

# Bericht: Protektionismus auf dem Vormarsch, EU erfolgreich beim Abbau von Handelshemmnissen

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## Frequently asked questions: Guidelines on disclosure of non-financial information

**What will change? What information will be disclosed and how?**

The European Commission has adopted today non-binding guidelines on the disclosure of non-financial information by companies. Their objective is to help companies fulfil the [requirement to disclose relevant and useful](#)

[information](#) on environmental and social matters in a consistent and more comparable way. Such disclosure obligations are set out in the Directive on disclosure of non-financial and diversity information by certain large undertakings and groups ([Directive 2014/95/EU](#)), which entered into force on 6 December 2014.

The Directive stipulates some minimum requirements on the disclosure of non-financial information by certain large companies, while avoiding any undue administrative burden, in particular for the smallest companies.

Companies concerned will disclose in their annual report relevant information on:

- policies, outcomes and risks, including due diligence that they implement;
- relevant non-financial key performance indicators;
- environmental aspects, social and employee matters, respect for human rights, anti-corruption and bribery issues.

The **guidelines are not mandatory** and are intended to help companies to comply with the reporting requirements. They do not add any legal requirements and closely follow the balance found by the Directive in terms of legal requirement, scope and flexibility for companies.

Companies retain significant flexibility to disclose relevant information in the way that they consider most useful. Furthermore, they may use international, European or national guidelines according to their own characteristics or business environment, such as UN Guiding Principles on Business and Human Rights, ISO 26000, or the German Sustainability Code.

#### **Why has the Commission issued these guidelines?**

Appropriate non-financial disclosure is an essential element to enable sustainable finance. These guidelines propose that any company should disclose relevant information on the actual and potential impacts of its operations on the environment, and on how current and foreseeable environmental matters may affect the company. Greater and more relevant transparency is expected to lead towards a major reduction of greenhouse gas emissions and climate-resilient growth and jobs.

This builds on the Commission's goal to develop a comprehensive EU strategy on sustainable finance as part of the Capital Markets Union and fits into the on-going work of the [High-Level Group on Sustainable Finance](#) established by the European Commission.

Both the existing EU [Directive on the disclosure of non-financial information](#) (Art. 2) and these new guidelines reflect current best practices and most

recent developments at international level, including lessons from the [UN Sustainable Development Goals](#), the [Paris Climate Agreement](#) and the industry-led [Task Force on climate-related financial disclosures set up by the Financial Stability Board](#).

### **Who will benefit from the guidelines?**

Transparency leads to better performance. All companies that disclose information on social and environmental matters reap significant benefits over time. The results of the [impact assessment accompanying the Directive](#) showed in particular that such benefits included lower funding costs, fewer and less significant business disruptions, stronger consumer loyalty, and better relations with stakeholders.

Well-informed business and investment decisions have much better chances to succeed. Investors, lenders and other stakeholders will benefit from a more informed and efficient decision process. Similarly, society at large will benefit from companies managing environmental and social challenges in a more effective and accountable way.

The guidelines will support companies in this process. They are principle-based to help companies across all sectors and are designed to be practical, business-oriented and impact-driven. Companies that use these guidelines will be able to better integrate material environmental and social information in their business cycle, innovate and adapt their reporting to the particular circumstances of their business, and further rely as appropriate on other reporting frameworks.

### **How did you come up with the guidelines?**

The Commission has undertaken extensive public consultations including a broad, web-based [public consultation in 2016](#) which attracted 355 responses from companies, business associations, investors, public authorities, international organisations, professionals, service providers, NGOs, civil society and other stakeholders from EU and EEA Member States, as well as from third-party jurisdictions. The consultation process also included expert interviews, workshops with stakeholders and a consultation with the High Level Expert Group on Sustainable Finance organised by the Commission.

### **What are the next steps?**

The Commission will continue to closely monitor the evolution of relevant reporting developments in the EU and globally, and the outcome of related initiatives such as the [High Level Expert Group on sustainable finance](#).

In practical terms, the Commission is currently reviewing the effective transposition of the Directive into national legislation by Member States. As companies start applying the requirements of the Directive in 2018 (on 2017 information), the Commission will also closely monitor this process.

In particular, Article 3 of the Directive requires the Commission to review the implementation of the Directive.

## **Who is subject to the reporting requirement of Directive/2014/95/EU?**

The Directive applies to large public-interest entities with more than 500 employees. This includes approximately 6 000 large companies and groups across the EU, including listed companies and some unlisted companies (e.g. banks, insurance companies and other companies) that were designated by Member States because of their activities, size or number of employees. This way, the Directive strikes a fine balance between reaping the benefits of enhanced transparency while avoiding any undue administrative burden, in particular for smaller companies.

## **What has been the approach to disclosures related to conflict minerals? Why is this important?**

Under these guidelines, companies in the scope of the Directive are expected to disclose relevant information on the performance of their policies and practices related to conflict minerals due diligence, notably by using performance indicators. Disclosures should be consistent with the OECD Due diligence Guidance for Responsible Supply Chains from Conflict-Affected and High Risk areas including its supplements.

Such disclosure will increase transparency, allowing for shareholder and public scrutiny of company practices in this field. This will bring us one step closer to breaking the link between conflict and the trade in minerals, and will contribute to the development of conflict affected areas by ensuring they truly benefit from their natural mineral resources.

To avoid creating an undue administrative burden, enterprises will be able to assess the relevance and proportionality of the expected information in their specific business context and take it into account when disclosing due diligence information. Moreover, the Commission encourages companies to disclose relevant information in a way appropriate to their own circumstances, sector and size.

## **Is the issue of business and human rights addressed in the guidelines?**

Yes. The guidelines propose that companies disclose material information on potential and actual impacts of their business on human rights.

The guidelines further suggest companies to express their commitment to respecting human rights. Companies should consider making material disclosures on human rights due diligence, and on processes and arrangements implemented to prevent human rights abuses.

According to the guidelines, material disclosures may reflect how a company approaches, among others, the Guiding Principles on Business and Human Rights implementing the UN 'Protect, Respect and Remedy' Framework.

## **Are the conclusions of the UN COP21 Paris Climate Agreement reflected in the guidelines?**

Yes. Both the Directive and the guidelines contribute to implementing the [Paris Climate Agreement](#). Greater, more useful and relevant transparency is

expected to lead to financial flows more consistently with a pathway towards a major reduction of greenhouse gas emissions and climate-resilient growth and jobs.

The guidelines propose that any company should disclose relevant information on the actual and potential impacts of its operations on the environment, and on how current and foreseeable environmental matters may affect the company.

### **How do the guidelines relate to the UN Sustainable Development Goals (SDGs)?**

The General Assembly of the [United Nations adopted the SDGs](#) in September 2015, and the European Commission responded with the publication of its Communication on 'The next steps for a sustainable European future' on 22 November 2016 Building on the disclosure requirements of the Directive, the proposed guidelines make an important contribution towards the Sustainable Development Goals.

### **How do the non-binding guidelines relate to other reporting initiatives?**

The Directive and the guidelines cover material information on environmental and social matters in a broad way. Other initiatives may focus on specific thematic issues, or may have a different approach to disclosures, for instance, be more detailed and prescriptive, rely less on materiality of information, or target specifically the interaction between financial and non-financial information. In most cases, the frameworks that a company may use are complementary. Companies decide on what broadly-recognised framework(s) they would rely on.

The Financial Stability Board (FSB) established in December 2015 an industry-led Task Force to develop recommendations for voluntary climate-related financial disclosures. The Task Force published draft recommendations on 14 December 2016 for public consultation. The final report will be presented to the G20 Summit on 7-8 July 2017. Its recommendations are voluntary and focus on climate-related financial disclosure. The work of the Task Force has been monitored closely by the Commission and taken into account, as far as possible, in the guidelines. In contrast, the Directive sets out mandatory disclosures in a non-prescriptive manner, across all material environmental and social aspects.

Integrated reporting refers to the integration by companies of financial, environmental, social and other information in a comprehensive and coherent manner. Neither the Directive nor the guidelines require companies to comply with integrated reporting.

The Commission is monitoring with great interest the evolution of relevant reporting initiatives in the EU and globally.

### **What is the connection with the Commission's High-Level Expert Group on sustainable finance?**

The Commission established in December 2016 a High-Level Expert Group on Sustainable Finance. The group will publish its recommendations for an overarching and comprehensive EU strategy on sustainable finance by December

2017.

Transparency and non-financial disclosures are included in the mandate of the High-Level Expert Group on Sustainable Finance, which has been included in the public consultation process leading to the proposed guidelines.

### **For More Information**

[Directive on 2014/95/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups](#)

General information on [non-financial reporting](#)

Information on [Sustainable Finance and the High-Level Expert Group on Sustainable Finance](#)

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## **Rapport: Montée du protectionnisme: l'UE réussit à faire tomber des barrières**

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## Report: Protectionism on the Rise, EU Successful in Countering Barriers

European exporters reported a 10% increase in the number of trade barriers they encountered in 2016 alone. 372 such barriers were in place at the end of last year in over 50 trade destinations across the world. The 36 obstacles created in 2016 could affect EU exports that are currently worth around €27 billion.

According to the Report on Trade and Investment Barriers released today by the European Commission, thanks to its effective Market Access Strategy, the Commission succeeded last year in removing as many as 20 different obstacles hindering European exports.

Commenting on the report, EU Trade Commissioner Cecilia **Malmström** said: *"We clearly see that the scourge of protectionism is on the rise. It affects European firms and their workers. It is worrying that G20 countries are maintaining the highest number of trade barriers. At the upcoming G20 summit in Hamburg, the EU will urge leaders to walk the talk and resist protectionism. Europe will not stand idly by and will not hesitate to use the tools at hand when countries don't play by the rules."*

The Trade and Investment Barriers Reports are published annually since the beginning of the 2008 economic crisis. This year's edition is fully based on concrete complaints received by the Commission from European companies. They concern a wide range of products covering everything from agri-food to shipbuilding industries.

G20 members figure prominently among countries having created the highest number of import obstacles. Russia, Brazil, China and India top the list. Most of the new protectionist measures reported in 2016 appeared also in Russia and India, followed by Switzerland, China, Algeria and Egypt.

The Commission strongly defends European businesses against rising protectionist tendencies. Its efforts brought tangible results in 2016. The Commission managed to restore normal trading conditions in 20 various cases affecting EU exports worth €4.2 billion. South Korea, China, Israel and Ukraine top the list of countries where the EU succeeded in tackling barriers.

The EU food and drink, automotive and cosmetics sectors are those who benefited the most from the recent EU action. To give a few examples, following an EU intervention, China suspended labelling requirements that

would otherwise affect the €680 million-worth EU cosmetics exports; Korea agreed to bring its rules for the size of car seats in line with international rules and Israel enabled companies from the whole of the EU to request market authorisation and export their pharmaceutical products.

All this was made possible thanks to the effective cooperation between the Commission, EU Member States and European business representatives through the EU Market Access Strategy and improved relations with trading partners under the recent EU's trade agreements.

The Market Access Strategy is a pivotal part of the EU's efforts to create the best possible conditions for European firms to export around the world and to ensure an effective enforcement of international trade rules.

The measures targeted in the report do not cover the trade defence measures. Anti-dumping or anti-subsidy duties, imposed in line with WTO requirements, are tools that serve to restore fair trading conditions. They are used by the EU and many of its partners to ensure a level-playing field.

#### **For More Information**

[Commission report on trade and investment barriers](#)

[Market Access Strategy](#)

[2016 success stories](#)

[Trade barriers complaints register](#)

[Factsheet](#)

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## **Commission takes further steps to enhance business transparency on social and environmental matters**

**The Commission has today adopted guidelines on the disclosure of environmental and social information. These guidelines will help companies to disclose relevant non-financial information in a consistent and more comparable manner. The aim is to boost corporate transparency and performance, as well as encourage companies to embrace a more sustainable approach.**

The new guidelines will support companies in fulfilling their reporting obligations under current non-financial disclosure requirements and will promote smart company reporting. Transparent companies perform better over time, enjoy lower financing costs, attract and retain talented employees and



are ultimately more successful. Well-informed business and investment decisions have much better chances to succeed.

Appropriate non-financial disclosure is also an essential element to enable sustainable finance. This builds on the Commission's goal to develop an overarching and comprehensive EU strategy on sustainable finance as part of the Capital Markets Union.

Valdis **Dombrovskis**, Vice-President responsible for Euro and Social Dialogue, Financial Stability, Financial Services and Capital Market Union, said: *"Europe needs to take the lead in making economies greener and more sustainable. This is why we are today proposing flexible guidelines to boost corporate transparency across all sectors. By providing relevant information on their environmental and social credentials, companies are doing themselves a favour and helping their investors, lenders and society at large."*

The adoption of today's guidelines will supplement the already existing EU rules on non-financial reporting ([Directive 2014/95/EU](#)). Companies falling within its scope have to disclose relevant information on policies, risks and results as regards environmental matters, social and employee-related aspects, as well as respect for human rights, anti-corruption and bribery issues, and diversity on the boards of directors.

The proposed guidelines reflect current best practices and most recent developments including lessons from the [UN Sustainable Development Goals](#), the [Paris Climate Agreement](#), the industry-led [Task Force on climate-related financial disclosures set up by the Financial Stability Board](#), and the on-going work of the [High-Level Group on Sustainable Finance](#) established by the European Commission in the context of the [Capital Markets Union](#) initiative. The guidelines are voluntary and do not extend the scope of current rules in any way. Nor do they add undue administrative burden.

However, all companies preparing a non-financial statement can rely on the guidelines, if they so choose.

## **Background**

The EU Directive on disclosure of non-financial and diversity information by certain large undertakings and groups (2014/95/EU) entered into force on 6 December 2014. The companies concerned disclose the relevant will have to apply the Directive as of 2018, on information relating to the 2017 financial year. The deadline for transposition into national legislation by Member States was 6 December 2016.

Greater transparency is expected to make companies more resilient and perform better, both in financial and non-financial terms. Over time this will lead to more robust growth and employment and increased trust among stakeholders, including investors and consumers. Transparent business is also consistent with longer-term investment as reflected in the [impact assessment of the Directive 2014/95/EU](#).

The disclosure requirements for non-financial information apply to certain

large companies with more than 500 employees. This approach keeps the administrative burden to a minimum. The Directive also gives companies significant flexibility to disclose relevant information in the way that they consider most useful, including in a separate report. Costs for companies associated with the Directive are commensurate with the value and usefulness of the information, and with the size and complexity of their business.

**More information:**

- [Directive on 2014/95/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups](#)
- General information on [non-financial reporting](#)
- Information on [Sustainable Finance and the High-Level Expert Group on Sustainable Finance](#)