in keeping with CSR principles and is not confined solely to environmental data.*

## **Amendment 18**

### **Proposal for a directive**

#### **Recital 11**

##### *Text proposed by the Commission*

(11) The scope of these non-financial disclosure requirements should be defined by reference to the average number of employees, total assets and turnover. SMEs should be exempted from additional requirements, and the obligation to disclose a non-financial statement in the annual report should only apply to those companies whose average number of employees exceeds **500**, and exceed either a balance sheet total of EUR **20** million or a net turnover of EUR **40** million.

##### *Amendment*

(11) The scope of these non-financial disclosure requirements should be defined by reference to the average number of employees, total assets and turnover. SMEs should be exempted from additional requirements, and the obligation to disclose a non-financial statement in the annual report should only apply to those companies whose average number of employees exceeds **250**, and exceed either a balance sheet total of EUR **17,5** million or a net turnover of EUR **35** million.

##### *Justification*

*The definition of large company should be interpreted in accordance with the existing definition in the 4th Accounting Directive under which a company is large if it has an average number of employees exceeding 250 and either a balance sheet exceeding €17.5 million or net turnover exceeding €35 million.*

## **Amendment 19**

### **Proposal for a directive**

#### **Recital 11 a (new)**

##### *Text proposed by the Commission*

##### *Amendment*

***(11a) The European Council of 22 May 2013 called for the mandatory introduction of country-by-country reporting for all large companies and groups as part of the revision of this Directive. Therefore, in order to provide for enhanced transparency of payments***

*made to governments, large undertakings and public interest entities should disclose material payments made to governments in the countries in which they operate. Such disclosures should be published, where possible, as an annex to the annual financial statements or to the consolidated financial statements of the undertaking concerned.*

## **Amendment 20**

### **Proposal for a directive Recital 11 b (new)**

*Text proposed by the Commission*

*Amendment*

*(11b) To mitigate aggressive tax planning and avoidance by EU undertakings, Member States should introduce general anti-avoidance rules (GAAR) in line with the European Commission Recommendation on Aggressive Tax Planning on the 12th December 2012 and the OECD Progress Report to the G20 on 5th September 2013. Furthermore, large undertakings in the Union should also make public a report on their aggressive tax planning systems, including other relevant information.*

## **Amendment 21**

### **Proposal for a directive Recital 14 a (new)**

*Text proposed by the Commission*

*Amendment*

*(14a) The requirement to disclose non-financial information calls for the setting up of EU-approved rating agencies to check, wherever necessary, the accuracy of the information disclosed.*

## Amendment 22

### Proposal for a directive Recital 15 a (new)

*Text proposed by the Commission*

*Amendment*

***(15a) The supply chain of an undertaking can become disconnected from source and liability and can therefore pose significant risks not only to the undertakings themselves, but also to the wider society as a result of their business operations. It is therefore important that undertakings perform due diligence on their supply chains, including where they use sub-contractors and that these particular policies are disclosed in order to mitigate such risks and inform stakeholders of the assessments they have undertaken.***

## Amendment 23

### Proposal for a directive Recital 16

*Text proposed by the Commission*

*Amendment*

(16) The obligation to disclose their diversity policies for their administrative, management and supervisory bodies with regard to ***aspects such as age, gender, geographical diversity, educational and professional background*** should only apply to large listed companies. Therefore small and medium-sized companies that may be exempted from certain accounting obligations under article 27 of Directive 78/660/EEC should not be covered to by this obligation. Disclosure of the diversity policy should be part of the corporate governance statement, as laid down by Article 46a of Directive 78/660/EEC.

(16) The obligation to disclose their diversity policies for their administrative, management and supervisory bodies with regard to ***Article 21 of the Charter of Fundamental Rights and Article 19 of the TFEU*** should only apply to large listed companies. Therefore small and medium-sized companies that may be exempted from certain accounting obligations under article 27 of Directive 78/660/EEC should not be covered to by this obligation. Disclosure of the diversity policy should be part of the corporate governance statement, as laid down by Article 46a of Directive 78/660/EEC. Companies not having a such

Companies not having a such a diversity policy should not be obliged to put one in place, but they should clearly explain why this is the case.

a diversity policy should not be obliged to put one in place, but they should clearly explain why this is the case.

## **Amendment 24**

### **Proposal for a directive Recital 17 a (new)**

*Text proposed by the Commission*

*Amendment*

***(17a) Non-financial information disclosure could be included among the contract award criteria when the Public Procurement Directive is next revised.***

## **Amendment 25**

### **Proposal for a directive Article 1 – paragraph 1 – point a Directive 78/660/EEC Article 46 – paragraph 1 – point b – subparagraph 1**

*Text proposed by the Commission*

*Amendment*

(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:

(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 include a non-financial statement containing information relating ***equally*** to environmental, social and employee matters, ***anti-discrimination measures***, respect for human rights, anti-corruption and bribery matters, ***taking into account the company's complete supply chain***, including:

## **Amendment 26**

### **Proposal for a directive**

#### **Article 1 – paragraph 1 – point a**

Directive 787/660/CEE

Article 46 – paragraph 1 – point b – subpoint i a (new)

*Text proposed by the Commission*

*Amendment*

***(ia) The precise purpose of social investments.***

## **Amendment 27**

### **Proposal for a directive**

#### **Article 1 – paragraph 1 – point a**

Directive 78/660/EEC

Article 46 – paragraph 1 – point b – subpoint iii a (new)

*Text proposed by the Commission*

*Amendment*

***(iiia) a description of the company's due diligence policy for its administrative, management and supervisory bodies with regard to its supply chains and sub-contractors at least in the areas relating to environmental, social and employee matters, respect for human rights, anti-corruption and bribery. The description should also include the objectives of this due diligence policy, how it has been implemented and the results in the reporting period.***

## **Amendment 28**

### **Proposal for a directive**

#### **Article 1 – paragraph 1 – point a**

Directive 78/660/EEC

Article 46 – paragraph 1 – point b – subpoint iii a (new)

*Text proposed by the Commission*

*Amendment*

***(iiia) an analysis of resource use, including at least land use, water use,***

***green house gas emissions and use of materials.***

*Justification*

*Environmental information disclosure can support environment protection, if stakeholders receive relevant, accurate and comparable information. Creating a level playing field between companies entails establishing a minimum common denominator of reporting. In the 2011 Resource Efficiency Roadmap, the European Commission proposed the use of four key indicators - water, land, materials and carbon - for measuring resource use. These indicators were endorsed by the EP as well as the European Resource Efficiency Platform. They should be included in the scope of this directive.*

**Amendment 29**

**Proposal for a directive**

**Article 1 – paragraph 1 – point a**

Directive 78/660/EEC

Article 46 – paragraph 1 – point b – subparagraph 2

*Text proposed by the Commission*

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.

*Amendment*

Where a company does not pursue policies in relation to one or more of these matters, it shall provide ***a reasoned*** explanation ***based on assessment of risks*** for not doing so.

*Justification*

*Disclosure of non-financial information is a vital means for improving responsible business practice and for managing change towards a sustainable global economy, one that combines long term profitability with social justice and environmental protection. The option to "explain" should enable users of the reporting to understand how companies perceive and assess risks in their own strategies.*

**Amendment 30**

**Proposal for a directive**

**Article 1 – paragraph 1 – point a**

Directive 78/660/EEC

Article 46 – paragraph 1 – point b – subparagraph 3

*Text proposed by the Commission*

In providing such information ***the*** company

*Amendment*

In providing such information, ***the***



may rely on *national*, EU-based or international frameworks and, if so, shall specify which frameworks it has relied upon.

*company shall take into account its responsibility to respect rights and values protected by norms of international law. In this respect the company shall apply the Guiding Principles on Business and Human Rights implementing the United Nations “Protect, Respect and Remedy” Framework and the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises. The company may, in addition, rely on EU-based or international frameworks or on a set of quantifiable, sector-specific social criteria endorsed by the European Union under, for example, a ‘social labelling’ scheme, and, if so, shall specify which frameworks it has relied upon. This provision shall apply without prejudice to the requirements of this Directive or to other European Union legislation or guidance containing more specific rules for companies’ non-financial disclosure.*

## Amendment 31

### Proposal for a directive

#### Article 1 – paragraph 1 – point a

Directive 78/660/EEC

Article 46 – paragraph 1 – point c

#### *Text proposed by the Commission*

(c) To the extent necessary for an understanding of the company's development, performance or position, the analysis shall include both financial and non-financial key performance indicators relevant to the particular business.

#### *Amendment*

(c) To the extent necessary for an understanding of the company's development, performance or position, **and human rights, social and environmental impacts**, the analysis shall include both financial and non-financial key performance indicators relevant to the particular business.

## Amendment 32

### Proposal for a directive

#### Article 1 – paragraph 1 – point a

Directive 78/660/EEC

Article 46 – paragraph 1 – point c a (new)

*Text proposed by the Commission*

*Amendment*

***(ca) The European Commission shall develop guidance on the methodology and use of international standards and non-financial performance indicators, as referred to in Article 46.1 in order to assist companies in their reporting.***

***The Commission shall publish the guidance. It shall submit a report to the European Parliament and the Council on the development of the guidance, at the latest 18 months after the adoption of the Directive.***

*Justification*

*In order to optimise corporate sustainability reporting, the Commission should provide on-going guidance on appropriate key performance indicators and resource measurement methodology, while reflecting upon the use of international standards.*

## Amendment 33

### Proposal for a directive

#### Article 1 – paragraph 1 – point a

Directive 78/660/EEC

Article 46 – paragraph 1 – point c b (new)

*Text proposed by the Commission*

*Amendment*

***(cb) The Commission shall establish a Non Financial Disclosure Guidance Board to support the implementation of non-financial reporting requirements and to involve stakeholders for the development of guidance on the methodology and use of international standards and non-financial performance indicators, as referred to in Article 46.1,***

*in a balanced and open way.*

## **Amendment 34**

### **Proposal for a directive**

#### **Article 1 – paragraph 1 – point 2 – point a**

Directive 78/660/EEC

Article 46a – point 1(g)

#### *Text proposed by the Commission*

(g) a description of the company's diversity policy for its administrative, management and supervisory bodies with regard to ***aspects such as age, gender, geographical diversity, educational and professional background***, the objectives of this diversity policy, how it has been implemented and the results in the reporting period. If the company has no such policy, the statement shall contain a clear and reasoned explanation as to why this is the case.

#### *Amendment*

(g) a description of the company's diversity policy for its administrative, management and supervisory bodies with regard to ***Article 21 of the Charter of Fundamental Rights and Article 19 of the TFEU***, the objectives of this diversity policy, how it has been implemented and the results in the reporting period. If the company has no such policy, the statement shall contain a clear and reasoned explanation as to why this is the case.

## **Amendment 35**

### **Proposal for a directive**

#### **Article 1 – paragraph 1 – point 2 – point a**

Directive 78/660/EC

Article 46a – paragraph 1 – point c a (new)

#### *Text proposed by the Commission*

#### *Amendment*

***The following point (ca) is added:***

***(c a) In order to assess the proportionality of tax reduction methods employed by an undertaking, a description of the undertaking's tax planning arrangements should be specified which at least include:***

***(i) aggressive tax planning arrangements including the general substance of advice received;***

*(ii) transfer pricing arrangements and whether the transfer prices have been agreed by the revenue authorities in each of the countries concerned;*

*(iii) permanent establishment decisions and a list of countries where the undertaking trades without having a permanent establishment;*

*(iv) base erosion methods via interest deduction, royalties and other financial payments, including where brands are developed, where they are paid for by subsidiaries and whether they are owned by the parent company in their main operating base or if not, where domiciled for tax purposes;*

*(v) where research and development takes place and how this is recovered from subsidiaries.*

## **Amendment 36**

### **Proposal for a directive**

#### **Article 2 – paragraph 1 – point a**

Directive 83/349/CEE

Article 36 – paragraph 1 – subparagraph 1

#### *Text proposed by the Commission*

The consolidated annual report shall include a fair review of the development and performance of the business and of the position of the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

#### *Amendment*

The consolidated annual report shall include a fair review of the development and performance of the business and of the position of the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face, ***including the entire supply chain.***

## Amendment 37

### Proposal for a directive

#### Article 2 – paragraph 1 – point a

Directive 83/349/EEC

#### Article 36 – paragraph 1 – subparagraph 3

##### *Text proposed by the Commission*

For parent undertakings of undertakings to be consolidated that together exceed an average number of **500** employees during the financial year, 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 the following:

##### *Amendment*

For parent undertakings of undertakings to be consolidated that together exceed an average number of **250** employees during the financial year, 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 include a non-financial statement containing information relating **equally** to environmental, social and employee matters, **anti-discrimination measures**, respect for human rights, anti-corruption and bribery matters, **taking into account the company's complete supply chain**, including the following:

##### *Justification*

*The definition of large company should be interpreted in accordance with the existing definition in the 4th Accounting Directive under which a company is large if it has an average number of employees exceeding 250 and either a balance sheet exceeding €17.5 million or net turnover exceeding €35 million. A report on non-financial matters and the risk relating to them is not complete without relevant information regarding the entire supply chain.*

## Amendment 38

### Proposal for a directive

#### Article 2 – paragraph 1 – point a

Directive 83/349/CEE

#### Article 36 – paragraph 1 – subparagraph 4 – point i a (new)

##### *Text proposed by the Commission*

##### *Amendment*

**(ia) The precise purpose of social investments.**

## Amendment 39

### Proposal for a directive

#### Article 2 – paragraph 1 – point a

Directive 83/349/EEC

Article 36 – paragraph 1 – subparagraph 4 – point (iii)

#### *Text proposed by the Commission*

(iii) the risks related to these matters and how the company manages those risks

#### *Amendment*

(iii) the risks related to these matters ***linked to the company's operations which are likely to cause, or have caused, severe adverse social, environmental or human rights impacts***, and how the company manages those risks

#### *Justification*

*The concept of risk has several aspects. The company faces some risks while it may pose other risks to society. These last risks can, in turn, also pose risks to the company. In line with the OECD Guidelines for Multinational Enterprises and the Guiding Principles on Business and Human Rights implementing the UN “Protect, Respect and Remedy” Framework, all aspects of risk need to be incorporated into reporting in order for the proposal to achieve its goals.*

## Amendment 40

### Proposal for a directive

#### Article 2 – paragraph 1 – point a

Directive 83/349/EEC

Article 36 – paragraph 1 – subparagraph 4 – point iii a (new)

#### *Text proposed by the Commission*

#### *Amendment*

***(iiia) a description of the group's due diligence policy for its administrative, management and supervisory bodies with regard to its supply chains and sub-contractors at least in the areas relating to environmental, social and employee matters, respect for human rights, anti-corruption and bribery. The description should also include the objectives of this due diligence policy, how it has been implemented and the results in the reporting period.***

## Amendment 41

### Proposal for a directive

#### Article 2 – paragraph 1 – point a

Directive 83/349/EEC

Article 36 – paragraph 1 – subparagraph 4 – point iii a (new)

*Text proposed by the Commission*

*Amendment*

**(iiia) an analysis of resource use, including at least land use, water use, green house gas emissions and use of materials;**

*Justification*

*Environmental information disclosure can support environment protection, if stakeholders receive relevant, accurate and comparable information. Creating a level playing field between companies entails establishing a minimum common denominator of reporting. In the 2011 Resource Efficiency Roadmap, the European Commission proposed the use of four key indicators - water, land, materials and carbon - for measuring resource use. These indicators were endorsed by the EP as well as the European Resource Efficiency Platform. They should, accordingly, be included in the scope of this directive.*

## Amendment 42

### Proposal for a directive

#### Article 2 – paragraph 1 – point a

Directive 83/349/EEC

Article 36 – paragraph 1 – subparagraph 4

*Text proposed by the Commission*

*Amendment*

Where the undertakings included in the consolidation taken as a whole do not pursue policies in relation to one or more of these matters, the company shall provide **an** explanation for not doing so.

Where the undertakings included in the consolidation taken as a whole do not pursue policies in relation to one or more of these matters, the company shall provide **a reasoned** explanation **based on assessment of risks** for not doing so.

*Justification*

*Disclosure of non-financial information is a vital means for improving responsible business practice and for managing change towards a sustainable global economy, one that combines long term profitability with social justice and environmental protection. The option to*

*"explain" should enable users of the reporting to understand how companies perceive and assess risks in their own strategies.*

## **Amendment 43**

### **Proposal for a directive**

#### **Article 2 – paragraph 1 – point a**

Directive 83/349/EEC

Article 36 – paragraph 1 – subparagraph 5

#### *Text proposed by the Commission*

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

#### *Amendment*

In providing such information, ***the company shall take into account its responsibility to respect rights and values protected by norms of international law. In this respect the company shall apply the Guiding Principles on Business and Human Rights implementing the United Nations' "Protect, Respect and Remedy" Framework and the Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises. In addition,*** the consolidated annual report may rely on national, EU-based or international frameworks and if so, shall specify which frameworks it has relied upon. ***This provision shall apply without prejudice to the requirements of this Directive or to other European Union legislation or guidance containing more specific rules for companies' non-financial disclosure.***

#### *Justification*

*A harmonised global framework for sustainability reporting is in the interest of companies operating in the global economy. The OECD Guidelines cover all major areas of business ethics. On 16 June 2011, following work of Prof John Ruggie, the UN Human Rights Council unanimously endorsed the Guiding Principles implementing the UN "Protect, Respect and Remedy" Framework". Given their comprehensive sustainability scope and their complementarities these two frameworks should be taken as the base of alignment and harmonisation of reporting.*



## **Amendment 44**

### **Proposal for a directive**

#### **Article 2 a (new)**

Directive 2013/34/EU

Chapter 10 – Article 41 – paragraph 6

*Text proposed by the Commission*

*Amendment*

#### **2a. Amendments to Directive 2013/34/EU (Country-By-Country Reporting)**

**Directive 2013/34/EU is amended as follows:**

**(1) The following paragraph 6 is added to Chapter 10, Article 41:**

**6. "Country-by-country report" means the following financial information, to be provided by an undertaking as defined in Article 2, paragraph 1(a), (b), and (c) and Article 3, paragraph 4 for each Member State and third country in which it operates:**

**a) name(s), nature of activities and geographical location;**

**b) turnover;**

**c) number of employees on a full time equivalent basis;**

**d) profit or loss before tax;**

**e) tax on profit or loss;**

**f) public subsidies received;**

**(2) Chapter 10, Article 42, paragraph 1 and 2 are amended as follows:**

#### **Article 42**

**Undertakings required to report on payments to governments and produce a country-by-country report**

**1. Member States shall require large undertakings and all public-interest entities active in the extractive industry or the logging of primary forests to prepare and make public a report on payments made to governments on an annual basis.**

*Member States shall also require large undertakings and all public-interest entities to publicly disclose annually a country-by-country report on a consolidated basis for the financial year.*

*2. These obligations shall not apply to any undertaking governed by the law of a Member State which is a subsidiary or parent undertaking, where both of the following conditions are fulfilled:*

*(a) the parent undertaking is subject to the laws of a Member State; and*

*(b) the payments to governments and the country-by-country report made by the undertaking are included in the consolidated report on payment to governments drawn up by that parent undertaking in accordance with Article 39.*

*(3) The following paragraphs 3 and 4 are added:*

*3. The information referred to in paragraph 1 shall be audited in accordance with Directive 2006/43/EC and shall be published, where possible, as an annex to the annual financial statements or, where applicable, to the consolidated financial statements of the company/undertaking concerned.*

*4. The Commission shall conduct a general assessment report as regards potential economic consequences of the public disclosure of the country-by-country report, including the impact on competitiveness and investment and may consider making this information available to the competent tax authorities only in the case of a negative assessment. The Commission shall submit its report to the Council and the European Parliament by 31 December 2015.*

## **Amendment 45**

### **Proposal for a directive**

#### **Article 2 a (new)**

Directive 2013/34/EU

Article 50a (new)

*Text proposed by the Commission*

*Amendment*

**(2) The following Article is inserted:**

**"Article 50a**

#### **Monitoring and enforcement**

**1. Member States shall ensure that adequate and effective means exist to monitor and enforce the disclosure of non-financial information by companies in compliance with the provisions of this Directive**

**2. Member States shall ensure that judicial and/or administrative procedures for the enforcement of obligations under this Directive are available to all persons, including legal entities, who have in accordance with the criteria laid down by their national law, a legitimate interest in ensuring that the provisions of this Directive are complied with."**

## **Amendment 46**

### **Proposal for a directive**

#### **Article 2 a (new)**

Directive 2013/34/EU

Article 53a (new)

*Text proposed by the Commission*

*Amendment*

**(3) The following Article is inserted:**

**"Article 53a**

#### **Revision**

**No later than [three years after adoption of this Directive], the Commission shall review the provisions in [Article 46 of Directive 78/660/EEC, amended by the**

*present Commission proposal and to be integrated in Directive 2013/34/EU, new reference not yet known] and submit a report to the European Parliament and Council, accompanied by legislative proposals if appropriate, regarding:*

- the non-financial information disclosed and its scope, including the coverage of the supply chain, whether adequate guidance and methods are provided and whether the aims of the legislation are being fulfilled;*
- the progress with non-financial reporting across the world;*
- the implementation of the UN “Protect, Respect and Remedy” Framework and its Guiding Principles as well as of the OECD Guidelines for Multinational Enterprises;*
- the use of indicators for land use, water use, greenhouse gas emissions, and use of materials; and*
- the effectiveness of existing verification and enforcement mechanisms."*

## PROCEDURE

<b>Title</b>	Disclosure of non-financial and diversity information by certain large companies and groups
<b>References</b>	COM(2013)0207 – C7-0103/2013 – 2013/0110(COD)
<b>Committee responsible</b> Date announced in plenary	JURI 21.5.2013
<b>Opinion by</b> Date announced in plenary	DEVE 12.9.2013
<b>Rapporteur</b> Date appointed	Judith Sargentini 28.5.2013
<b>Discussed in committee</b>	14.10.2013
<b>Date adopted</b>	5.11.2013
<b>Result of final vote</b>	+: 24 –: 1 0: 1
<b>Members present for the final vote</b>	Thijs Berman, Corina Crețu, Véronique De Keyser, Nirj Deva, Leonidas Donskis, Charles Goerens, Mikael Gustafsson, Eva Joly, Miguel Angel Martínez Martínez, Gay Mitchell, Bill Newton Dunn, Andreas Pitsillides, Jean Roatta, Birgit Schnieper-Jastram, Alf Svensson, Ivo Vajgl, Daniël van der Stoep, Anna Záborská, Iva Zanicchi
<b>Substitute(s) present for the final vote</b>	Eduard Kukan, Isabella Lövin, Cristian Dan Preda, Judith Sargentini
<b>Substitute(s) under Rule 187(2) present for the final vote</b>	Iratxe García Pérez, María Muñoz De Urquiza, Bogusław Sonik